



SANDALS WHITEHOUSE FORENSIC AUDIT REPORT

AUGUST 2006

REPORT ON THE
SANDALS WHITEHOUSE HOTEL

AUDIT TEAM *

Mr. Desmond Hayle, Architect	Chairman
Mr. Robert Wan, Quantity Surveyor	Member
Mr. Calvin Roach, Quantity Surveyor	Member
Ms. Grace Ashley, Engineer	Member
Dr. Allan G. Kirton, C.D., Former Permanent Secretary	Member/Secretary

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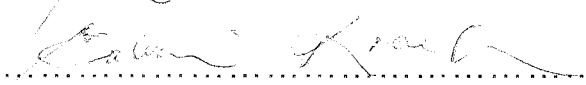
Mrs. Sybil Pitter

*Appointed by the then Prime Minister The Most Hon. Percival James Patterson ON, PC, QC, MP on November 10th, 2005.

The Report of the Audit Team is attached.

Signed: 
Chairman – Desmond Hayle

Signed: 
Member – Robert Wan

Signed: 
Member – Calvin Roach

Signed: 
Member – Grace Ashley

Signed: 
Member/Secretary – Dr. Allan Kirton, C.D.

Date: 22 AUGUST 2006

SANDALS WHITEHOUSE PROJECT FORENSIC AUDIT REPORT

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**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 1

INTRODUCTION

INTRODUCTION

1.1 PREAMBLE

In 1989 the Urban Development Corporation (UDC) was requested to prepare the South West Coast Development Plan, which was finally approved by Cabinet in 1996. In this Plan, land owned by the UDC at Ackendown in the parish of Westmoreland, was zoned for hotel development.

So as to accelerate development and as part of the Regional Development Strategy, the UDC in 1990 sold 287 acres of its Ackendown property to Gorstew Limited for the purpose of constructing and establishing a resort hotel facility comprising a 200 – 300 room hotel together with attendant recreational facilities.

With working drawings completed, Gorstew broke ground in October 1998 for the construction of a 273 room hotel intended to mirror the recently completed Beaches Hotel in Negril. Work was carried out on the infrastructure and the project was aborted in December 1998 due to the inability of Gorstew to finance the project at that time.

The cessation of activities of this development was a considerable set back to the Private Sector led Tourism Economic Policy that the Government was pursuing and some method had to be devised to move the development forward.

Consequently the Government of Jamaica, determined to influence the initiation of development on the South West Coast, mandated the UDC to actively pursue this objective.

The UDC had undertaken similar “seeding” projects in Ocho Rios and Negril and therefore had the capability to spearhead this project. Gorstew Limited as the initial

designers and proposed operators of the aborted hotel development, was approached by the UDC in 1999 with a view to forming a Joint Venture partnership to complete the hotel development.

The National Investment Bank of Jamaica (NIBJ) was requested to assist in providing funding for the project.

A Joint Venture Company, Ackendown Newtown Development Company was conceptualized in 2000, with the main shareholders being UDC, Gorstew Ltd. and NIBJ.

The Joint Venture arrangements set out in the Heads of Agreement between the three parties called on them to *“work together in the planning, design, financing, development, construction and equipping of a first-class four-star-all-inclusive family hotel of 360 guestroom keys to be located at Whitehouse”*.

The initial Project budget was set at Sixty Million Dollars (US\$60M) and construction was slated to commence in July 2001 with completion targeted for December 2002.

In order to meet the tight time frame set out for the development, the basic design concept for the room blocks of the aborted hotel was retained, as well as some of the consultants. The tunnel form of construction was chosen along with the contractor. The rest of the design and construction team came onboard with designs and construction going hand in hand for a fast track project.

The project however, was not completed until February 2005 and at an estimated cost of US\$110M. The level of the overruns became a national issue, the subject of a Ministry Paper from the Prime Minister, as well as questions to the Prime Minister who responded. There was also a lively debate involving the Leader of the Opposition and other members of the Opposition. Following much public discussion, the House of Representatives approved a resolution on October 25, 2005, for the Honourable Prime Minister to engage the services of a team of independent building consultants and

quantity surveyors to undertake a thorough forensic audit of the Sandals Whitehouse Project from inception to completion, and to report their findings to Parliament.

The Terms of Reference of the Audit Team are:

- Review all contract documentation including the Methodology of Selection and the Contract provisions.
- Review the Impact of External Influences on project.
- Review Standard of Completed Hotel vs. Benchmarked Hotels and Hotel facilities.
- Review Specific Mechanical and Engineering Standards.
- Review Project Costs and Final Accounts
- Review the Performance of Contracted Parties.
- Review the quality of the final product and value of the completed project.

An initial Audit team was appointed in November 2005. However, consequent upon the resignation of the chairman, Mr. Donald Mullings, a new chairman was appointed in December 2005.

The Audit Team appointed consists of:

Mr. Desmond Hayle, Architect	Chairman
Mr. Robert Wan, Quantity Surveyor	Member
Mr. Calvin Roach, Quantity Surveyor	Member
Ms. Grace Ashley, Engineer	Member
Dr. Allan G. Kirton, C.D., Former Permanent Secretary	Member/Secretary

The following members of the Secretariat were assigned to the Team:

Mrs. Karen Jones-Walter

Mrs. Sybil Pitter

The Team commenced its work on January 17, 2006.

1.2 METHODOLOGY

The Sandals Whitehouse Hotel Project is a multifaceted project involving the development of a major tourism plant and facilities in a relatively remote part of the island. As such it led to many challenges not normally encountered in areas with a certain minimum amount of infrastructural and other existing development taking place.

An examination of the Public Debate, including a very extensive Parliamentary Debate, which took place in the House of Representatives between May 10, 2005 to October 25, 2005, alleged that there were many major problems with the project:

- Tremendous costs overruns
- An inordinately long construction period
- Improper contractual arrangements
- Management /Accountability deficits.

The members of the Audit Team had to acquaint themselves with the Parliamentary debates, as well as the Public debates that were raging on these issues, as well as examine in detail the various selected documents that had to do with the Project.

These documents were produced by the many Institutions that had to deal in some way or another with this project.

These Institutions included, the Urban Development Corporation (UDC), National Investment Bank of Jamaica (NIBJ) and Gorstew, which together formed the Project Company, Ackendown Newtown Development Company (ANDCO).

The Team in its attempt to obtain a clear understanding of what was the true situation, carried out interviews with the main players and requested documentation/information from the relevant institutions.

In this connection we were guided by paragraphs 2, 3, 6, 7 of letter No. 010213 dated

November 16, 2005 from the Hon. B. St. Michael Hylton, Solicitor General, and we quote the relevant paragraphs here for easy reference, while the entire letter can be found at **Appendix 1-1**

- “2. *The Audit Team is composed of persons with technical expertise in various areas relating to construction and it is being asked to prepare what is, in effect, an expert report as to what did or did not go wrong in the Whitehouse project. The Audit Team will not determine what rights or liabilities result. If there are factual disputes (for example, as to who said what) the Audit Team will not be asked to resolve them.*

3. *The court, on the other hand, has no technical expertise in these areas. It will call on technical persons to give their opinion and then make determinations as to facts and as to rights and liabilities. It would be quite usual in a case like this for the parties to retain the services of technical experts such as members of the Audit Team to consider and render reports on the issues which arise in the suit. In fact, very often the court finds such reports to be of significant assistance*

6. *A major issue will be the procedure to be followed by the Audit Team in carrying out their mandate. It is important to note at the outset that you are not a commission of enquiry or even arbitrators. You cannot require anyone to attend or to produce documents and you cannot take sworn evidence.*

7. *Generally speaking, the appropriate procedure will be to invite the relevant parties to send you copies of the relevant documents and to submit any written representations they may wish to make. If any of the parties wish to meet with the Audit Team and make representations, that could also be facilitated”.*

A list showing the persons interviewed along with their official positions is attached in **Appendix 1-2**

Additionally we also present a list of Institutions, which were kind enough to submit documents. (**Appendix 1-3**)

Generally speaking, the Institutions listed were all cooperative. Some responded immediately to our request while others produced the documents requested late or not at all. This hindered the work of the Team somewhat.

The Interviews were quite frank and informative and members of the Team asked as many questions as they wished, which were all responded to, and while there was no official cross examination, the answers obtained suggested that the questions asked by the Team were quite probing.

The Gorstew Team however, while being cooperative, were under some legal guidance from their Attorneys, and had to consult with them on the telephone during their interviews with us on March 28, 2006.

Records were made of all the interviews with the exception of that with the Gorstew representatives, who specifically requested that their interview be not recorded.

All interviews, however, were carried out in a professional and amicable atmosphere.

In addition to the interviews and examination of the multiplicity of documents received, the Audit Team made an inspection visit to Sandals Whitehouse, to examine its physical features, as well as its modus operandi.

The Audit Team then visited Beaches Negril, one of the benchmark hotels, and also the nearby Sandals Negril to observe the physical and other features of this "Sandals" as distinct from a "Beaches" hotel.

The Team also visited Beaches Turks and Caicos (TCI) to observe and investigate its finishes, particularly the French Village, which was another of the benchmarks referred to in the construction of Sandals Whitehouse.

It should be noted that the Audit team is not a Commission of enquiry and cannot demand documents or the presence of persons at interviews. In addition, the Audit Team members are all otherwise employed and could not work on the project full time. The team spent approximately 500 hours in formal meetings and a similar time outside meetings reviewing documents and drafting reports.

1.3 TIME LINE (BACKGROUND)

In looking at how the Project unfolded from inception to completion, the Forensic Team developed a time line from information received. The salient points are highlighted overleaf.

SANDALS WHITEHOUSE AUDIT TEAM TIME-LINE

1989	UDC mandated to prepare South West Coast Development Plan
1990-91	UDC sold 287 acres of Ackendown to Gorstew Ltd.
1991-92	Proposed Hotel Construction by Gorstew Ltd.
1996	South West Coast Development Plan approved by Cabinet
1998 August	Caribbean Construction Company started construction on 273 room hotel.
1998, Oct. 27	Gorstew Ltd. broke ground – external infrastructure done on a 273 room hotel.
1998, Dec.	Work aborted.
1999	The Contractor General Act (1983) was amended to establish the National Contracts Commission (NCC)
1999	UDC talked with Gorstew Ltd. with a view of carrying forward construction.
2000 March	Ashtrom approached by UDC to build Hotel Project.
2000 May	Approved schematic design and space allocation prepared by Sant Associates.
2000 May	Budget US\$86M based on Beaches Negril concept
2000, August 31	Ashtrom's proposal to UDC.
2001 Jan.	Goldson Barrett Johnson (GBJ) indicated they were instructed to reduce budget to US\$60M and their only option was to reduce the elemental rates.
2001 March	UDC in negotiations with Nevalco Consultants.
2001 March	Negotiations with Ashtrom Building Systems, who would work with Architects Graham Sant of Sant Associates
2001 May	Contracts Award Procedures were published – Interim Guideline for Public Sector Procurement.
2001 May	Implementation Limited appointed to represent Gorstew Ltd.

2001 July 2	Heads of Agreement signed for Limited Liability Company Ackendown Newtown Development Ltd. with UDC, NIBJ, Gorstew Ltd.
2001 July 18	Ackendown Newtown Development Company Ltd. (ANDCO) incorporated
2001 August	The UDC Sector Committee and a register of Approved Public Sector Contractors were established.
2001 Sept. 5	UDC/Nevalco First Monthly Report
2001 Oct. 1	First Board Meeting - Ackendown Newtown Development Company Limited. (Ackendown Newtown)
2001 Nov. 1	Ackendown Newtown officially engaged UDC to commence work as project managers.
2001 Nov. 1	Official start date of Ashtrom contract.
2001 Dec.	Bill of Quantities prepared.
2001 Dec. 12	Architectural drawings for guestrooms in the three villages issued.
2001 Dec. 13	Contract signed Newtown/UDC for project manager services (Commenced Nov. 1, 2001)
2001 Dec. 13	Detailed drawings for public areas from Architect received.
2001 Dec. 13	All funds required as capital injection for project not in place (No contribution by Gorstew Ltd.).
2001 Dec. 13	Additional space of 15,000 sq.ft. identified for Central Facilities/Public areas.
2001 Dec, 13	Addition to budget of US\$2.5M identified at working session meeting in Miami.
2002 Jan. 3-4	Meeting at Sandals Royal Caribbean with Alston Stewart, Graham Sant, Brian Goldson, Dennis Robinson and Jeremy Brown, to discuss budget.
2002 Feb. 15	Contract signed Newtown/Ashtrom.
2002 Feb. 15	No building work started on site.

2002 March	Changes in building area
2002 May 1	Discussions re project budget US\$60M/US\$70M at Board meeting.
2002 May 1	Six months into project Ashtrom had changed three (3) Project Managers.
2002 May	Project Manager/Implementation expressed concerns as to slow progress of work of contractor and poor quality of material.
2002 May 29-30	Meeting held Hotel Purveyors Inc (HPI) design office in Miami discussed development budget and interior design specifications for guestrooms and central facilities
2002 June 1	Contract signed UDC/Nevalco
2002 June	Construction cost revised to US\$48M up from US\$40M.
2002 Sept. 12	Change of name discussed and agreed. No additional cost. Sandals property required no inter-connecting doors. Original drawings Beaches showed no inter-connecting door – hence not much savings.
2002 Sept. 12	Ashtrom submitted claim for extension of time 5 ¼ months – delay in construction of Central Facilities. Gorstew complained slow progress of work.
2002 Sept. 12	Designs for Pools recently provided.
2002 Sept.	Gorstew/Implementation Ltd. expressed concern on slow progress – consultant's performance not very good.
2002 Sept.	Final architectural drawings for central facilities issued.
2002 Oct 7/Nov 15	Final interior design drawings stamped for construction were issued for all areas, including public areas.
2002 Oct. 7	Fire Department stamped approval.
2002 Nov.	Mr. Basil Nelson of Basil Nelson & Associates Ltd. (BNA), Electrical Consultants, minimal involvement with project
2002 Dec. 12	Hardie & Kossally M&E contract terminated – Consultant not meeting deadlines

2002 Dec. 12	Completion date revised (from Sept. 2003) to January 29, 2004, extension of time to Contractor.
2002 Dec. 12	NEPA's approval received – Parish Council fees waived.
2002 Dec. 12	Contractor still under-performing (Ackendown/UDC were contributing to delay.)
2003 Feb. 4	Letter from Westmoreland Parish Council advising that application approved subject to the payment of Ja\$900,000 to the Parish Council
2003 March	Central Facilities incorporated in Bills of Quantities. (Did not reflect much changes to room blocks).
2003 March 6	Building Plan approved by the Westmoreland Parish Council.
2003 March 13	Ashtrom co-coordinating M&E drawings - would be ready by mid-May 2003.
2003 March	Project Manager instructed Ashtrom to omit Reverse Osmosis (RO) Plant.
2003 March 13	Late /partial payments affecting performance of contractor.
2003 March 13	Contractor submitted Claim for 10 months extension.
2003 March 13	Shareholders meeting 28/2/03 project cost was US \$70M.
2003 March 13	Consultant study/analysis recommended a management plan for Crocodiles cost US\$7,200.
2003 March	Nevalco's Report, February 2003 indicated problems with contractors/consultants – late payments etc.
2003 March	Shareholders agreement and Lease revised. Shareholders needed to inject final portion of their capital.
2003 May 28.	Furniture, Fixtures and Equipment (FF&E) for central facilities not ordered – however quotations received for guest rooms.
2003 May 28	New completion date April 2004.
2003 May 28	Soft opening planned for summer 2004 – Operators advised looking at bookings for September 2004.)

2003 May 28 Work on site intensified. New management in place – contractor more organized and more cooperative - 40% of work completed.

2003 May 28 Contractor performance improved significantly.

2003 May 28 FF&E – specifications for guest rooms in both hard copy and electronic versions were in place. Central Facilities specifications were not received in digitized format.

2003 May 28 Chairman of ANDCO indicated FF&E purchases required advertising locally.

2003 May 28 Hotel Incentives signed by Tourism Minister. Final Order to be completed in three months.

2003 May 28 NWC refund Ja\$13M – adequate water supply being gravity fed.

2003 July 10 Quantity Surveyor's Report attached to Project Manager's Report confirmed no increase in development budget of US\$70M.

2003 Oct. 30 Project "reasonably on track", FF&E still not ordered - critical.

2003 Oct. 30 Revised Shareholders Agreement presented for execution. (Disbursing of BNS loan of US\$25M could not be utilized).

2003 Oct. 30 Gorstew's balance of US\$700,000 for capital injection still outstanding.

2003 Oct. 30 Mechanical and Electrical Engineering designs basically prepared.

2003 Oct. Basil Nelson, (BNA), seriously involved with project. (M&E designs were well advanced. *Central Energy System relocated*)

2004 May M&E Site Engineer died.

2004 Oct. BNA assumed responsibility for Site Engineer services

2004 Oct./Nov. ANDCO Board advised of cost overrun.

2004 Nov. Mr. Christopher Shaw involved in project full time – responsible to make onsite decisions.

2004 Dec. Sample Room was available up to that time.

2005 Jan. 4 No Ackendown Newtown Development Board Meetings held between October 20, 2003 and January 3, 2005.

- 2005 Jan. .4 The status of the project was as follows:
- Staff Accommodation - staff were in residence.
 - Room Blocks - completed. FF&E were being installed.
 - Back-of-House - cooking taking place in kitchen.
 - Laundry - ready to be handed over except for flat iron to be delivered by ATL.
 - Utility Building - up and running.
- 2005 Jan. 4 There was 39 containers on the wharf – cheques received to clear fifteen of them.
- 2005 Jan. 4 Chairman of ANDCO indicated project cost was showing an overrun of US\$15M.
- 2005 Jan. 4. ANDCO Board approved execution of Promissory Notes approximately US\$43M.
- 2005 Feb. 10 Start of Hotel operation.
- 2005 July 15 Implementation Limited sought permission to construct wedding gazebos.
- 2005 July 15 Gorstew Ltd. sublet to Sandals Whitehouse Management Limited effective date of lease July 1, 2005.
- 2005 July 15 Hon. Noel Hylton appointed Facilitator to assist in arriving at an agreement on how the cost overruns would be apportioned.
- .
- 2005 July 15 Mr. Zacca of Gorstew Ltd., reported hotel was “*fully licensed and operational*”.

- 2005 Nov. 4 A Technical Team met November 3, 2005 to identify defects to be corrected by Ashtrom. Defects amounted to approximately US\$1M. Main defects were furniture and sewage tanks.
- 2005 Nov. 4 Funding of Project – budgeted at US\$73.5M now totalled US\$112M representing an overrun of \$39M.
- 2005 Nov. 4 No representatives from Gorstew Ltd. attended November Board meeting of ANDCO.
- 2005 Dec. 1 Gorstew’s two Directors on the ANDCO Board resigned.
- 2005 Dec. 1 Mr. Gary Peart appointed as a member of the Board of Directors
- 2005 Dec. 1 Gorstew filed law suit against Ackendown Newtown Development Company.
- 2005 Dec. 1 Correspondence sent to Contractor advising that retention would be withheld until all items on defects listed were corrected.
- 2005 Dec. 1 Arrangements made to repair furniture, some of which were warping and peeling – stalled because of unavailability of rooms due to high occupancy.

1.3.1 HEADS OF AGREEMENT OF JOINT VENTURE (UDC/NIBJ/GORSTEW)

The Joint Venture parties consisting of UDC, Gorstew Ltd., and the National Investment Bank of Jamaica (NIBJ) decided in 2000 to proceed with a development and initiated the legal process towards the establishment of Ackendown Newtown Development Company (The Joint Venture Company).

The feature of the Joint Venture arrangements set out in the Heads of Agreement (**Appendix 1-4**) between Gorstew, UDC and NIBJ called on them *“to work together in the planning design, financing, development, construction and equipping of a first-class four-star-all-inclusive family hotel of 360 guestroom keys to be located at Whitehouse in the Parish of Westmoreland”*.

The Joint Venture Company was subsequently incorporated as Ackendown Newtown Development Company Limited (ANDCO) and details of the agreement are recorded in Articles 1 – 22 of the Heads of Agreement and deals inter-alia with:

- The timing and transfer of land from Gorstew to Newtown;
- Negotiation of loan financing on behalf of Newtown;
- The cost of the project;
- The treatment of overruns;
- The funding of construction costs;
- The timing of capital injection;
- Special arrangements regarding Gorstew’s equity position;
- UDC’s role as Project Manager;
- Issues relating to design and design-brief of the hotel and the stipulation that the facilities must be approved by the UDC and Gorstew, prior to the commencement of the project.

- Lease of hotel to Gorstew;

This document along with the Articles of Association and Memorandum of Association are very critical to the analysis of this project and will be referred to from time to time.

1.3.2 TECHNICAL SERVICES AGREEMENT (ACKENDOWN / GORSTEW)

Additionally the Technical Services Agreement at **Appendix 1-5**, seeks to ensure that coordination in the building of the Hotel according to the wishes and understanding of both the owner and the operator as stated in the quotation from the "Recitals" on page 3 of the Agreement as follows:

"A. WHEREAS, the Owner intends to plan, design, construct, furnish and equip a first class, 4-star, all-inclusive family hotel comprising three hundred and sixty (360) guestrooms keys, including forty-eight (48) honeymoon junior suites and thirty-two (32) one-bedroom suites, conference facilities, public and back-of-house areas, fitness spa, retail areas and other amenities and staff accommodation (hereinafter referred to as the "Hotel") located at Whitehouse, Westmoreland, Jamaica (hereinafter referred to as the "Site") at its sole cost and expenses; and

B. WHEREAS, by separate written Lease Agreement, the Owner (hereinafter referred to as the Lessor Company) and Gorstew Limited and or its nominee, (Hereinafter referred to as the Lessee Company), have agreed to a lease of the Hotel for an initial period of five (5) years with three options to renew for further terms of five (5) years each.

C. WHEREAS, the Owner and Lessee intend that the Hotel will be planned, designed, constructed, furnished and equipped to meet the Standards agreed and in accordance with the time schedules and Design Documents approved by Gorstew Ltd. prior to the commencement of construction; and

D WHEREAS, the Owner desires to retain the Lessee to provide certain technical services during the course of the Project, and the Lessee desires to provide such technical services on the Owner's behalf upon ten-ns and conditions set forth in this agreement”.

It is clear that this arrangement through the Technical Services Agreement given the fact that all designs were not ready prior to the start of the project, allowed for differences of opinion between the Owner and the Lessee regarding the quality and hence the cost of materials to be used, the interpretation of the scope of certain works and the final design of certain aspects of the Project.

These will also be discussed later in relation to the significant increases in the budgeted cost of the project. Details of the project cost and final accounts are outlined in chapter 6 of this Report.

The selection of all the consultants/contractors is addressed in section 2, and their performance reviewed in section 7.

Section 3 looks at external factors that influenced the construction of the Hotel and an extensive comparison of the Sandals Whitehouse Hotel vis-à-vis the benchmark hotels, is done in section 4.

The report reviews specific mechanical and engineering standards in section 5 and looks at the value of the completed Hotel in section 8.

Our conclusions are outlined in the final section.

**SANDALS WHITEHOUSE
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SECTION 2

**REVIEW OF CONTRACTION
DOCUMENTATION**

SECTION 2

REVIEW OF CONTRACT DOCUMENTATION

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REVIEW OF CONTRACT DOCUMENTATION

2.1 OVERVIEW

The Urban Development Corporation (UDC) was given the mandate to plan the development of the South West Coast of Jamaica for Tourism. In order to encourage development in the area, the UDC sold lands to Gorstew Limited to construct and establish a resort hotel facility comprising 200-300 rooms together with attendant recreational facilities to be completed by 30th November 1992.

Gorstew Limited engaged Architects Design Collaborative Ltd and Engineers Jentech Ltd to design the proposed development and It was not until 1998, with completed working drawings that Gorstew broke ground for the construction of a 273 room hotel to mirror the recently completed Beaches resort in Negril.

Work was carried out on the infrastructure by contractor Caribbean Construction Co. Ltd and the project was aborted shortly thereafter due to the inability of Gorstew to finance the project. The Government of Jamaica in its determination to pursue the South West Coast development mandated the UDC to devise a method to move the development forward.

2.2 JOINT VENTURE PROJECT

Since Gorstew Limited had a planned hotel development in the area which was aborted, the UDC approached Gorstew Limited in 1999 with a view to forming a Joint Venture partnership to complete the development of the hotel.

This Joint Venture partnership included the UDC, Gorstew Limited and the National Investment Bank of Jamaica.

The Joint Venture arrangements as set out in the Heads of Agreement between the

three partners indicated that they work together in the planning, design, financing, development, construction and equipping of a first class four star all inclusive family hotel of 400 rooms (360 guest room keys) with a budget set at US\$60M and construction slated to commence in July 2001 and completion targeted for December 2002.

2.3 METHODOLOGY OF SELECTION OF CONTRACTOR AND CONSULTANTS

In order to meet the tight time frame set for the development, the basic design concept of the aborted hotel was retained, and two of the consultants, namely Jentech Consultants Ltd. & Environmental Solutions Ltd were re-engaged.

When the hotel was originally conceptualized in 1992 it was decided that the tunnel form of construction was the most appropriate methodology for the construction of the room blocks and when the project was revived in 1999 the Joint Venture Partners agreed to adopt and proceed with this concept.

The tunnel form of construction is one of the most common methods of cellular construction where a fast track method of construction is desired and the project lends itself to repetitive cellular shapes such as hotels, apartment blocks and student dormitories. The system utilizes the use of a formwork / mould to form the structural shape of the rooms which would resemble a series of tunnels stacked beside each other. Steel reinforcements would be placed between the tunnel forms and concrete poured between the voids to form the walls and roof/floor of each room. This system would enable for a faster method of construction of the room blocks structure and can result in a reduced construction frame time of up to 25%. The finishes would then have to be done in each of these tunnels to form the completed hotel rooms.

The traditional construction method practiced in Jamaica utilizes a reinforced concrete floor/roof with block and concrete walls. This method involves separate pouring of the floors/roof slab then building block and concrete walls, before proceeding with the

formwork, reinforcement and concrete for the next floor/roof slab. This usually takes a longer time for construction of the basic structure considering the hoisting and putting in place of individual building blocks and mortar rather than pouring concrete from a pump into a formwork/mould.

At the time, the contractors available locally, with the expertise and capability in tunnel form construction were Ashtrom Building Systems and Caribbean Construction Company Ltd.

2.3.1 SELECTION AND APPOINTMENT OF CONTRACTOR

The local contractor Caribbean Construction Company Ltd. (member of the Kier Group) who was involved in the construction of the aborted project and who also had the expertise and capacity to undertake this large hotel project was not approached for further involvement in the project and as such did not have the opportunity to decline consideration using their tunnel form system. This fact is confirmed by letter from Caribbean Construction Co. Ltd. to the Office of the Prime Minister dated May 31, 2005, (**Appendix 2-1**) and a letter to the Audit Team dated June 28, 2006 indicating that they would have been available and capable to undertake the project had they been invited. (**Appendix 2-2**)

The Audit Team was told by the chairman of the UDC, Dr. Vincent Lawrence that Caribbean Construction Company Ltd. was downsizing and was not interested in doing such work in Jamaica and thus the reason for not inviting them to participate.

Astrom Building Systems Ltd., the other local contractor with the requisite expertise and capabilities was approached in March 2000 by the UDC to enter into negotiations for the construction of the revived hotel project using the tunnel form system for the room blocks and pre-stressed beam sections for the central facilities.

There was no tender process for the selection of this Main Contractor in March 2000.

It should be noted that at the time of the selection of the main contractor, public/private sector joint venture companies (such as Ackendown Newtown Development Company Limited) were not then categorized as being under the jurisdiction of the National Contracts Commission (NCC).

- The Contractor General Act (1983) was amended to establish the NCC in 1999.
- The protocol for setting out the procedures for Public Contract awards procedure was published in May 2001.
- The Sector Committee and the establishment of a register of Approved Public Sector Contractors was launched July/August 2001.

As at August 2001, the Main contractor and the majority of the project team had already been selected for over a year with preparatory work and negotiations well advanced on the project.

Astrom Building Systems entered into negotiations during September 2000 to December 2001 with the appointed Quantity Surveyors Goldson Barrett Johnson to establish unit rates and a contract sum for the construction of the project.

Contract Provisions

The Conditions of Contract on which this construction contract was based was the Standard Form of Building Contract Private Edition With Quantities First Revision 1984 edition issued by the Joint Consultative Committee for the Building and Construction Industry in Jamaica with Modifications / Amendments.

The Standard Form of Building Contract as signed between Ackendown Newtown Development Company Limited and Astrom Building Systems Limited included for the Project to be designed and supervised by a named Architect employed by the Client, ANDCO, along with Engineering, Quantity Surveyors and other Consultants all employed by the Client. This form of building contract is the one traditionally used for carrying out most building construction in Jamaica. It contains provisions for adjustment

to the contract sum in the event of variations in the design or scope of work as issued by the consultants whether directly requested by the client or not and also allows for adjustments to the contract sum in the event of labour and material fluctuations.

Implementation Limited expressed their dissatisfaction with the form of contract used.

A Design / Build Contract on the other hand, is where a contractor/developer would obtain the client's brief then employ the required consultants to design the entire project as per the client's brief, then build the project according to the design produced by his consultants within an agreed fixed budget or contract sum. In a design / build contract only variations/change orders requested by the Client, which would not be covered in the original agreement or client's brief, would form the basis for adjustments to the agreed contract sum.

The formal contract between Ackendown Newtown Development Company Limited and Ashtröm Building Systems Limited was signed on February 15, 2002 in the sum of US\$40,463,456.51 for the construction of the proposed hotel development. This construction contract included for the building works, mechanical and electrical works associated with the room blocks, central facilities and external works. This sum did not include for furniture, fixtures, fittings and equipment, professional fees, application fees, legal fees and other associated costs of the development which were included in the overall budget.

The Construction Contract as signed for the sum of US\$40,463,456.51 included many sections of the work which were not completely designed. The Quantity Surveyors had to include Provisional Sums in the contract as estimates, based on their experience to represent a value for these proposed works. These works included the entire Central Facilities and back of house buildings, a major portion of the works, which when finally designed represented a significant difference in cost from the Provisional Sums included in the original contract.

2.3.2 SELECTION AND APPOINTMENT OF PROJECT MANAGER

The Joint Venture Company, Ackendown Newtown Development Company Limited appointed the Urban Development Corporation as Project Manager with full responsibility for the implementation, co-ordination and management of the project. The UDC had the experience and necessary expertise in house to handle the management of the project. The agreed sum for the provision of Project Management Services by the UDC was JA\$62,950,625.00 or US\$ 1,368,491.85 which represented 2.28% of the overall initial budget figure of US\$60.0M

In March 2000 Nevalco Consultants Limited was asked by the UDC to participate in the project as Project Managers. In March 2001 the UDC entered into negotiations with Nevalco Consultants Limited and they began to provide project management services. On June 1, 2001 Nevalco Consultants Limited was formally sub-contracted or appointed by the UDC to act on their behalf as the Project Manager's Representative to co-ordinate and oversee the day to day administration, management, control, and communication co-ordination for the execution of the project for the fixed sum of Ja\$42,000,000.00 plus reimbursable expenses. This fee represented 1.52% of the overall budget figure of US\$60.0M.

Contract Provisions

Nevalco Consultants Limited contract as UDC's representative included for the following duties:

- a) Make recommendations for the direct engagement, extension or termination of the services of any consultant or contracted party or for changing or variation of their services.
- b) Shall not without the prior written consent of the UDC give any instructions to any contracted parties which would increase the project cost or time taken to complete or procure anything that is not provided for in the Bills of Quantities for the project. The Construction Budget of US\$45.0M and FF&E Budget US\$15.0M was established in this contract.

- c) Informing the UDC promptly of anything likely to increase the project cost or the time taken to complete the project or change the financial viability or quality of the project.
- d) Manage, Monitor and co-ordinate the performance of the building contractor and consultants of their respective obligations under their respective contracts and to supervise the works on a day to day basis ensuring harmony between all parties.
- e) Ensure the project is carried out in accordance with the plans and specifications and approvals and not to permit alterations without written approval of the UDC.
- f) Attend meetings of Ackendown Newtown Board of Directors to address and advise the board of any matters in relation to the project and its general progress.
- g) Provide to the UDC written monthly reports or as frequently as may be necessary. Such reports shall include for a projected timetable for achieving the objectives of each phase of the works.

It should be noted that the division of the US\$60.0M budget as indicated in (b) above would not have accounted for professional fees, legal, financial and administration costs, land and infrastructure and other associated costs for the development.

2.4 APPOINTMENT OF CONSULTANTS

Since the establishment of the National Contracts Commission (NCC) in 1999, a register of approved public sector contractors has been established. An approved list of Consultants has not yet been established.

The Guidelines for Public Sector Procurement issued by the Ministry of Finance dated October 24, 2000 required contracts (goods, services and works) with an estimated value of JA\$4,000,000.00 and above to be referred to the NCC for review and approval through their Sector Committee.

It has been a practice by most Government departments since 2001, to invite competitive tenders for consultant services, however all consultants engaged on the

project appeared to have been selected by a non competitive process with the exception of the purchasing agent Charsal Marketing Inc. whose services were sought by competitive tender.

The Sector Committee applicable to this project was the UDC Sector Committee. This Sector Committee was only established in August 2001, therefore contracts for goods, services and works, entered into prior to August 2001 could not have been subjected to such approvals. The majority of the consultants were engaged and started working on the project prior to the publishing of the Guidelines for Public Sector Procurement in October 24, 2000, though their contracts were not signed until after May 1, 2002.

The matter of the requirements for NCC approval and Tax Compliance Certificate (TCC) certification for consultants and contractors engaged by ANDCO / UDC was discussed at ANDCO board meeting held on October 1, 2001. The chairman Dr. Vincent Lawrence indicated that this issue was raised with the NCC and it was agreed that there would be no requirement for these certification or approvals for this project.

Our examination of all consultants fee agreements/contracts indicated that they were fixed sums for the period of the construction. The agreed fees all appear to be below industry average as the consultants were all asked to make this their contribution to the "National Development" .

ARCHITECTS

2.4.1 THE DESIGN ARCHITECT

The Florida based architectural company **Sant Associates Architects** was recommended by Gorstew Limited based on the fact that they had recently completed the Beaches Turks and Caicos French Village project. The selection was agreed by the Joint Venture Company and Sant Associates was appointed January 2001 as Consultant Architect for the duration of the project.

The formal contract between Ackendown Newtown Development Company and Sant Associates was signed on June 6, 2002. The agreed fee for Pre-Contract Design Architectural services was a fixed amount of US\$885,000.00 plus expenses such as airfares, taxi and accommodation costs. This sum would represent 1.97% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

Sant Associates was engaged to provide architectural services in relation to the planning, design construction and completion of the project.

The services outlined in their contract comprise:-

Inception and Feasibility

- *Obtain information and carry out initial appraisal*
- *Assist the Company (ANDCo) in preparation of their requirements*
- *Advise on the need for specialist contractors, subcontractors and suppliers to design and execute parts of the project*
- *Prepare proposals for submission to the UDc for approvals of outline planning permission*

Outline Proposals

- *Analyse the Company's requirements; prepare outline proposals*
- *Provide design information to other consultants to develop construction budgets*
- *Prepare special presentation drawings, brochures or technical information for use of the Company or others.*

Schematic Design

- *Develop scheme design from approved outline proposals for Company's approval*
- *Provide information to discuss proposal with and incorporate input of other*

consultants into design scheme

- *Consult with the operator or tenant identified by the Company*
- *Provide all information as requested by Nevalco for the submission of planning approval*
- *Carry out special constructional research for the project*

Detail Design

- *Develop Detail design for approved scheme design*
- *Provide information to discuss proposal with and incorporate input of other consultants into detail design*
- *Obtain Company's approval of the type of construction, quality of materials and standard of workmanship*

Production Information for Bills of Quantities

- *Prepare production drawings*
- *Prepare specifications*
- *Provide information for the preparation of Bills of Quantities and / or schedule of works*
- *Review timetable for construction*

The time frame for performance of services were as follows:-

<i>Guest Rooms</i>	<i>-</i>	<i>September 15, 2001</i>
<i>Central Facilities</i>	<i>-</i>	<i>March 31, 2002</i>
<i>Support Facilities</i>	<i>-</i>	<i>March 31, 2002.</i>

The Company would engage the services of a Site Architect to establish full time representation on site. Should additional services such as Post-Contract supervision be required, the scope and fees would be determined and agreed by the Company and the Consultant.

This service was not required as the UDC engaged a separate Supervising Architect.

2.4.2 THE SUPERVISING ARCHITECT

Rivi Gardener & Associates – This local architect was appointed by the UDC on June 1, 2002. They were selected by the UDC and the formal contract between Ackendown Newtown Development Company and Rivi Gardener & Associates was not signed until November 25, 2002.

The agreed fee for Post-Contract supervision was Ja\$8,100,000.00 plus reimbursable expenses. This sum would represent 0.39% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

Rivi Gardener & Associates was engaged to provide Post-Contract supervising architectural services for the project. The contract provided for the provision of the following services:

- *Responsibility for all technical duties of the architect named in the construction contract during the construction phase. This includes monitoring of the construction work by the contractor to conform to the design and specifications and to collaborate with the design architect to provide clarifications and interpretations of designs to the contractor.*
- *Advise and make recommendations on administrative duties such as claims for extension of time, variations and costs to the Project Manager's representative (Nevalco).*
- *Interpret designs to facilitate the contractor and give instructions regarding compliance with designs*
- *Prepare and supply explanatory drawings. Additional design drawings and amendments to the design shall be done by the design architect.*
- *Visit the site as often as is necessary for the proper performance of its duties and attend all site meetings*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient*

planning, programming, execution or completion of the development or undermine the cost estimates.

- *Prepare a complete set of As-Built Drawings of the project on completion.*
- *Issue certificates of practical completion and defects liability certificate*
- *Engage an adequate number of competent and suitably qualified and experienced personnel in the performance of the services.*

On June 1, 2004 Rivi Gardener & Associates contract for post-contract Architectural Services was extended to November 2004 or the end of construction, whichever is the later. Additional fees in the amount of Ja\$3,000,000.00 was agreed for the extension.

2.4.3 THE ARCHITECT'S REPRESENTATIVE

Alfred Sharpe was appointed by the UDC in July 1, 2003. His selection was based on his local expertise as architect's representative (Clerk of Works) on projects of this nature. The formal contract between Ackendown Newtown Development Company and Alfred Sharpe was signed on July 1, 2003.

The agreed fee for Architect's Representative (Clerk of Works) was Ja\$170,000.00 per month plus reimbursable expenses for a period of 12 months.

Contract Provisions

Alfred Sharpe was engaged to provide supervising architect's representative services for the project. The contract provided for the provision of the following services:

- *Liaise closely with the Supervising Consultant Architect for the project, the contractor and with other consultants. This includes monitoring of the construction to conform to the design and specifications.*
- *Inspection of the works and materials as is necessary for the proper performance of his duties or specifically as requested by the Supervising Architect.*

- *Assist the Company in resist or persue any claims or proceedings by or against the contractor and any subcontractor or supplier.*

The Architect's Representative services was extended for an additional 11 months.

2.4.4 LANDSCAPE ARCHITECT

Witkin Design Group - A Florida based Landscape Architect firm which had provided services to a number of Sandals Resorts International properties and was engaged by the UDC to provide Landscape Architectural Services for the Beaches Whitehouse project. The contract between Ackendown Newtown Development Company Ltd and Witkin Design Group was signed May 15, 2002.

The agreed fee for Landscape Architectural Services was a fixed fee of US\$55,000.00 plus expenses for Pre and Post Contract Services. This fee would represent 0.12% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

The contract provided for the provision of the following services:

- *Provide general advise, design and supervision in respect of the Landscape Architectural aspects of the project to include :-*
- *Preparation of preliminary design, review the tree survey to identify significant vegetation and identify nursery establishment goals.*
- *Prepare a rendered master landscape/hardscape plan to include planting plans, hardscape plans, pedestrian circulation, landscaping lighting plans, site furnishings and grading plans. In addition the consultant will prepare quantity take offs to maintain the budget parameters and provide budget estimates for all items depicted and provide a preliminary plant pallet for the nursery establishment.*
- *The Landscape Architect shall assist the Company in obtaining and reviewing bids for the planting and other landscape works.*
- *Liaise closely with the Architect for the project and as necessary with the*

other consultants

- *Endeavour to maximize the cost effectiveness of the design services for the project*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient planning, programming, execution or completion of the development or undermine the cost estimates.*
- *Inspect the works and materials at three (3) site visits at intervals appropriate to the various stages of landscape construction to observe the installation of irrigation, aesthetic grading, landscape lighting, specialty paving, water features and plant materials to assure proper installation and placement.*
- *Where Specialist Consultants and / or Contractor design part or parts of the project, be responsible for ensuring that the design of such part or parts is consistent with the other parts of the project and for integrating such specialist designs into the project as a whole.*

2.4.5 CONSULTANT ADJUDICATOR

Maurice J. Stoppi was appointed by the UDC in November 1, 2001 as consultant adjudicator. His selection was based on his local expertise as Arbitrator on construction projects. The formal contract between Ackendown Newtown Development Company and Maurice J. Stoppi was signed May 1, 2002.

The agreed fee for Consultant Adjudicator was a fixed fee of Ja\$705,000.00 plus reimbursable. This fee represented 0.03% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

Maurice J. Stoppi was engaged to provide Consultant Adjudicator services for the Project. The contract provided for the provision of the following services:

- *Familiarization with construction contract and programme.*
- *Attendance of site meetings*
- *Settle all disputes.*
- *Make himself available at all reasonable times to assist the Company on any matter within the jurisdiction of the Consultant Adjudicator in any further arbitration or legal proceedings between the parties to the construction contract.*

ENGINEERS

2.4.6 STRUCTURAL

JENTECH LTD - being one of the consultants engaged on the aborted hotel project, were reappointed as Civil Structural Engineers for the new hotel project. They were appointed November 1, 2001 for the duration of the project.

The formal contract between Ackendown Newtown Development Company and Jentech Limited was not signed until May 1, 2002.

The agreed fee for pre and post-Contract Civil Structural Engineering Services was a fixed fee of Ja\$18,800,000.00 plus reimbursables. This sum would represent 0.91% of the projected Construction budget of US\$45,000,000.00.

Contract Provisions

Jentech Limited was engaged to provide full and complete Civil and Structural Engineering Services in relation to the planning, design, construction and completion of the project.

The contract included for the provision of the following services:-

Design Stage 1

- *Investigating Data and information relevant to the project.*
- *Making normal topographical survey of the proposed site which may be necessary to supplement the topographical information already available*
- *Advising on the need to carry out geotechnical investigations as necessary to supplement geotechnical information already available and arranging for such investigations.*
- *Advising the company on the accuracy / quality of submissions by the design / build contractors where the contractor is designing and building any aspect of the project. Provided it is understood that the legal responsibility for the structural integrity of such designs shall be the contractor's.*

Design Stage II

- *Preparing designs and tender drawings*
- *Advising on the appropriate conditions of contract to be incorporated in any contract between the Company and a contractor*
- *Preparing such specifications, schedules and bills of quantities as may be necessary to enable the Company to obtain tenders*
- *Advising the Company of the suitability of firms tendering and the relative merits of tender prices and estimates received for carrying out the project/*

Construction Stage

- *Provision of site staff*
- *Advising on the preparation of formal contract documents relating to accepted tenders*
- *Inspection and testing during manufacture and installation such electrical and mechanical materials, machinery and plant supplied for incorporation in the project as are usually inspected and tested by consultants*
- *Advising the company on the appointment of suitably qualified and*

experienced site staff to assist in the performance of their services

- *Preparing bar bending schedules and any further designs and drawings which may be necessary*
- *Deliver to the Company on completion of the project such records and manufacturers manuals as are necessary for the operation and maintenance of the project*
- *Prepare details for shop fabrication of ductwork, metal or plastic frame for the project*
- *Providing specialist technical advise on any abnormal aspects of the project.*

2.4.7 ELECTRICAL & MECHANICAL

Hardie & Kossally was appointed by the UDC on November 1, 2001. Their selection was based on their local expertise in Mechanical and Electrical Engineering of hotels. The formal contract between Ackendown Newtown Development Company and Hardie & Kossally Ltd. was not signed until May 15, 2002.

The agreed fee for pre and post contract M & E Engineering services was a fixed fee of Ja\$14,000,000.00 plus reimbursable expenses. This sum would represent 0.68% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

Hardie & Kossally Ltd was engaged to provide Mechanical & Electrical Engineering Services for the project. The contract provided for the provision of the following services:

- *Preliminary and final designs of the project electrical & mechanical works.*
- *Preparation of final design, working drawings and specifications for construction. This includes the preparation of Bills of Quantities for Electrical and Air Conditioning Works.*

- *Supervision of all services within scope during construction to the end of the defects liability period and provision of Resident Engineer staff for day to day supervision.*

The time frame for performance of services were as follows:-

<i>Design Stage 1</i>	<i>-</i>	<i>February 28, 2002</i>
<i>Design Stage II</i>	<i>-</i>	<i>June 30, 2002</i>
<i>Construction Stage</i>	<i>-</i>	<i>November 30, 2003.</i>

Hardie & Kossally Ltd services were terminated on December 12, 2002 for non-performance and not meeting the design time frame deadlines.

2.4.8 ASHTROM BUILDING SYSTEMS LTD

After the services of Hardie & Kossally Ltd. was terminated, the Main Contractor, Ashtrom Building Systems Ltd. was asked to complete the Electrical and Mechanical Engineering designs for the project using their own sub-consultants so as to have continuity and not incur any further delays in the completion of the project.

The Audit Team have however not seen any contract between ANDCO and Ashtrom or their sub-consultants for the provision of these services. These services have been included under the main construction contract.

It is the opinion of the Audit Team that these services should not have been included under the main construction contract but should have been addressed under the Technical Services provision in the project.

2.4.9 BASIL NELSON & ASSOCIATES

They were approached by the Project Manager in November 2001 to participate in the project, got involved minimally, then more seriously in October 2003 and was contracted

by the UDC in December 1, 2003. Their selection was based on the need for local expertise to review designs and supervise the Electrical Engineering aspects of the work. The formal contract between Ackendown Newtown Development Company and Basil Nelson & Associates was signed December 1, 2003.

The agreed fee for Supervision Electrical Engineering services was Ja\$3,200,000.00 plus reimbursable expenses. This sum would represent 0.15% of the construction budget of US\$45,000,000.00.

Contract Provisions

Basil Nelson & Associates was engaged to provide Post-Contract Electrical Engineering Services for the project. The contract provided for the provision of the following services:

- *General advise and supervision in respect of the Electrical Engineering aspects of the project.*
- *Review designs of working drawings and specifications by previous E & M engineer and advise of efficiency and cost effectiveness*
- *Review Bills of Quantities and quotations for Electrical and Air Conditioning Works and make recommendations to the Project Manager.*
- *Liaison with the Jamaica Public Service Company Limited.*
- *Design electrical system for the staff housing*
- *Design necessary additions or changes required to the Landscape Lighting*
- *Design electrical controls for back of house equipment to be supplied by Appliance Traders Ltd.*
- *Respond and clarify site queries concerning electrical design*
- *Assist the project Quantity Surveyor in preparation of Final Accounts as it relates to the Electrical Engineering aspects of the project.*

In addition to their original contract provisions they were required to provide site representation / supervision for a minimum of 3 days per week after the untimely death of the Resident Engineer - Edwin Hunter.

2.4.10 RESIDENT ENGINEER

Edwin Hunter was engaged as Resident Engineer in January 2003. The formal contract between Ackendown Newtown Development Company and Edwin Hunter was not signed until June 1, 2003.

The agreed fee for Resident Engineer was Ja\$210,000.00 per month plus reimbursable expenses for a period of 18 months.

He had responsibility for the monitoring of the electrical and mechanical works particularly the details covering specifications, methodology, construction schedule and quality control.

Contract Provisions

Edwin Hunter was engaged as Resident Engineer for the project. The contract provided for the provision of the following services:

- *Liaise closely with the Architect for the project, the contractor and with other consultants.*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient planning, programming, execution or completion of the development or undermine the cost estimates.*
- *Inspection of the works and materials as is necessary for the proper performance of his duties or specifically as requested by the Company, the contractor or any Sub-contractor or Supplier*
- *Assist the Company to resist or pursue any claims or proceedings by or against the contractor and any subcontractor or supplier*

His appointment came after Hardie & Kossally Ltd services was terminated in December 12, 2002.

2.4.11 QUANTITY SURVEYOR

Goldson Barrett Johnson was engaged as the Project Consultant Quantity Surveyor in March 2000. Their selection was based on their local expertise in Quantity Surveying and the fact that they were the Consultant Quantity Surveyors on the recently complete Beaches Negril Hotel. The formal contract between Ackendown Newtown Development Company and Goldson Barrett Johnson was not signed until February 14, 2002.

The agreed fee for pre and post-contract Consultant Quantity Surveying Services was a fixed fee of Ja\$18,800,000.00 plus reimbursables. This sum would represent 0.91% of the projected construction budget of US\$45,000,000.00.

Contract Provisions

The contract provided for the provision of the following services:

- *Preparation of cost plans based on design concepts as and when required by the Company, advise upon the comparative cost of alternative designs and methods of construction and to provide cost planning service during the preparation of drawings by the Architect / Engineer.*
- *Preparation of a fully priced copy of the Bills of Quantities before tenders are invited and preparation of tender documents based on approved design, and invite tenders.*
- *Report on tenders or negotiate with Contractor as required and make recommendations to the Company for acceptance.*
- *Preparation of valuations to make recommendation for interim payments to contractors based on measured works*
- *Preparation of periodic final cost projections.*
- *Keep a record of matters relating to cost overruns on the project*
- *Adjusting and agreeing fluctuation in cost of labour and materials*

- *Upon completion of the works prepare accounts of all variations authorized by the Company and submit a statement of final accounts showing the cumulative total of the project*

In February 2003, Goldson Barrett Johnson was asked by the UDC to provide a Resident Quantity Surveyor and their contract was subsequently amended to include accommodation for one site Quantity Surveyor as a reimbursable expense to the said contract.

Goldson Barrett Johnson subsequently negotiated additional fees in the amount of Ja\$3,000,000.00, based on the volumes of documentation relating to the numerous changes, fluctuations, extended project period, and the Contractors claims that they had to review. On June 4, 2004 their contract for Quantity Surveying Services was extended to November 2004 or the end of construction, whichever is the later. In addition an amount of Ja\$120,000.00 per month was payable for the provision of site staff for the period June 1, 2004 to November 2004.

2.4.12 COASTAL ENGINEER

Smith Warner International Limited - was engaged by the UDC in 2001 to provide Coastal Environmental Engineering Services for the project. Their formal appointment was effective on November 1, 2001 but, the contract between Ackendown Newtown Development Company Ltd and Smith Warner International Limited was not signed until June 6, 2002.

The agreed fee for Coastal Engineering Services was Ja\$855,400.00 plus expenses totaling Ja\$509,700.00. This total sum would represent 0.06% of the projected construction budget of US\$45,000,000.00.

The contract provided for the provision of the following services:

- *General advise and supervision in respect of the Coastal Environmental Engineering aspects of the project including preparation of preliminary*

designs, cost estimates and final designs after approval.

- *Design a proper swimming area for the guests of the hotel with suitable substrate material to replace the existing soft substrate in the foreshore area.*
- *Design a dock to accommodate the vessels for the hotel's water sport activities.*
- *Design a suitable barrier to separate the guests of the hotel from the crocodiles in the swimming area on Bannister Bay.*
- *Design jetty, groyne reconstruction and headland structure*
- *Endeavour to maximize the cost effectiveness of the coastal engineering aspects within the project*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient planning, programming, execution or completion of the development or undermine the cost estimates.*
- *Inspection of the works and materials as is necessary for the proper performance of his duties or specifically as requested by the Company, Contractor and any Sub-contractor or Supplier.*

This company was involved with the Environmental Impact Assessment of this site in 1997.

2.4.13 ENVIRONMENTAL MANAGERS

Environmental Solutions Limited - This company had provided Environmental Management Services on the previously aborted hotel project, they were reappointed as Environmental Managers for the new hotel project.

The formal contract between Ackendown Newtown Development Company and Environmental Solutions Limited was not signed until June 17, 2002.

The agreed fee for Environmental Management Services was a fixed fee of

Ja\$2,332,430.00 plus reimbursables. This sum would represent 0.11% of the projected construction budget of US\$45,000.000.

Contract Provisions

The contract provided for the provision of the following services:

- *Preparation of license / permit applications to NEPA including:-*
 - a) *Amendment / renewal and reassignment of existing development permit to include revised site layout plans, including building setback, landscape drawing showing protection of the beach berm by vegetation as discussed with the landscape architect, beach lighting minimized and pointing inland.*
 - b) *NRCA permit to build and license to operate redesigned sewage treatment systems (designs for systems to be first submitted to the Environmental Health Unit – Ministry of Health prior to be sent to NEPA)*
 - c) *Beach Control Authority licenses for foreshore encroachments (pier, beach clearance supported by the appropriate coastal engineering study)*
 - d) *Confirmation that the flood control works have been completed according to the approved designs and that the system is operational.*
- *Ensure that the project is constructed and operated with due regard for the environmental characteristics of the site and in full compliance with the conditions set out in the development permit issued by the NRCA including implementation of the mitigation measures specified in the EIA Report prepared by the consultant in September 1997.*
- *Liaise closely with the Architect for the project, the contractor and with other consultants.*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient planning, programming, execution or completion of the development or undermine the cost estimates.*

2.4.14 WASTE WATER TREATMENT PLANT DESIGNER

McDonald Group International Inc. - A Florida based Consultant firm in Waste Water Treatment Plant which had been providing engineering consultation services to a number of Sandals Resorts International wastewater projects was engaged by the UDC to provide Design Consultant Services for the Provision of Waste Water Treatment Plant for the Beaches Whitehouse project. The contract between Ackendown Newtown Development Company Ltd and McDonald Group International Inc. was signed November 14, 2002.

The agreed fee for Design Consultant Services for the Provision of Waste Water Treatment Plant was a fixed fee of US\$7,300.00 plus expenses. This fee would represent 0.02% of the proposed construction budget of US\$45,000,000.00.

The contract provided for the provision of the following services:

- *Prepare Engineering design drawings and specifications for Waste Water Treatment Plant for the project*
- *Liaise closely with the Architect for the project, the contractor and with other consultants.*
- *Where specialist consultants and/or contractors design part or parts of the project, be responsible for ensuring the design of such part or parts is consistent with the other parts of the project and for integrating such specialist designs into the project as a whole.*
- *Provide construction consultation services to include monitoring of the construction to conform to the design and specifications.*

2.4.15 INTERIOR DESIGNERS

Hospitality Purveyors Inc. – Was recommended by Gorstew Limited based on the fact that they had completed the interior designs on several Sandals and Beaches Hotel projects. The selection was agreed by the Joint Venture Partnership and Hospitality Purveyors Inc. was appointed January 2001 as Consultant Interior Designers for the

project.

The formal contract between Ackendown Newtown Development Company and Hospitality Purveyors Inc. was signed on July 15, 2002.

The agreed fee for Interior Design services was a fixed fee of US\$400,000.00 plus expenses. This sum would represented 0.89% of the projected construction budget of US\$45,000.000.00.

Contract Provisions

Hospitality Purveyors Inc. was engaged to provide Interior Design services in relation to the planning, design construction and completion of the project.

The services outlined in their contract comprised:-

- *DESIGN CONCEPTS - Sketches of layouts, furniture and fabric samples, colour swatches, necessary to portray concepts for preliminary review.*
- *Drawings – Furniture layouts; floor finishes including plumbing requirements; wall finishes including electrical & lighting layouts; reflected ceiling plans; typical elevations; details as required.*
- *Coordination with Mechanical & Electrical engineer – To identify electrical, air conditioning and plumbing requirements including specifications.*
- *Presentation Boards – showing construction interior design finishes and specifications and furniture & fixtures including decorative lighting designs & specifications.*
- *Model Room – Assist in the preparation of a model room*
- *Quotations – Quotations or prices for interior design finishes & furnishings and fixtures based on budgets established by the Project Manager.*
- *Control Books – control sheets showing recommended manufacturer or supplier, location corresponding to interior design drawings, specifications, samples, quotations ex factory or FOB country of supply, approximate quantities.*

- *Installation Supervision – Monitor and supervise the installation of interior finishes, furnishings and fixtures. Coordinate with the Architect, provide additional design details as necessary, provide on site representation during critical installation periods, inspect and submit detailed snag lists.*

The time frame for performance of these services was as follows;

<i>Design concepts</i>	-	<i>31 December 2001.</i>
<i>Drawings</i>	-	<i>30 June – 31 July 2002</i>
<i>Presentations Boards, Guest rooms</i>	-	<i>31 May 2002</i>
<i>Presentations Boards, Public area</i>	-	<i>31 July 2002</i>

Control Books - Guestrooms

<i>Construction related finishes</i>	-	<i>15 June, 2002</i>
<i>Furnishings etc.</i>	-	<i>31 July, 2002</i>

Control Books – Public Areas

<i>Construction related finishes</i>	-	<i>August 1 to Sept. 30, 2002</i>
<i>Furnishings etc.</i>	-	<i>Oct. 31, 2002</i>

2.4.16 CAPITAL OPTIONS LTD

Capital Options Ltd. was engaged by the UDC in April 2001 to prepare a Due Dilligence Package for the project and assist in preparing the application under the Hotel Incentives Act. Their formal appointment was effective on April 30, 2001 but, the contract between Ackendown Newtown Development Company Ltd and Capital Options Ltd was not signed until March 18, 2002.

The agreed fee for Due Dilligence Package was a fixed fee of Ja\$705,000.00 and the fee for Application under the Hotel Incentive Act was Ja\$235,000.00 plus expenses.

This total sum would represent 0.04% of the proposed construction budget of US\$45,000,000.00.

The contract provided for the provision of the following services:

- *Prepare a due diligence package for the project for the purpose of raising the required debt financing for the development to include:-*
 - a) *An evaluation of the economic and financial feasibility of the project.*
 - b) *Co-ordinate with Nevalco Consultants (Project Manager's Representative) to assign pre-financing activities for the financing phase of the project.*
 - c) *Recommending strategies to minimize risks to the project and contribute positively towards a successful project.*
- *In Conjunction with Gorstew Limited, assist in the preparation of the Application for Hotel Incentives under the Act.*

2.4.17 CHARFAL MARKETING INC.

This Florida based company was chosen by competitive tender for their services as purchasing agent for the FF&E items on the Project. They tendered against Hospitality Purveyors Inc. and won with a quote of 6.0% fee chargeable on the value of the FF&E goods delivered. This compared to the 6.5% fee plus additional cost of warehousing quoted by Hospitality Purveyors Inc.

The contract between Ackendown Newtown Development Company Ltd and Charfal Marketing Inc. was signed on July 3rd, 2003.

The contract provided for the provision of the following services:-

- *Identify and obtain quotations from suppliers for the FF&E.*
- *Negotiate with the suppliers and make reports and recommendations as to the recommended suppliers, and purchase the items.*
- *Inspect and monitor the shipment of the good to final delivery to site.*

2.4.18 AQUADYNAMICS DESIGN GROUP INC.

Aquadynamic Design group Inc. was engaged by the UDC in 2002 to provide Design Consulting Services for the provision of Pools, Spas and Fountains for the project. Their formal appointment was effective on January 6, 2002 but, the contract between Ackendown Newtown Development Company Ltd and Aquadynamics Design Group Inc. was not signed until January 6, 2003

The agreed fee for Design Consulting Services for the provision of Pools, Spas and Fountains was US\$34,500.00 plus expenses. This total sum would represent 0.08% of the proposed construction budget of US\$45,000,000.00.

The contract provided for the provision of the following services:

- *Prepare Engineering Drawings for Pools and Spas.*
- *Liaise closely with the Architect for the project and as necessary with the other consultants*
- *Endeavour to maximize the cost effectiveness of the design services for the project*

2.4.19 APPLIANCE TRADERS LIMITED

This Company was engaged by the UDC in 2001 to provide Design Consultancy Services for Food and Beverage, Laundry Equipment and Cold Dry Storage Equipment for the project. Their formal appointment was effective on November 1, 2001 but, the contract between Ackendown Newtown Development Company Ltd and Appliance Traders Limited was not signed until September 1, 2002.

The agreed fee for Design Consultancy Services for Food and Beverage, Laundry Equipment and Cold Dry Storage Equipment was a fixed fee of Ja\$3,406,500.00 plus expenses. This total sum would represent 0.16% of the proposed construction budget of US\$45,000,000.00.

As part of their bid for the the supply and installation of the Food Service, Laundry and Hot Water Equipment, this agreed fee for consultancy Services was to be considered as a rebate if they were awarded the contract. (**Appendix 2-3**)

The contract provided for the provision of the following services:

- *Provide design and consultant advisory services for Food and beverage, laundry equipment and Cold Dry Storage Equipment (inclusive of their specific ventilation, electrical and hot water / steam requirements) to include provision of CAD drawings and details, utility requirements of each area, equipment layout and specification.*
- *Liaise closely with the Architect for the project and as necessary with the other consultants*
- *Endeavour to maximize the cost effectiveness of the design services for the project*
- *Draw to the attention of the Company and other consultants any circumstances encountered or foreseen which may imperil the efficient planning, programming, execution or completion of the development or undermine the cost estimates.*
- *Where Specialist Consultants and / or Contractor design part or Parts of the project, be responsible for ensuring that the design of such part or parts is consistent with the other parts of the project and for integrating such specialist designs into the project as a whole..*

2.4.20 A.R.T. INC –

A.R.T. was contracted in May 2003 to provide Audio, Video and Lighting working plans for the entertainment systems for the project. The contract between Ackendown Newtown Development Company Ltd and A.R.T. Inc was signed May 21, 2003.

The agreed fee for Design Consultancy Services to provide Audio, Video and Lighting working plans was a fixed fee of US\$2,575.00.

This specialist consultant was contracted to provide working plans for the audio, video and lighting for the entertainment systems for the project based on the "Specialist Light and Sound Design Brief" and current Sandals Standards for these systems to include the infrastructure requirements needed to accomplish the appropriate systems.

2.5 APPOINTMENT OF SUB-CONTRACTORS

2.5.1 NOMINATED SUB-CONTRACTORS

A Nominated Sub-Contractor is a contractor selected by the Client to carry out specialist areas of work under the contract being executed by the main contractor and in this process the main contractor would be instructed to formulate a sub-contract with such a contractor.

Under normal circumstances nominated sub-contractors are selected through the provision of prime cost sums in the contract Bills of Quantities, and the main contractor may be invited to tender for such works if he has the necessary expertise in house for executing these specialist works. In the case where areas of work could not be accurately determined at contract preparation stage, provisions are made in the contract Bills of Quantities by use of provisional sums and the main contractor is usually asked to tender/quote for these works.

The nominated subcontractors identified under this project were:-

2.5.2 MILLWORK

Projex Building Materials Limited - This Tel-Aviv, Israel company was contracted in 2004 to manufacture and install millwork for the project. The Minor Works contract between Ackendown Newtown Development Company Ltd and Projex Building Materials Limited was signed November 14, 2004.

We consider this arrangement inappropriate as Projex Building Materials should have

been contracted through Ashtrom Building Systems as a Sub-Contractor and not contracted with the Client – Ackendown Newtown Development Company Ltd.

2.5.3 FOOD SERVICES, LAUNDRY AND HOT WATER EQUIPMENT

Appliance Traders Limited - Was contracted in 2004 to supply and install Food Services, Laundry and Hot Water Equipment for the project. The Minor Works contract between Ackendown Newtown Development Company Ltd and Appliance Traders Limited was signed November 14, 2004.

The Audit Team considers this arrangement inappropriate as Appliance Traders Limited should have been contracted through Ashtrom Building Systems as a Nominated Sub-Contractor and not contracted with the Client – Ackendown Newtown Development Company Ltd.

2.6 DOMESTIC SUB-CONTRACTORS

A domestic sub-contractor is a contractor engaged by the main contractor to carry out sections of the works which the main contractor was contracted to carry out and he chooses to sub-let that section of his contract. There were some 103 No. domestic sub-contractors and suppliers engaged on the project.

The identification and/or selection of these sub-contractors and suppliers was the sole responsibility of the Main Contractor Ashtrom Building Systems Limited who was contracted to provide materials and labour to carry out and complete the works in accordance with the plans and specifications provided by the Specialist Consultants – Architects, Engineers, Interior Designers etc. and for the prices contained in their contract as agreed with the Consultant Quantity Surveyor.

In response to our letter dated January 19, 2006, (copy attached at **Appendix 2-4.**) requesting information re areas of work for which Tenders/Quotations were obtained on

the project, the Urban Development Corporation, supplied us with documents indicating the following as listed below.

Areas of Work

- | | |
|--|---|
| Landscaping wooden Decks | - Only one quotation was obtained through Ashtrom Building Systems Limited for this area of work. |
| Fencing on both sides of Entrance Road | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Waste Water Plant | - Only one quotation was obtained through Ashtrom Building Systems Limited for this area of work. |
| Water Treatment Plant | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Earth fill to areas | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Handrails | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Back of House Fence | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Dry wall installations | - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work. |
| Copper Gutters etc. | - Only one quotation was obtained through Ashtrom Building Systems Limited for this area of work. |

- Copper Dome Roof - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work.
- Metal Roof Sheeting - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work.
- Back of House – Interior Windows - Two quotations were obtained through Ashtrom Building Systems Limited for this area of work.
- Landscaping and Irrigation - Tenders were issued by Nevalco Consultants Limited to three contractors, who all made returns.
- Plumbing Room Blocks - Three quotations were obtained through Ashtrom Building Systems Limited for this area of work. Two quotations were returned on 14th August, 2002, while the third was returned on 16th August, 2002.
- Staff Housing - Two quotations were obtained for this area of work. The first quotation from Royale Homes Limited was obtained on October 10, 2001. That of the second from Ashtrom Building Systems was obtained June 9, 2003. In Ashtrom's quote they indicated that their quote was based on Royale Homes proposals dated October 10, 2001

As can be seen from the above, the project did not benefit to any large degree from competitive tendering/quotations. In most cases only two quotations were obtained and this limited the choice of contractors to execute the works.

In the case of plumbing for the Room Blocks, the procedure whereby one quote is received on a particular day and the second on another day, both being two days apart, is undesirable and does not stand up to fair practices. In the case of the quotes for Staff

Housing, the procedure was even more undesirable, with the quotes being over one-and-a-half years apart.

The second contractor indicating that his quotation was based on the first contractor's quotation. Indicating that the first contractor's quote was available to them. This again is a very undesirable situation and does not stand up to fair practices.

The procedure whereby the selection of domestic contractors by the contractor, Ashtrom Building Systems Limited, had to be approved by the Project Management Team/Consultants, indicates that there were processes in place for controlling the expenditure on the project. In approving these contractors, the provision of sums for the areas of work, would have either been included in the Contract Sum as Provisional Sums or they were Variations.

This approval process would therefore have provided opportunities for project cost projections and any cost over-runs would have been an evolving process, which should have been closely monitored and revised cost projections presented to ANDCO Board.

The above list of tender/quotations, we are sure is not exhaustive or even complete, but the team can only present the analysis of documents we were provided with.

2.7 SUMMARY

The contracts the Audit Team have examined between the Client Ackendown Newtown Development Company Limited and Contractors, Consultants and Sub-Contractors, contained adequate provisions for requisite services for the successful carrying out of the works in designing and constructing the 400 room hotel project.

The fact that almost all consultants were selected by a non-competitive process should not have affected their overall performance on the project, but the selection and negotiations of fixed price contracts with the selected consultants succeeded in

obtaining a fair price for the services rendered by these consultants.

The total amount paid out for the negotiated professional services amounted to approximately 6.0% of the projected construction budget of US\$45,000,000.00, a very competitive amount compared to at least 12.0% under normal market conditions. However, it should be pointed out that obtaining these competitive fees does not justify the circumvention of any relevant procurement rules and guidelines.

The net fees paid for professional services represent approximately 3.0% of the final construction cost, an amount we consider to be more than reasonable, considering the vast number of professionals who were engaged in the planning and construction of this hotel project.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 3

**IMPACT OF EXTERNAL
INFLUENCES ON PROJECT**

SECTION 3**IMPACT OF EXTERNAL INFLUENCES ON
PROJECT**

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3.2	INFLATION	1
3.3	RATE OF EXCHANGE	2
3.4	THE EFFECT OF THE WEATHER	3
3.4.1	HURRICANE IVAN AND OTHER STORMS	3
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IMPACT OF EXTERNAL INFLUENCES ON PROJECT

3.1 PREAMBLE

In examining the external factors that influenced the Project, the Team identified the following main contributors:

- Inflation
- Rate of Exchange
- Weather Conditions
- Nine-Eleven Terrorist Attacks
- Taxation

3.2 INFLATION

The Team got assistance from the Planning Institute of Jamaica (PIOJ) with respect to the Key Economic Indicators 2001-2005 regarding inflation. This paper is attached in **Appendix 3-1**.

The paper indicates, "Between 2001 and 2002 general price movements were contained within the single digit levels that the government targeted for the medium term. However, for 2003-2005 the inflation rate remained at double digit levels but reflected a declining trend each consecutive year. The higher levels of inflation in the three year period were triggered by the escalation in the price of oil on the world market particularly since the Iraq war in 2003. In addition, domestic importation of refined fuel instead of crude oil increased owing to the closure of the Petrojam refinery for an extended period to facilitate repairs and maintenance. Weather related disruptions such as Hurricane Ivan in 2004 which devastated agriculture production forcing the importation of food was also a contributory factor".

The paper also indicated that during the period 2001-2005 the period of construction of the Sandals Whitehouse Hotel, there was a significant increase in inflation from 8.8% to approximately 13%.

There was also a significant increase in inflation in the grouping, "Other Housing Expenses" that includes lumber, cement, steel, paint, general household help, light, water and/or sewage, telephone and dry cleaning.

Significant increase in transportation expenses, for example bus fare, taxi fare, airfare, motorcars, petroleum, oil and tyres also occurred during this period.

To be more specific there was increase in the cost of construction caused by labour and material fluctuations based on the extended period of construction which went over to another two year period wage cycle.

The average weekly wage rates for construction workers increased by over 80% in the period 2002 -2004.

The Joint Industrial Council of Construction (JICC), which regulates the labour rates in the construction industry, negotiates increased rates every two years. An allocation was made for this in the Budget. However the extended construction period went over into another two year cycle resulting in increases over and above the original allotment.

3.3 RATE OF EXCHANGE

The currency of the Construction Contract was the United States Dollar. This actually helped to reduce the effect of the devaluation of the Jamaican Dollar against the U.S. Dollar in the purchasing of construction materials over the period of the project.

However, some items such as the tiles were purchased in Euro currency. This resulted in increased cost for these items as a result of the fluctuation of the US Dollar vis-à-vis the Euro.

In addition the basic cost of some imported materials increased over the period.

3.4 THE EFFECT OF THE WEATHER

3.4.1 Hurricane Ivan and Other Storms

Hurricane Ivan in September 2004 had a number of effects on the project. Firstly it exposed a 3ft. layer of peat near the Italian room block and central facilities. This necessitated removing about 500 tons of peat not previously contemplated.

On the other hand it significantly improved the beach when it exposed the peat referred to above. Other effects of the Hurricane included flooding of the ground floor areas.

It should be noted, however, that the roofing systems performed very well and stood up to the force of the hurricane.

We were advised that the active hurricane seasons particularly in 2004, affected the timely shipping of vital construction materials and FF&E. This contributed to delays in the completion of the hotel and to price increases of some materials.

Additionally the related bad weather led to minimal damage to the hotel and work stoppages, which contributed to extension of time to the project.

3.4.2 NINE ELEVEN TERRORIST ATTACK

The World Trade Centre Disaster led to a serious downturn in international airline travel and severe reduction in world tourism. The Audit Team was advised that, following this downturn, a decision was made to change the name of the Hotel from Beaches to Sandals. This was due to the fact that the Sandals Brand was more recognized in the international tourist trade and more marketable.

This change did not have major physical or cost implications.

3.5 TAXATION (CESS)

In the fiscal year 2003/2004, the Government of Jamaica imposed a 4% Cess on all imports inclusive of all capital goods and raw materials. All such goods imported for construction of the hotel were subject to this tax. This resulted in an additional cost to the Project of (US\$128,655.00).

3.6 CONCLUSION

In conclusion, external influences did not have a very significant effect on the cost of the Project. However, there were some delays on the construction program mainly due to the adverse weather conditions.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 4

**STANDARD OF COMPLETED HOTEL
VS.
BENCHMARKED HOTEL (S) AND
HOTEL FACILITIES**

SECTION 4

**Standard of Completed Hotel vs. Benchmarked
Hotel(s) and Hotel Facilities**

4.1 PREAMBLE..... 1

4.2 BEACHES NEGRIL, WESTMORELAND, JAMAICA..... 2

4.3 THE FRENCH VILLAGE AT BEACHES TURKS & CAICOS, PROVIDENCIALES, T. C. I.6

4.4 SANDALS WHITEHOUSE HOTEL, ACKENDOWN, WESTMORELAND, JAMAICA .10

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4.6 SANDALS WHITEHOUSE VERSUS INDUSTRY STANDARDS 30

Standard of Completed Hotel vs. Benchmarked Hotel(s) and Hotel Facilities

4.1 PREAMBLE

Many attempts were made to benchmark the proposed Beaches (later Sandals) Whitehouse Hotel to other, “recently completed hotel properties”. Indeed, there were some people involved in the project who indicated that Beaches Negril was the benchmark, while others indicated that it was actually the French Village at Beaches Turks and Caicos.

Our investigations revealed that two Hotels were used as “Benchmark Hotels”. These were Beaches Negril, to establish the initial Project Budget, and the French Village Beaches Turks and Caicos, to establish a physical example of acceptable construction work that was to be done at Sandals Whitehouse.

It was also revealed that all the “players” involved in the project, i.e. the Developers, Project Managers, Consultants, Operators and the Contractor(s) were made aware of the standards expected. These standards were communicated verbally, in writing, and emphasized through visits (on more than one occasion) to both sites by the personnel involved in the project. These were also documented in the Hospitality Purveyors Inc. (HPI) and Sandals Resorts International (SRI) Manuals, and in the Technical Services Agreement.

The standards expected were also spelt out in the Contract Documents Volume II Specifications as follows;

“It has been agreed by all parties inclusive of Project Manager, Contractor, Architect and Operator, that the quality of work demonstrated in the construction and inspection The French Village rooms and blocks at Beaches Turks and Caicos establishes a physical example of acceptable

work. The Contractor having represented that the construction of and finishing of the rooms and room blocks of the Beaches Whitehouse will conform to this minimum standard shall produce a sample room”.

The forensic team visited and examined in detail the following hotels to review the standards and make comparisons;

- Beaches Negril
- Sandals Negril
- The French Village at Beaches Turks & Caicos
- Sandals Whitehouse European Village and Spa

4.2 BEACHES NEGRIL, WESTMORELAND, JAMAICA

Beaches Negril is a family resort Hotel with 225 keyed rooms (210 units because of the configuration of the suites), set on 12 acres of land. It is located approximately in the centre of the seven-mile long beach known as “Long Bay” in Negril. It is bordered on the East by the main road, Norman Manley Blvd., on the North by Cosmo’s Restaurant, on the West by the Caribbean Sea and on the South by Swept Away Resorts.

The site is relatively narrow, with the Eastern and Western boundaries longer than the Northern and Southern boundaries.

The Hotel has the following facilities.

- A gated Main Entrance and Porte Cochere
- Small Lobby and Reception Area
- Retail spaces (Gift Shop & Photo Shop)
- Nine (9) three-storey Room Blocks
- Four (4) Restaurants (inclusive of a Beach Grill)
- Swimming Pools & Pool decks
- Children’s Entertainment Facilities

- A Water park
- Miscellaneous Entertainment facilities for Adults
- A full service European Spa Facilities (constructed within the last two years)
- Wedding Office
- Back-of-House facilities
- Staff Facilities and Accommodation
- Infrastructural facilities



Picture 4.1 Beaches Negril - Porte Cochere



Picture 4.2 Beaches Negril – Main Swimming Pool

The central facilities and the back-of-house Facilities are located roughly in the middle of the property, parallel to the Eastern or road boundary. The other facilities, as listed above, are interspersed throughout the remainder of the site.

The tennis courts, the basketball court and staff accommodation are located directly across Norman Manley Boulevard on 8 acres of land, which also forms part of this Hotel property.

The room blocks are located to the north and south of the central facilities with the majority of the rooms having a view, from their balconies, of the Caribbean Sea, to the west.

(See Pictures 4.3 & 4.4)



Picture 4.3 Beaches Negril – Room Block



Picture 4.4 Beaches Negril – Room Block 2

The Infrastructure services are as follows;

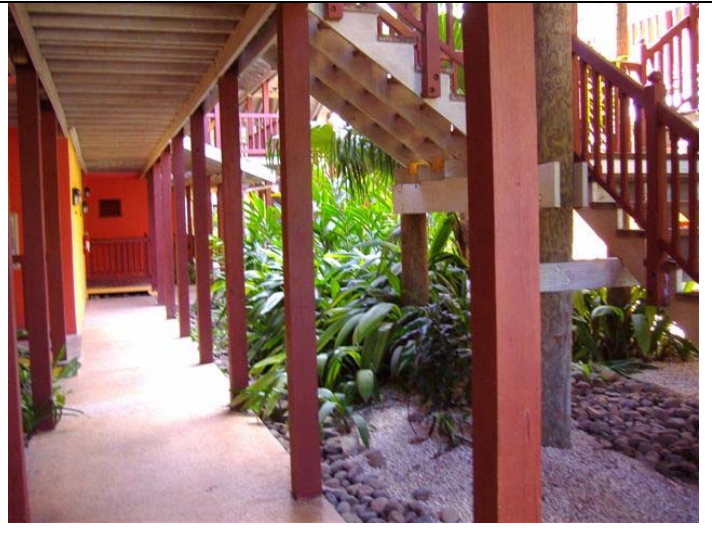
- Air conditioning; provided by mini-split a/c units installed throughout the entire facility.
- Electricity; provided by the Public utility company with two (2) stand-by generators on site providing full back up power.
- Water; provided by the National Water Commission. There are additional on-site storage facilities with a capacity of approximately 50,000 gallons.
- Sewage; the Hotel is connected to the public sewer main.

Architecturally, the design of Beaches Negril is an eclectic mix of contemporary styles with elements reminiscent of traditional or historic Jamaican building types.

Externally the room blocks are identical in design, the only differences being the design of the stairs and corridors adjacent to the rooms, which is dictated by the proximity of the room blocks to each other. (See Pictures 4.5 & 4.6)



Picture 4.5 Beaches Negril – Room Block Stairs



Picture 4.6 Beaches Negril – Room Block Stairs & Corridors

Following is a map depicting the layout of Beaches Negril.



Picture 4.7 Beaches Negril – Site Map

4.3 THE FRENCH VILLAGE AT BEACHES TURKS & CAICOS, PROVIDENCIALES, T. C. I.

The French Village at Beaches Turks and Caicos, which consists of 157 rooms in six two and three story blocks, is an addition to the original hotel. The construction period was approximately 12 months and it was completed in December 2000. The original hotel was constructed in 1996.

As the name suggests, the French Village was designed with a very distinctive style of French Architecture to all its buildings.

The French Village has the following facilities

- A covered main entrance with guardhouse. This is also the main entrance for the entire Beaches Turks and Caicos Hotel.
- A porte cochere
- Central facilities, i.e. a small lobby/reception area with an office, a store room and public washrooms
- Seven (7) two and three-storey room blocks
- Three (3) restaurants and a bar
- A swimming pool & pool deck with swim-up bar and whirlpools
- An open-air amphitheatre
- A “departure lounge”
- Back-of-House facilities
- The spa and gym, located nearby was expanded to service the additional rooms of the French Village.
- The laundry and R.O. facilities were also expanded. These facilities are located in the back-of-house of the original Beaches Turks and Caicos Hotel.



Picture 4.8 Beaches Turks & Caicos – Porte Cochere



Picture 4.9 Beaches Turks & Caicos – French Village Walkways



Picture 4.10 Beaches Turks & Caicos – French Village Swimming Pool

The Infrastructure services are as follows;

- Air conditioning provided using an air-cooled chilled-water system.
- Electricity provided by the local electricity utility provider with a stand-by generator on site.
- Water provided by the expanded R.O. plant.
- The sewage for the French Village is connected to the original Hotel's sewage system.

The central facilities, the “departure lounge” and the back-of-house facilities of the French Village are located along the southern “boundary” of the French Village. This also borders on the main entrance driveway to the rest of the hotel property. The other facilities, as listed above, are arranged in a semi-circle around the main pool and pool deck. None of the rooms have a view of the Sea.



Picture 4.11 Beaches Turks & Caicos – French Village Room Blocks Facing Swimming Pool



Picture 4.12

The following map on page 4 – 10 shows the layout of the Beaches Turks & Caicos French Village.

BEACHES TURKS & CAICOS Resort & Spa

- | | | |
|---|----------------------------------|--------------------------------|
| 1. Main Entrance/Porte Cochere | 15. Djon Block | 37. Iguana's Pool |
| 2. Reception/Lobby | 16. Lyon Block | 38. Kids Pool |
| A. Reception Desk | 17. Nice Block | 39. Dive Instruction Pool |
| B. Duty Free Shop | 18. Paris Block | 40. Pirates' Island Pool |
| C. Atrium | 19. St. Tropez Block | 41. Water Slides |
| D. Tour Desk/Car Rental | 20. Arizona's Restaurant | 42. Riviera Pool |
| 3. Board Room (Upper Level) | 21. Sepodilas Restaurant | 43. Whirlpools |
| 4. East and West Wing Meeting Rooms (Upper Level) | 22. Reflections Restaurant | 44. Beach |
| 5. Gift Shop | 23. Schooners Restaurant | 45. Volleyball Courts |
| 6. Salt Cay Villas | 24. Kimono's Restaurant | 46. Water Sports/Dive Center |
| 7. West Wing | 25. Sushi Bar | 47. Basketball Courts |
| 8. Pine Cay Villas | 26. Bobby D's Restaurant & Disco | 48. Full Service European Spa |
| 9. French Cay Villas | 27. Le Petit Omelette Restaurant | 49. Fitness Center |
| 10. East Wing | 28. Cafe de Paris | 50. Tennis Courts (Lighted) |
| 11. Palmor Cay Villas | 29. Giuseppe's Restaurant | 51. Pool Decks |
| 12. Bordeaux Block | 30. Cascades Swim Up Pool Bar | 52. Beach Decks |
| 13. Cannes Block | 31. Iguana's Swim Up Pool Bar | 53. Playground |
| 14. Porte Cochere | 32. Turtles Lounge | 54. Gude Kids Club |
| | 33. Octopus Swim Up Pool Bar | 55. XBOX® Game Oasis |
| | 34. Bar de Musique | 56. Electronic Games Center |
| | 35. Riviera Swim Up Pool Bar | 57. Entertainment Area & Stage |
| | 36. Cascades Pool | 58. French Village Lobby |



Picture 4.13 Beaches Turks & Caicos– Site Map

4.4 SANDALS WHITEHOUSE HOTEL, ACKENDOWN, WESTMORELAND, JAMAICA

Sandals Whitehouse is a, 400 room (360 keys), all-inclusive Hotel, and is constructed on a 40 acre site located at Ackendown, approximately 2 miles East of Whitehouse, Westmoreland. It is bordered on the East by the main road that runs between Black River and Savanna-La-Mar, on the North by lands owned by Gorstew Ltd., and on the West and on the South by the Caribbean Sea. The site boundaries are roughly equal on its four sides.

The central facilities and the back-of-house facilities are located in the Southeastern section of the property with the Room Blocks located along the shoreline to the West. All the rooms have a view of the Caribbean Sea from their balconies.

Access to the site is in the northeastern quadrant and the staff facilities are located along the eastern boundary of the site.



Picture 4.14 Sandals Whitehouse Main Access

The Energy Center, and recreational facilities are located approximately in the center of the site. The Sewage Plant is located along the Northern Boundary.

The Hotel has the following facilities.

- A gated main entrance with electronic barrier and a very long driveway
- Large porte cochere
- Large lobby and reception area
- Conference facilities
- Ballroom
- Theatre
- A stand alone retail building
- Suite concierge
- Departure lounge
- Wedding office
- Three (4) four-storey room block "Villages"
- Eight (8) restaurants (inclusive of the beach grills)
- Aerobics room and gym
- 2 squash courts
- 4 tennis courts
- 3 swimming pools, dive pool & dive shop
- Jetty for water sport activities
- Entertainment facilities e.g. piano bar
- A full service European spa facility
- Back-of-house facilities
- Staff facilities and accommodation
- Security cameras along fenced perimeter.
- Extensive tiled walkways, central plaza and courtyard
(See Pictures 4.15 & 4.16)



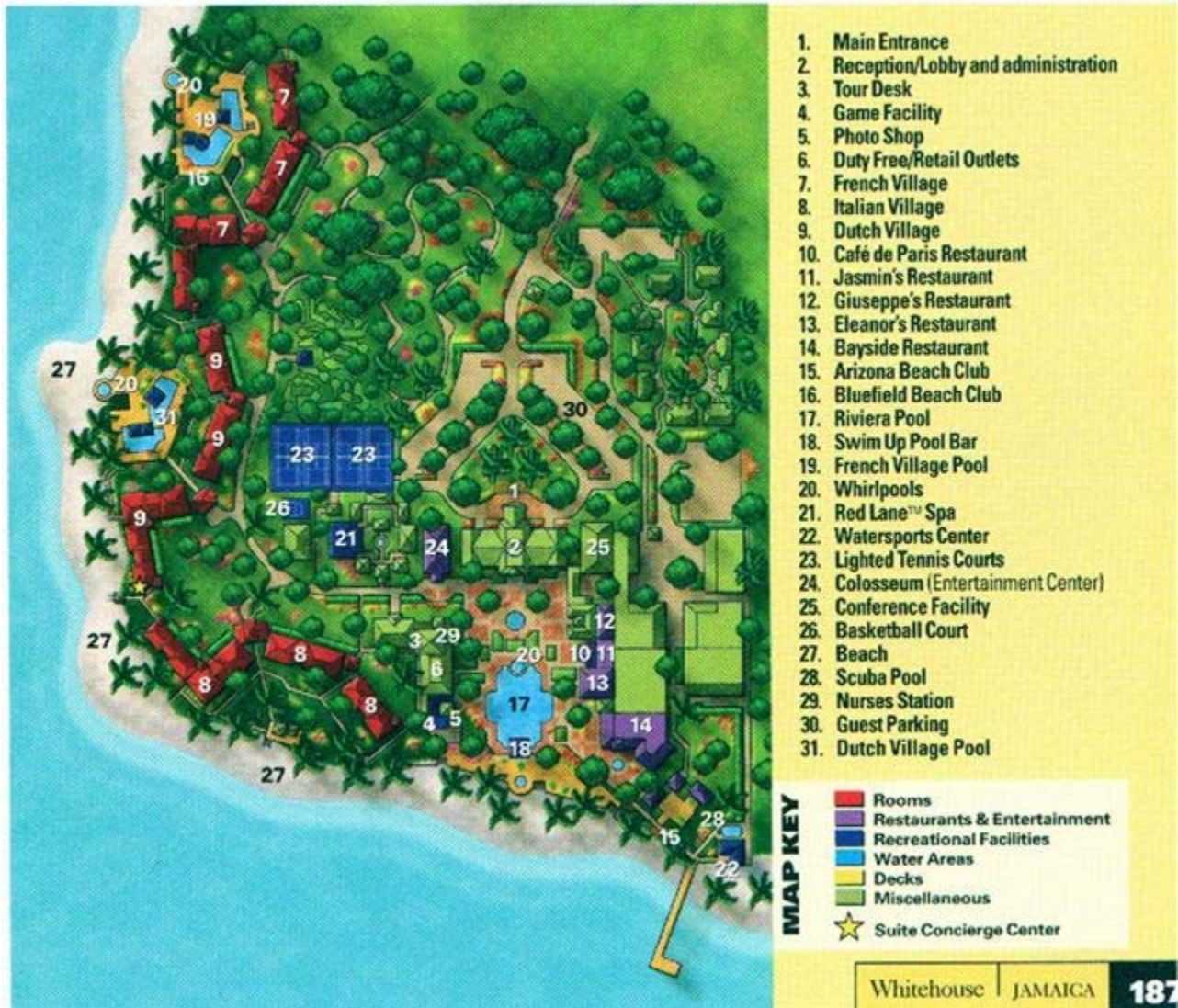
Picture 4.15 Sandals Whitehouse Tiled Central Plaza



Picture 4.16 Sandals Whitehouse Tiled Courtyard

The Infrastructure services are as follows;

- Air conditioning provided using a water-cooled chilled-water system.
- Electricity; provided by the Public utility company with a stand-by generator on site providing full back up power.
- Water is provided by the National Water Commission with on site storage tanks with a capacity of Two Hundred and Sixty Thousand (260,000) US gallons, of which Ninety Thousand (90,000) US gallons is reserved for fire fighting purposes only.
- The Hotel has its own sewage treatment plant.



Picture 4.17 Sandals Whitehouse – Site Map

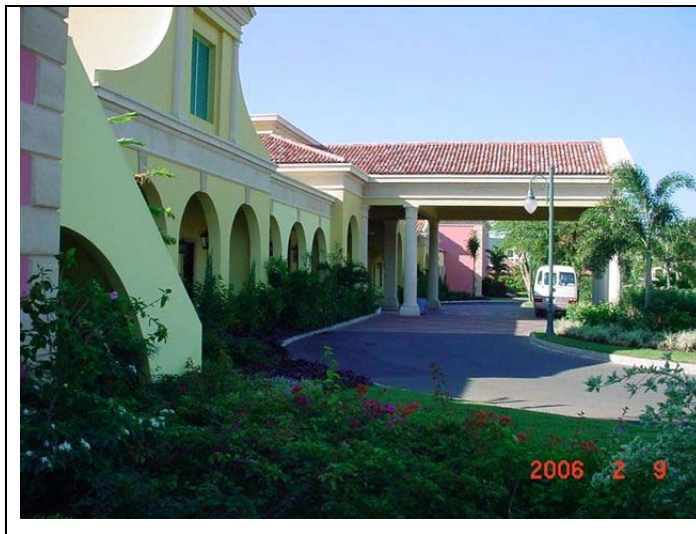
4.5 COMPARISON OF HOTELS

On our visits to the sites the Audit Team examined the facilities and amenities provided, the architectural design and detailing, the standards of furnishing, fixtures and equipment and the infrastructure installed. Table 4.1 below summarizes the team's observations.

In general, the scope and size of Sandals Whitehouse, the standards of specifications, and the sophistication of its infrastructure are far more superior to what exists at Beaches Negril.

This is clearly evident in the following area.

- The porte cochere at Sandals Whitehouse is much more expansive, ornate and with more elaborate detailing than the porte cochere at Beaches Negril.



Picture 4.18 Sandals Whitehouse – Porte Cochere
Cochere



Picture 4.19 Sandals Whitehouse – Porte

- The central facilities at Sandals Whitehouse are much larger than at Beaches Negril and have far more amenities. There is no distinct lobby area or front desk at Beaches Negril. The adjacent “Great Room” Beaches Negril is used as the waiting area when checking in and checking out guests. The interior design of this space is similar in standard to Beaches Turks and Caicos.
- There are no ballroom or conference facilities at Beaches Negril.
- There is a theatre at Sandals Whitehouse akin to a “scaled down” version of the Ward Theatre in Kingston with fitments and finishes that are far more elaborate than that at Beaches Negril which has a very basic covered amphitheatre.

- The restaurants and retail spaces at Sandals Whitehouse are superior to and are not of the same standard as those at Beaches Negril. This in terms of numbers of units, the size of these facilities and with the exception of one restaurant at Beaches Negril, the quality of the interior design.
- The kitchen and back-of-house facilities at Sandals Whitehouse are more elaborate than those at Beaches Negril. This in terms of the layout, the size, and the quality and sophistication of the fixtures and systems. The staff facilities at Beaches Negril was not air-conditioned and was not furnished to the same standards as at Sandals Whitehouse.
- The swimming pools at Sandals Whitehouse are greater in number, larger and more elaborate in design and finish than those at Beaches Negril.



Picture 4.20 Sandals Whitehouse – Main Swimming Pool

- At Beaches Negril there is a “water park” equipped with a waterslide and a “lazy river” for children. This was installed after the hotel was completed in 1997. There is no comparable facility at Sandals Whitehouse.
- The air conditioning, sewage disposal system, and electrical supply at

Sandals Whitehouse are more sophisticated and technologically advanced than those Beaches Negril.

- The amenities provided in the basic room at Beaches Negril are similar to what is provided at Sandals Whitehouse. However the rooms at Sandals Whitehouse are better appointed, e.g. louvered doors for the closets, and the use of more elaborate tiling.

The consultant Quantity Surveyor did use Beaches Negril as a “benchmark” in arriving at an initial Project Budget for Sandals Whitehouse. However the designs, standards and specifications at Sandals Whitehouse have turned out to be far more elaborate than those at Beaches Negril.

The French Village at Beaches Turks and Caicos was used as the benchmark for the standards and quality of workmanship required. The Room Blocks at Sandals Whitehouse Hotel when compared to The French Village at Beaches Turks and Caicos is similar in its use of a French style of architectural treatment to its external façade and roof except that there is no balcony. The layout of the rooms, its finishes and interior design are also similar to that at Sandals Whitehouse Hotel.

As for amenities, the French Village at Beaches Turks and Caicos is designed almost as a “stand-alone” or as a semi-independent “satellite” of the Beaches Turks and Caicos Hotel. At Sandals Whitehouse, the “village room-block concept” is basically a block of rooms with a swimming pool, pool deck a beach bar and a restaurant, as is the case with the French and Dutch Village Room Blocks, while the Italian Room Block has hot tubs instead of a swimming pool and has no restaurant or beach bar.

On the whole, the levels of specifications and finishes at Sandals Whitehouse are far more elaborate than that exhibited at the French Village, Turks and Caicos.

For example;

- The design of the swimming pools, hardscaping and landscaping at Sandals Whitehouse are more elaborate and is of a higher level of

finishes than those at Beaches Turks and Caicos

- The pool deck at Sandals Whitehouse is finished with an elaborate Italian porcelain tile finish.
- The restaurants and back-of house facilities at Sandals Whitehouse are much larger, more elaborate, and the specifications are far greater than those at Beaches Turks and Caicos.
- The interior design of the rooms, central facilities and the departure lounge at Sandals Whitehouse are of a higher standard than those at Beaches Turks and Caicos, e.g. the rooms have no balconies.
- The balustrades at Sandals Whitehouse are manufactured using cast iron while those at Beaches Turks and Caicos are manufactured using extruded aluminum sections.
- The exterior mouldings at Sandals Whitehouse are of coral stone while those at Beaches Turks and Caicos are fabricated using concrete.
- The corridor ceilings at Beaches Turks and Caicos are not rendered.

The standards and quality of the workmanship at Sandals Whitehouse are comparable with that at the French Village, Beaches Turks and Caicos. At the time of the Audit Team's visit to Sandals Whitehouse there were two notable exceptions, the sewage tanks and the underground electrical cables, topics that are dealt with in Section 7 of this report. Other examples of poor or incomplete work observed were, light fixtures not installed, the painting of ceilings not finished in some areas, leaking air-conditioning drains, landscaping not complete and damaged gratings.

In comparing the three hotels, it is the opinion of the Audit Team that Sandals Whitehouse far surpasses the other two hotels in their overall design, detailing and standards of specifications. It is our opinion that Sandals Whitehouse is an upscale Four-Star facility. A more detailed explanation is given in Chapter 8.

TABLE: COMPARISON OF COMPLETED HOTELS

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Main Entrance/Porte Cochere	Large and very dominant Port Cochere with adjacent Collonade running along the front of the Central Facility Building	Small Porte Cochere. Less dominant in design. Approximately 600 s.f. Covered Entrance Gateway and Guardhouse.	Smaller Porte Cochere. Approximately 500 s.f
Central Facilities Lobby/Reception Area	Large “double height” Lobby with dome ceiling. Large front Desk with extensive Administrative Offices behind. Elaborate internal detailing and finishes <ul style="list-style-type: none"> • Theatre • Ballroom with external courtyard • Conference/Boardroom Elaborate External façade treatments	Much smaller Lobby and Front Desk (appx. 1200 s.f.). Internal detailing and finishes are similar but not as elaborate as at Sandals Whitehouse. <ul style="list-style-type: none"> • Washrooms and store room across courtyard 	No distinct Lobby area or Front Desk Adjacent “Great Room” is used as the waiting area for checking in and checking out. Interior Design similar in standard to beaches Turks & Caicos.
Retail	<ul style="list-style-type: none"> • Photo shop • Two (2) Gift shops • Duty Free shop • Unfinished retail space 	No retail facilities in the French Village (retail facilities located in original Hotel)	<ul style="list-style-type: none"> • Photo shop • Gift shop

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
<p><u>Room Blocks</u></p> <p>Standard Rooms</p>	<p>360 Keyed Rooms in 3 “Villages” 4 Floors high.</p> <p>Typical rooms, including balcony, approximately 480 s.f.</p> <p>Bathrooms. Bath and W.C. are located in a separate enclosure. Dressing area is separate with counter top basin.</p> <p>Closet with louver doors in Dressing Area.</p> <p>“Window” in the Bathroom is of “glassblocks”.</p> <p>Extractor Fans</p> <p>Floor finish – ceramic tiles</p>	<p>157 Keyed Rooms.</p> <p>Rooms are similar in design to Sandals Whitehouse, approximately 270 s.f. with no Balcony</p> <p>Physical dimensions of the Bathroom are the same as at Sandals Whitehouse but, the Bath, W.C. and Counter Top basin are together. There is a second Counter Top Basin in the adjacent Dressing Area</p> <p>Closet with louver doors in Dressing Area</p> <p>No Window in the Bathroom.</p> <p>Extractor Fans</p> <p>Floor Tiles similar to Sandals Whitehouse</p>	<p>225 Keyed Rooms 9 blocks 3 floors high.</p> <p>The rooms are similar in design to Sandals Whitehouse and Beaches T & C. Large Balcony, almost the same width as the Room.</p> <p>Layout of the Bathroom is different. The amenities the same as at Sandals Whitehouse.</p> <p>Larger Closet with no doors.</p> <p>Louvre Window in Dressing Area.</p> <p>No Extractor Fans</p> <p>Floor Tiles similar to Sandals Whitehouse</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
<p><u>Room Blocks</u> Standard Rooms (Cont'd)</p>	<p>Walls of bathroom – ceramic tiles, including tile mouldings, with an elaborate design</p> <p>Solid surface counters and basins</p> <p>No crown mouldings</p> <p>Flat Ceilings</p> <p>Skirting painted timber</p> <p>Light Fixtures - vary in type of designs and location.</p> <p>Furniture. King size bed, Desk, Armoire Settee and Arm Chair and Coffee Table Bed-side tables. Table and chairs on balcony.</p>	<p>Bathroom tiles and counters similar to Sandals Whitehouse.</p> <p>Solid surface counters and basins</p> <p>No crown mouldings</p> <p>Flat Ceilings with Tray ceiling on upper floor only</p> <p>Skirting painted timber</p> <p>Light fixtures – as for Sandals Whitehouse</p> <p>Furniture. King size bed, Armoire, Arm Chair, Bed-side tables.</p>	<p>Tiling not as elaborate.</p> <p>Solid surface counters and basins</p> <p>No crown mouldings</p> <p>Flat Ceilings only</p> <p>Skirting painted timber</p> <p>Light fixtures – as for Sandals Whitehouse</p> <p>Furniture. King size bed, Desk, Armoire, Settee, Bed-side tables. Table and chairs on balcony. Some rooms have two Queen size beds</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
<p>Deluxe Rooms</p>	<p>Typical deluxe rooms including balcony approximately 545 s.f.</p> <p>Bathrooms. Shower and W.C. are located in a separate enclosure.</p> <p>Separate area with double basins in counter top and Jacuzzi.</p> <p>Closet with louver doors in adjacent to entrance.</p> <p>“Window” in Bathroom is of “glassblocks”.</p> <p>Extractor Fans</p> <p>Floor finish - Ceramic Tiles</p> <p>Walls of bathroom – ceramic tiles, including tile moulding, with an elaborate design.</p> <p>Solid surface counters and basins</p> <p>Crown Mouldings</p> <p>Flat Ceilings</p>	<p>No Deluxe Rooms or Suites</p>	<p>Rooms have interconnecting doors to allow two rooms to be used as a “suite”</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
<p>One bedroom Suites (Cont'd)</p>	<p>Walls of bathroom – ceramic tiles, including tile moulding, with an elaborate design.</p> <p>Solid surface counters and basins</p> <p>Crown Mouldings</p> <p>Flat Ceilings</p> <p>Skirting painted timber</p> <p>Light Fixtures - vary in type of designs and location.</p> <p>Furniture. King size bed, Desk, Armoire and arm-chair in bedroom. Settee, Arm Chairs, Coffee Table, Wet-bar and Armoire in Living Room. Table and chairs on balcony</p> <p>All rooms have a view of the Beach</p>		<p>Walls of bathroom – ceramic tiles, including tile mouldings</p> <p>Solid surface counters and basins</p> <p>Flat Ceilings</p> <p>Skirting painted timber</p> <p>Light Fixtures - vary in type of designs and location.</p> <p>Furniture. King size bed, Desk, Armoire, and arm-chair in bedroom. Settee, Arm Chairs, Coffee Table, Armoire in Living Room. Table and chairs on balcony</p> <p>All rooms have a view of the Beach</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Corridors	<p>Typical 5'6" wide corridor.</p> <p>Balustrade fabricated using steel, with design in keeping with Architectural style of each "Village".</p> <p>Ceramic tile floors and skirting.</p>	<p>Typical 5'6" wide corridor</p> <p>Balustrade designs similar to Sandals Whitehouse.</p> <p>Fabricated using extruded aluminum sections.</p> <p>Concrete ceilings not rendered.</p>	<p>Corridors on upper levels constructed using timber for the floors and balustrade.</p> <p>Corridor at ground level finished with concrete Tiles</p>
Façade	<p>Design of the Facades are in keeping with the Architectural styles of the particular Room Block.</p> <p>Extensive use of "Coral Stone" finish and mouldings as design features throughout.</p>	<p>Design of Façade not as elaborate as at Sandals Whitehouse.</p> <p>Mouldings made of Pre cast concrete.</p>	<p>The facades of the room blocks are in keeping with the contemporary esthetics of the entire hotel complex and as such are very "simple" in comparison with Sandals Whitehouse or the French Village at Beaches, T. & C.</p>
Elevators/Elevator Lobby	<p>Elevator Core Lobby "Building" is rectangular in plan with two elevators installed and "doglegged" staircase.</p> <p>Interior design of elevator is basic.</p> <p>Floors tiled with ceramic tiles.</p> <p>Walls finished using trowel-on finish.</p> <p>Each "Village" has its own Elevator Lobby.</p>	<p>Elevator Core Lobby Building circular in plan and also has two Elevators.</p> <p>Interior Design of Elevators, floor tiles and ornaments are more elaborate than at Sandals Whitehouse.</p> <p>Only one Elevator Lobby for entire French Village.</p>	<p>No Elevators were installed.</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Roof	Fibreglass shingle on the French and Dutch Room Blocks. Clay tiles on the Italian Room Block	Fibreglass shingle with scalloped ends.	Fibreglass shingles .
Restaurants	5 Restaurants (including Pastry Shop) <ul style="list-style-type: none"> • Italian • Japanese • Caribbean • Buffet • Pastry Ceramic and porcelain floor tiles throughout Elaborate mill work on walls and some floors	3 Restaurants (including Pastry Shop) and Bar Floor tiles – comparable in complexity Mill work – not as elaborate as at Sandals Whitehouse	4 Restaurants (inclusive of Beach Grill) Floor tiles not as elaborate and of a lower specification. Mill work – not as elaborate as at Sandals Whitehouse
Beach Bar and Grills	2 “Beach” Restaurants	None	See above

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Swimming Pools & Pool decks	<ul style="list-style-type: none"> • Main Pool with swim- up bar. • Two pools in French and Dutch Villages with swim-up bar. • Hot tubs in Italian Village • Dive Pool • Plunge Pool in Spa • Jetty <p>Elaborate porcelain tiles with elaborate design</p>	<p>Main pool with swim-up Soda Fountain, with a raised “colonnade” housing the whirlpools.</p> <ul style="list-style-type: none"> • Water Park <p>Ceramic tiles, not as elaborate in design</p>	<p>Two large pools with swim-up bars</p> <p>Ceramic and concrete tiles, not as elaborate in design</p>
Beach	<p>Beach along entire Western and Southern boundaries of property.</p> <p>Jetty constructed for watersports.</p>	<p>Whitesand Beach along entire North-western boundary of property but this facility not relevant in this comparison as the French Village is not adjacent to the beach.</p>	<p>Whitesand Beach along entire Western boundary of property.</p> <p>No evidence of any infrastructure work along beachfrontage.</p> <p>No Jetty for watersports.</p>
Children’s Facilities	<p>No children’s facilities</p>	<p>These facilities are located in other areas of the hotel property.</p>	<p>Facilities include</p> <ul style="list-style-type: none"> • Kid’s Kamp and Nursery • Crazy Golf and Kid’s Playground • Playground • Games Room • Electronic Games • Waterpark

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Spa Facilities	"Red Lane Spa" - Full service European Spa	"Red Lane" - Full service European Spa. <ul style="list-style-type: none"> • Massage Room added to Spa during construction of French Village. 	"Red Lane" – Full service European Spa. (constructed 2004)
Entertainment	<ul style="list-style-type: none"> • Piano Bar/Lounge • Disco (in Theatre) • Theatre • Sports • Electronic Games Facilities • 4 Tennis Courts • 2 Squash Courts • Basket Ball • Gym/Aerobics • Water Sports • Cable T.V. 	<ul style="list-style-type: none"> • Gym/Aerobics, part of original hotel • Cable T.V. 	<ul style="list-style-type: none"> • Piano Bar • Disco • Covered Amphi-Theatre • Sports • Electronic Games Facilities • Tennis Court • Basket Ball • Volley Ball • Gym/Aerobics • Water Sports • Cable T.V.
Back-of-House	<ul style="list-style-type: none"> • Kitchens • Large Laundry & House Keeping • Large Bulk Storage Areas • Engineering/Maintenance • Employee Facilities • Garbage collection system 	<p>Small Kitchen. Designed only to serve two Restaurants. Layout not as elaborate as at Sandals Whitehouse.</p> <p>Wall/floor/finishes – 6 x 6 tiles Porcelain tiles Garbage system Manual</p> <p>Smaller area</p>	<p>Back-of-house facilities not as elaborate as at Sandals Whitehouse "Capacity" appears to be designed with "off-site" back-up facilities in place.</p>

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Staff Facilities/ Accommodation	Staff Housing facilities provided on Site consisting of Studios, one-bedrooms, two- bedrooms and one three-Bedroom Apartment for the Manager.	No on-Site staff housing facilities provided.	Staff Housing facilities provided on “satellite” property across Norman Manley Blvd.
Infrastructure/Services	<ul style="list-style-type: none"> • Sewage • Electrical • Air Conditioning • Paved Areas (Roads and parking) • Water (National Water Commission) • Flood control systems and storm Water Drainage • Irrigation – using “grey water” from sewage plant • Back-up potable water storage and for and fire-fighting emergencies 	<ul style="list-style-type: none"> • Extension to existing Sewage Plant • Electrical – Standby generator • Air Conditioning Plant • Paved Areas (Roads and parking) • Extension to RO Plant • Irrigation – using “grey water” from sewage plant • Back-up potable water storage 	<ul style="list-style-type: none"> • Public Sewage system • Electrical – Standby generator • Air Conditioning (split-units) • Paved Areas (Parking) • Water (NWC) • Storm Water Drainage • Irrigation (NWC) • Water Storage – 30,000 gallons
Landscaping	<p>Landscaping at Sandals Whitehouse not mature.</p> <p>Landscaping in some areas not completed</p>	Landscaping not as elaborate and extensive as at Sandals Whitehouse or at Beaches Negril	Landscaping is more mature and extensive than that at sandals Whitehouse

<u>FACILITIES</u>	<u>SANDALS WHITEHOUSE</u>	<u>BEACHES T & C – French Village</u>	<u>BEACHES NEGRIL</u>
Hardscape	<p>The walkways and Piazzas are elaborate in design and detailing. They are finished using ceramic and porcelain tiles in the majority of areas.</p> <p>There are numerous and elaborate sculptures and fountains on the property, particularly in And around the Central Facilities.</p> <p>Extensive pathway and landscape lighting</p> <p>Background music throughout the property</p>	<p>The pathways are constructed with a concrete finish. The design is not as elaborate as at Sandals Whitehouse</p> <p>Less ornaments, sculptures and fountains</p> <p>Pathway and landscape lighting not as extensive</p> <p>Background music throughout the property, similar to Sandals Whitehouse.</p>	<p>Concrete walkways throughout the property</p> <p>No ornaments, sculptures or fountains</p> <p>Pathway and landscape lighting similar to Sandals Whitehouse</p> <p>Background music throughout the property, similar to Sandals Whitehouse.</p>
Miscellaneous Services	<ul style="list-style-type: none"> • Central Nurses Station • Wedding Office/Wedding Gazebos • Concierge • Departure Lounge • Tour Desk/Office 	<ul style="list-style-type: none"> • Departure Lounge <p>All other support facilities are located in the original Hotel</p>	<ul style="list-style-type: none"> • Nurses Station • Wedding Office (constructed/renovated within the last two years) • Tour Desk

4.6 SANDALS WHITEHOUSE VERSUS INDUSTRY STANDARDS

Comparing the facilities provided at Sandals Whitehouse versus Industry Standards the following are noted;

- Rooms - The size of the rooms and the amenities provided at Sandals Whitehouse are standard for the hotel industry.
- Central Facilities - The facilities and services provided at Sandals Whitehouse are above what is normally provided at an all-inclusive hotel. Facilities such as a theatre, a ballroom, conference facilities, an independent retail building and a “departure lounge” have been provided.
- Restaurants - All the “specialist” restaurants at Sandals Whitehouse are of a very high standard.
- Swimming Pools - The swimming pools at Sandals Whitehouse have more elaborate finishes, and in terms of size, surpass industry standards.
- Back-of-House – At Sandals Whitehouse the entire back-of-house facility can be described as “state-of-the-art” and far surpasses, in terms of design, capacity and technology, what would normally have been required by industry standards. For example, the layout of the kitchens in terms of the delivery and storage areas, with specific areas for food preparation, and their relationship to the restaurants are extremely efficient and is much larger than what would normally have been provided. Other examples are the SOMAT automated garbage disposal system and the sophisticated laundry and housekeeping facilities. The Audit Team was advised that the sizes of the laundry and storage facilities are larger than normal due mainly to the remoteness of the property.
- Services - The infrastructure at this hotel is superior to any other hotel that the members of the Audit Team visited during the course of this investigation. The size of the air conditioning and standby generator far exceed required industry standard.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 5

**REVIEW SPECIFIC MECHANICAL
AND
ENGINEERING STANDARDS**

SECTION 5

REVIEW OF SPECIFIC MECHANICAL & ENGINEERING STANDARDS

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REVIEW OF SPECIFIC MECHANICAL & ENGINEERING STANDARDS

5.1 PREFACE

The mechanical works on the Project included:

- Air conditioning and exhaust systems
- Hot and cold water systems
- Laundry systems, boilers, washers driers press etc.
- Cold storage, freezers,
- Garbage disposal system
- Loading and conveyer systems
- Waste water disposal system
- Irrigation systems
- Fire sprinkler system

Electrical power is required for all of these systems. The majority of these systems are located in the back of house and central facilities. In the original architectural design concept of May 2000, the service building, which included mechanical equipment, emergency generator and electrical switchgear, was located in the service yard to the south eastern end of the property which is in close proximity to the back of house and central facilities.

The Design Architect, through Implementation Ltd., took the decision to move the service building (energy centre) from its original location, as the perceived high noise levels would affect guests using the central facilities and restaurants. The energy centre was relocated to the northern end of the site between the room blocks and staff accommodation.

This required larger and longer runs of underground cables to the central facilities resulting in increased electrical costs, and similarly longer and larger chilled water pipes

also resulting in increased costs.

The electrical works encompasses all the systems involved in taking power from the public utility grid and distributing it to the various end users throughout the facility. It includes:

- Incoming supply: linking the main distribution system of the Hotel to the national grid owned by the Electricity Company via pole line connection and inclusive of all switches, links, protective devices and grounding.
- Distribution: routing power via underground cables, from the main distribution centre to the various load centers such as the back of house, central facilities room blocks, staff housing, and retail area.
- Connection to end-users: the localized routing of circuits from load centers to the various end users such as lights, convenience outlets, motors, and pumps.
- Controls, Protection & Grounding: protection of the electrical system from external factors such as lightning, protection of the end users and isolation from faults within the system.
- Standby Facilities: connecting the main distribution center to an alternative power source in case the public supply is disrupted, including the generator, transfer switch and controls.
- Special systems; infrastructure for special systems for communication, voice, data, and cable systems, security, and fire systems.

The Audit Team looked at some of these systems and in particular the back of house systems, air conditioning system, sewage system, and electrical systems.

5.2 MECHANICAL & ELECTRICAL CONSULTANTS

The original company contracted to provide the mechanical and electrical designs for the project was Hardie & Kossally Ltd. Their services were terminated for non-performance in December 2002, approximately one year after the start of construction.

It is understood that efforts were made to have them join with another consulting firm in order to complete the work on time. This however, did not materialize.

A Resident Engineer (Edwin Hunter) was appointed in January 2003. In March 2003, three months after Hardie & Kossally Ltd. was terminated, the main contractor Ashtrom Ltd. was asked to take up the responsibility for completing the designs for the electrical, mechanical, and plumbing systems.

Basil Nelson & Associates Ltd. (BNA) was appointed to provide Supervising Electrical Engineering Services in December 2003, nine months after Ashtrom was given the responsibility for the M&E designs. The Resident engineer died in May 2004, and BNA took up his responsibilities.

The standards for the design and installation of the various systems were internationally accepted building and hotel standards and these are all listed in the specification volume of the building contract. In addition to international standards, the works had to meet our local electrical, fire, environmental and health standards and the Sandals Resort International (SRI) standards.

The construction contract documents for Ashtrom, allocated "section 10" for electrical and mechanical specifications, however that section was blank and we have not seen any specification documents. Some specifications were included on drawings but this was not adequate for a project of this size.

5.3 MECHANICAL WORKS

5.3.1 BACK OF HOUSE SYSTEMS

In general the systems in the back of house are similar to those in the other hotels visited. However some systems, namely the laundry and the garbage disposal, are of a much higher standard at Whitehouse.

The laundry at Sandals Whitehouse is approximately 4,000sq.ft.in area. The laundry process is highly automated with a number of washers, dryers, press and folding machines systematically laid out for a very efficient operation.



Picture 5.1 Sandals Whitehouse Laundry – Washers



Picture 5.2 Sandals Whitehouse Laundry – Press and Folding Machines



Picture 5.3 Sandals Whitehouse Laundry – Dryers



Picture 5.4 Beaches Negril Laundry - Dryers

This laundry is the largest and best of those we have seen at the other Hotels. Based on the number of rooms at the hotel, and estimated ratio of linen per guest, this set up seems capable of handling at least twice the laundry the present hotel can generate. This represents a redundancy of 100%.

The garbage disposal system at Whitehouse is a Somat system. This is an automated system that collects the waste from the restaurants and kitchen on a conveyor and sends it via high pressure vacuum pipes to the compactor. The long runs of air and water pipes makes it an expensive system, but is a very hygienic one as it eliminates the collecting and hauling of the waste throughout the various areas to the compactor.



Picture 5.5 Sandals Whitehouse – Somat Garbage Disposal System

The Somat system is a fairly new system in Jamaica and there were reported problems with the interconnecting pipes during the installation. These were eventually corrected.

The food prep area extends the entire length of the back of house and is equipped to service all five restaurants.

5.3.2 AIR CONDITIONING

Ashtrom, the main contractor, had overall responsibilities for the design of the air conditioning systems. They engaged an Israeli company, ZVI Ronen Consulting Engineers Ltd. to do the designs.

The designs in general seem to conform to the set standards. It seems initially not to take energy conservation into consideration. The local supervising consultant (BNA) reviewed the designs and specification and had discussions with the design engineer, which resulted in the systems having automated controls and an energy management

regulating system.

The chilled water air conditioning system was designed with a 100% redundancy for the first failure. This is not unusual for a hotel operation. The preliminary load requirement determined by the engineers was 700 Tons. However, three (3) 400 Ton chillers were installed giving a total of 1200 Tons. When we visited the hotel only one chiller was running, and the hotel was reportedly fully booked. This speaks to a 200% redundancy. This high level of redundancy significantly increased the cost of the air conditioning works as all the associated components, pumps, pipes, and cooling tower, had to be sized to handle this increased capacity.

Observations

- The location of some exhaust fans being too close to fresh air intake units, resulting in re circulation of the exhaust air: (roof of back-of-house).



Picture 5.6 Sandals Whitehouse – Exhaust & Fresh Air Intake

- Problems with drain pipes for mini-split units in the back of house resulting in damp areas of the wall: (staff dining room)

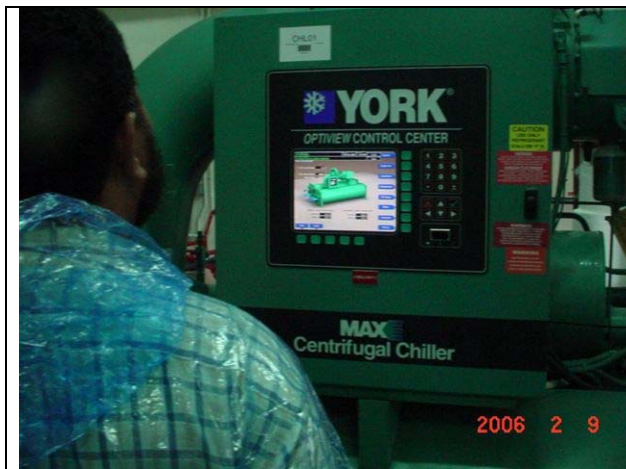


Picture 5.7 Sandals Whitehouse – Damp area on Wall from Air Conditioning

- Damp areas of the tennis courts identified as caused by leaking underground chilled water pipes.

Comparison

The water cooled chilled water system installed at Sandals Whitehouse is far more elaborate than the air conditioning systems installed at Beaches Negril or Beaches Turks & Caicos.

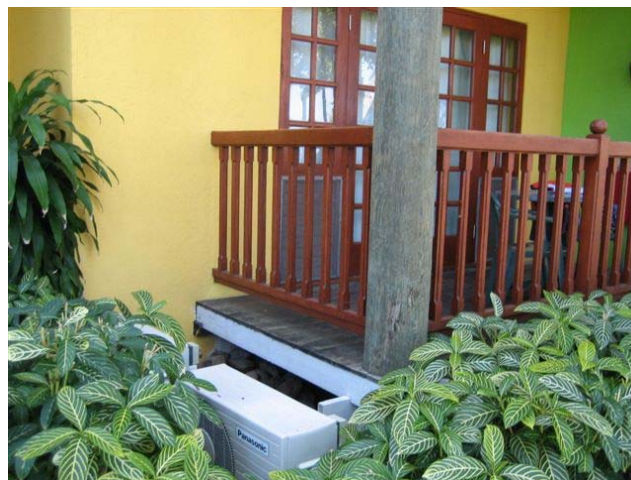


Picture 5.8 Sandals Whitehouse –A/C Chiller controls



Picture 5.9 Sandals Whitehouse – Air Condition Chiller

At Beaches Negril, individual mini-split units are used to cool the room blocks and larger split units for the larger areas of the central facility. There is no central plant with long underground distribution pipes. The Beaches Negril system is therefore a cheaper system than the Sandals Whitehouse system.



Picture 5.10 Beaches Negril – Mini Split A/C Unit

The French Village at Beaches Turks & Caicos has a small air cooled chilled water system. The condensing units are located in close proximity to the building therefore pipe runs are relatively short.



Picture 5.11 Beaches Turks & Caicos – A/C Chiller

The linear layout of the buildings at Sandals Whitehouse required long lengths of underground pipe infrastructure. The initial cost of the water cooled system is high due to the additional cooling towers, pumps, and water treatment system. The system at Sandals Whitehouse is the most expensive of the three but is the most efficient and reliable one with a longer service life.

5.3.3 WASTE WATER DISPOSAL SYSTEM

The wastewater disposal system involves the collection of wastewater from various locations throughout the Hotel, routing it to a central collection point for treatment of the waste and disposal of the effluent.

McDonald Group International Inc had a contract to provide design consulting services for the provision of Waste Water Treatment Plant. The original design was based on a standard SRI design and construction concept using round field erected bolted steel tankage for all waste water process tankage, a rotating mechanical sludge collector in the settling tank and diffused aeration for developing the aerobic biological process (McDonald Group letter May 22, 2001 – **Appendix 5-1.**)

The system installed works well and the grey water is used to irrigate the lawns. However, the collection and grey water tanks were changed from steel tanks to concrete tanks, for which Jentech Ltd, the consulting civil structural engineering on the project, did the structural designs. The structural drawings for the sewage plant, Jentech drawing sheet S-032 dated Jan 15, 2004, (**Appendix 5-2**) received by the Audit Team, shows details for reinforced concrete foundations, and walls for the tank. However, there are no wall-to-wall intersections reinforcing details for the vertical walls. One would expect to see corner details on the drawing to guide the contractor in the construction process.

The existing structural failure of the tanks (refer to pictures **Pict 5-12 to 5-15**) has reduced the effectiveness of the system. The grey water tank cannot be filled to its designed capacity and the water has to be disposed of more frequently than desired.



Picture 5.12 Sandals Whitehouse – Sewer Tank Failure



Picture 5.13 Sandals Whitehouse – Sewer Tank Failure 2



Picture 5.14 Sandals Whitehouse – Sewer Tank Failure 3



Picture 5.15 Sandals Whitehouse – Sewer Tank Failure 4

5.4 ELECTRICAL WORKS

Hardie & Kossally, the original M&E Consultants did the electrical designs for the room blocks. The main contractor, Ashtrom, having been asked to complete the designs for the other areas, engaged D.Bar – AKIVA Consulting Engineers an Israeli company.

Basil Nelson & Associates (BNA), the supervising consulting engineers also did some designs with respect to the security systems and external lighting.

The drawings we examined are complete with details and schedules, however, we have not seen the final as-built drawings.

The electrical design outlines the incoming power supply arrangement, standby power interconnection, internal distribution to the various load centers, control and protective systems, and the lightning protection system.

There are signs of over design in cables and panels for areas such as the staff facilities (**Pict. 5-16**), increasing the cost of the works. Underground cables used in some areas are not suitable for the moist conditions e.g. cables going to the staff accommodations. This has implications for increased inspection and maintenance of the system.



Picture 5.16 Sandals Whitehouse – Over Designed Panel

The supervising consultant (BNA) also advised that the standby generator was grossly oversized which increased the cost of the electrical component of the Project.

The major light fixtures were specified by H.P.I. The lamps used in these light fixtures are not the most energy efficient type. The supervising consultant (BNA) did introduce energy efficient fixtures in areas such as the back-of-house and external areas.

In some areas such as the ball room there was overloading of circuits controlling the light fixtures. In the theatre the chandelier received was heavier than the structure provided could support. This suggests that the specifications of the fixtures were received after the circuiting and designs were done or that the fixtures received were not those originally specified.

KSA Engineers Ltd, a local domestic sub-contractor carried out the electrical installation work. The installation is mostly acceptable. In some areas, lights, cable straps, bolts and accessories used are not suitable for the salt air conditions such as on the jetty.

There were a fair amount of variations due to the late addition of items such as the air conditioning controls, the FF&E light specification, the supply for the Somat garbage disposal system, sewage plant and back of house connection, security cameras and

cable television.

The main complaint received from the operators Sandals, is the interruption of power to various areas. This was confirmed by BNA as due to deteriorating underground cables. The cable used (XLPE) is suitable for moist conditions. However, some areas are constantly underwater, which is not the environment for which the XLPE cable is designed. Marine grade cables which is much more expensive should have been used.

Observations

The systems are generally well designed. In some areas the type of light fixture installed is not ideally suitable. For example the light bases of some fixtures do not sit properly on the circular poles in the outdoor restaurants.



Picture 5.17 Sandals Whitehouse – Light Fixture Base not sitting properly on Column

Some electrical manholes were filled with water, as the system was not properly sealed. This is due in part to the high water table, which the designers of the underground system should have taken into consideration. (Pict. 5-18)



Picture 5.18 Sandals Whitehouse – electrical Manhole with Water

Comparison

The electrical installation at all three locations, Sandals Whitehouse, Beaches Negril and Beaches Turks & Caicos, are all fairly standard. However, the quantity and level of lighting especially landscape lighting is much higher at Whitehouse. There are also a large number of fountains located throughout the site at Whitehouse for which water and power had to be provided.



Picture 5.19 Sandals Whitehouse – Fountain at Gift Shop



Picture 5.20 Sandals Whitehouse – Fountain at Central Facility



Picture 5.21 Sandals Whitehouse – Fountain at Spa



Picture 5.21 Sandals Whitehouse – Fountain at Dutch Village

At Sandals Whitehouse, there are more sophisticated systems for which power is required. This includes the extensive food and beverage outlay, the Somat garbage disposal system and the elaborate chandeliers. An external security camera system is installed along the fenced perimeter at Whitehouse.

5.5 CONCLUSION

In general the standard of the engineering systems at the Sandals Whitehouse Hotel are acceptable and meet international and local standards. There are areas of over design and under design and some of the problems caused by the latter were corrected during construction, as was the case with the structural support for the roof of the gym and aerobics rooms.

In the case of the sewage plant, those involved, namely the structural engineer, Jentech Ltd, the resident engineer and the main contractor Ashtrom Ltd, should have seen the lack of adequate design details on the structural drawings, before or during construction of the sewage tanks.

With respect to the deterioration of the underground cables, changes could have been made to the electrical designs to utilize more suitable cables in areas where they

are constantly under water, or to install the proper control devices, as has been recommended by the local electrical consultant (BNA), to forewarn on signs of cable breakdown.

As previously mentioned the electrical and mechanical systems installed at Sandals Whitehouse Hotel are of a high quality and are generally more sophisticated, efficient, reliable, and high tech than those in the other hotels visited by the Audit Team.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 6

**REVIEW PROJECT COSTS AND
FINAL ACCOUNT**

SECTION 6

REVIEW PROJECT COSTS AND FINAL ACCOUNTS

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REVIEW PROJECT COSTS AND FINAL ACCOUNTS

6.1 PREAMBLE

In this section of the Report the major focus is on costs and on items affecting costs. The analysis is therefore broken down as follows:

1. Budgetary Development
2. Contract Analysis
 - Bill of Quantities
 - Review of Contract Unit Rates
 - General Preliminaries in Contract Document
3. Construction Cost Review
4. Variations
 - Analysis of Variance and Provisional Sums
 - Interest Charges
 - Interest Charges for Late Payments
 - Cost Overruns
5. Final Account Analysis
 - Details of \$60M/\$70M/Final Costs
 - Budget Provision versus Final Cost
6. Project Implementation

6.2 BUDGETARY DEVELOPMENT

At the conceptual stage of the project the Quantity Surveyor, engaged on the project, Goldson Barrett Johnson, in his first attempt at establishing a budget for the project, revealed an approximate cost of US\$86.0M. This estimate was based on the cost per room of the then, recently completed Beaches Negril Hotel.

When this budget figure was reported to the Urban Development Corporation (UDC), it was considered to be too high and the Quantity Surveyor was requested to reduce this budget figure. A subsequent budget of US\$70.0M was done and presented. This too was considered high. Capital Options Limited was engaged by the UDC to investigate the financial feasibility of the project. Capital Options Limited indicated that the hotel would only be viable at an investment cost of US\$60.0M. This figure was then adopted as the Project Budget.

It must be noted here that although the budget figure was revised downward from US\$86.0M to US\$60.0M, there were no physical reduction to the project, i.e., reduction in number of rooms or size of central facilities.

There were no design changes, or instructions given to the architect to redesign the project. One comment made at our meeting with the Project Manager's Representative, was that the designs now had no relevance to the budget.

At a meeting of the Joint Venture partners and the appropriate consultants in January 2002, the budget was revised to US\$70.0M. To this sum would be added the cost of previously completed infrastructure works, (approximately US\$3.0M).

The Board of Ackendown Newtown Development Company Limited (ANDCO) approved this revised budget, in February 2003. This was the only adjustment to the Budget that was approved by the Board of ANDCO.

Details of the US\$60M and US\$70M are outlined below:

Budgetary Provisions

Description	US \$60.0M	US\$70.0M
Land and Infrastructure	3,700,000.00	3,700,000.00
Construction Cost	34,634,434.00	43,269,539.00
Furniture Fixture and Equipment	10,295,440.00	14,815,440.00
Professional Fees	5,284,952.00	5,489,912.00
Legal, Finance and Administration	2,608,656.00	4,512,574.00
Contingency	6,783,711.00	2,201,825.00
Total Project Cost	\$63,307,193.00	\$73,989,290.00

6.3 CONTRACT ANALYSIS

The main contractor selected for the construction of the Hotel was Ashtrom Building Systems Limited, a locally registered building contractor.

Ashtrom Building Systems Limited negotiated with the consultant Quantity Surveyor for the project, Goldson Barrett Johnson. A contract of US\$40,463,456.51 was agreed.

6.3.1 BILL OF QUANTITIES

The Condition of Contract Page 3 CC3, Clause 12, states -

“The quantities set out in the Contract Bills are the estimated quantities for the works and they are not to be taken as the actual and correct quantities of works to be executed by the contractor in the fulfillment of his obligations”.

The Contract Bill list a set of drawings numbering eleven (11) used in the preparation of the Bills of Quantities. (**Appendix 6-1**) Nine (9) of these drawings were related to the

Room Blocks, while the other two were (a) Overall Site Plan and (b) Site Plan. For a project of this magnitude, this number of drawings was totally inadequate and quite unusual.

Page AA2 of the Contract Bills of Quantities states: -

“Upon completion of the Working Drawings and the Bills of Quantities then these shall become the Working Drawings and Contract Bills of Quantities”.

The information contained in these drawings was inadequate to produce any accurate assessment of the works.

The provisions made in the Contract Bill for the Central Facilities and External works were all Provisional Sums. Of the contract sum US\$40,463,456.51 Provisional Sums amounted to US\$21,515,430.13, or 53.17%. This large percentage of the unknown was a very unhealthy situation, which speaks to the inadequacy of information available at contract time.

Prices contained in the works section of the Contract Bills were exclusive of head office over heads and profit. (See Conditions of Contract Page 3 – Clause 12). Provision was made for these items in the Preliminaries section of the Contract Bills. This practice is not very common in the industry, but it is not unheard of.

The sum included in the Contract Bills for preliminaries would only be adjusted for the following reasons:

- Extension of Time
- Payment amounts exceeding US\$42,000,000.00 which would be subjected to an addition of sixteen (16) percent, for head office profits and overheads.

Information relating to preliminaries, head office over heads and profits, were all amendments to the conditions of contract.

Volume 1A - Room Blocks and Volume 1B - Central Facilities

Between late 2002 and early 2003, upon the receipt of more adequate information, the consultant Quantity Surveyor produced adjusted Bills of Quantities. These Bills of Quantities were now based on measured quantities and became Volume 1A and Volume 1B.

The construction of staff housing, which was not included in the original contract of US\$40,463,456.51, was now added to the contractor's work.

As a result of measured works and the addition of staff housing, an adjusted contract sum was arrived at. The final cost figures are included for ease of comparison in the table below.

CONTRACT WITH ASHTROM BUILDING SYSTEMS LIMITED

Description	Original Contract (Vol. 1)	Adjusted Contract (Vol. 1A&B)	Final cost (Vol. 1A&B)
General Conditions of Contract	11,394,836.00	12,881,352.00	16,768,762.77
Room Blocks	14,282,443.71	14,715,027.30	18,886,055.49
Central Facilities	8,723,732.00	12,358,762.89	23,591,383.23
External Works	6,062,444.00	5,789,232.80	15,290,431.35
Addition for Staff Housing	-	1,501,560.00	-
Labour and Material Fluctuation	-	-	7,298,343.31
Sundry Items	-	-	3,911,445.81
Total US\$	40,463,456.51	47,245,934.99	85,546,421.96

The items included under Sundry Items are as follows:

a)	Cess at Port	128,654.81
b)	Container detention at Ports	16,859.00
c)	FF&E Construction Finishes	916,760.00
d)	M & E Designs	693,000.00
e)	Cost of producing Drawings from CD's	113,000.00
f)	FF&E items supplied by UDC	<u>2,043,172.00</u>
		\$3,911,445.81

All the above items were not provided for in the contract Bill of Quantities, but were included in the final account. It is our opinion that items d) to f) should not have been included as part of the Construction contract. Items d) and e) should have been placed under Technical Services and item f) under FF&E as per the Budget.

6.3.2 REVIEW OF CONTRACT UNIT RATES – ASHTROM

In analyzing the Bills of Quantities used in the contract between Ashtrom Building Systems Limited and Ackendown Newtown Development Company, for the construction of the Sandals Whitehouse Hotel, an exercise to compare unit rates used in the Bills of Quantities, with prevailing market rates at the time of contract was done.

The rates in the Bills of Quantities show labour and material as separate items, and profit and overheads were reflected elsewhere. In order to compare 'apples with apples' the rates in the Sandals Whitehouse Bills of Quantities were adjusted to reflect a complete unit rate. General Consumption Tax (G.C.T.) was also added to the cost of materials, as all prices in the Bills of Quantities are exclusive of General Consumption Tax etc. (Amendment to the Condition of Contract – Clause 30 (d)).

Labour and materials plus G.C.T. were added, and 15% added for profit and head office overheads. The resultant unit rate could now be compared with the prevailing market rate for the same item, as at November 1, 2001. The table that follows gives a sampling of the items from the Bills of Quantities.

COMPARISON OF BUILDING RATES AT TIME OF CONTRACT
(NOVEMBER 2001)

	Description	Unit	S.W.Rate US\$	Market Rate US\$
1.	Excavate pit for ground beam and wheel and deposit excavated material in spoil heap a distance not exceeding 100 metres	M ³	9.67	12.83
2.	Selected imported marl fill, spread, leveled, compacted and well consolidated in 150mm thick layers in filling under floor.	M ³	19.78	14.13
3.	½ " Thick cement and sand (1:3) rendering in two coats and finished with a wood float on walls.	M ²	10.07	12.60
4.	Prepare and supply two coats emulsion paint on rendered walls	M ²	5.24	6.09
5.	Reinforced concrete (2in/mm ²) in Belt Beams.	M ³	259.10	185.00
6.	12 mm Diameter mild steel bar reinforcement in belt beam	Kg	1.13	0.98
7.	Formwork to sides and soffit of belt beams	M ²	12.66	20.65
8.	100 mm Thick hollow concrete block walling etc. including filling alternate cavities with concrete (18n/mm ²)	M ²	29.83	25.00
9.	150 mm thick -ditto-	M ²	29.99	28.26
10.	36mm Thick internal quality plywood faced both sides semi-solid core flush panel door hardwood lipped on all edges etc.	No	140.75	141.30

	Description	Unit	S.W.Rate US\$	Market Rate US \$
11.	K.P.S. prepare and apply two coats gloss oil paint on surfaces of flush panel doors	M ²	5.66	6.96
12.	300mm x 300mm Ceramic floor tiles laid on concrete slab with an approved thinset and grouting joints in matching compound.	M ²	44.41	40.22
13.	50mm x 50mm Wrot wolmanised pitch pine frame on hangers.	M	4.50	4.02
14.	12mm cold water PVC pipe in chase in wall.	M	5.31	4.24
15.	12mm Diameter PVC elbow	No.	1.24	1.09
16.	12mm -ditto- tee	No.	1.39	1.48
17.	100mm P.V.C.. (125 p.s.i) D.W.V. pipe in concrete suspended ceiling.	M	19.46	13.48
18.	38mm -ditto- in chase in block wall	M	8.07	4.56
19.	38mm -ditto- 90° bend	No.	3.02	3.48
20.	100mm -ditto- bend	No.	13.97	13.26
21.	100mm -ditto- rodding eye	No.	27.45	10.22

Of the twenty-one (21) items described above, the Sandals Whitehouse adjusted Bills of Quantities rates were higher in thirteen (13) instances. The market rates were higher in eight (8) instances. **The above condition reflects a fair balance in project costing, whether tendered or negotiated.**

6.3.3 GENERAL PRELIMINARIES IN CONTRACT DOCUMENT - ASHTROM

When preparing a tender or negotiating for a contract based upon Bills of Quantities for Building Works, there are certain items of expense that are not usually included in the unit rates for measured works. Some of these items are insurances, foreman and site supervisory staff, temporary roads, overtime, watching and lighting, water for the works, plant and small tools.

These items are calculated as lump sums and placed in what is called the Preliminaries Bill. This Bill details the general obligations of the contractor under the terms of the contract and temporary works to be provided and gives him the opportunity to price them, if he so desires.

The total provision in this contract document for General Preliminaries and Conditions of Contract is in the sum of US\$11,394,836.00. This represents 28.16% of the contract sum of US \$40,463,456.51.

In analyzing the details of General Preliminaries we noted the inclusion of the following items:

a. Head Office Overheads	2,478,500.00
b. Profit	2,478,500.00
c. Contingency	<u>1,480,836.00</u>
	US\$6,437,836.00

These items should not form a part of the General Preliminaries in the contract. Head office overheads and profit are usually allowed for in the rates for measured works. Contingencies which is a provision for unforeseen works, is usually placed in the General Summary

In adjusting the total sum of US\$11,394,836.00 for General Preliminaries by removing the sum of US\$6,437,836.00, the resultant total of US\$4,957,000.00 would represent 12.25% of the contract sum. **This we consider to be an average percentage, for a project of this size.**

A break down of this total (US\$11,394,836.00) follows.

BQ ANALYSIS – DEC. 2001 (EDITION – VOL. 1)

Site enclosure	80,000.00
Watching and lighting	305,522.00
Temporary crossing etc.	39,130.00
Insurance	278,000.00
Plant and small tools	1,268,803.00
Professional staff	1,101,564.00
Site Superintendence	824,804.00
Site Support Labour	313,444.00
Construction Site Office	122,717.00
Sheds	38,000.00
Latrines	10,870.00
Safety and welfare	51,087.00
Water	24,818.00
Lighting and power	30,000.00
Telephone	71,043.00
Testing of materials	20,000.00
Temporary Storm Drain	7,200.00
Advertisement	2,174.00
Remove rubbish etc.	7,200.00
Transportation	129,978.00
Sundries	213,566.00
Head office. overheads	2,478,500.00
Profit	2,478,500.00
Testing concrete cubes	17,080.00
Contingency	1,480,836.00

6.4 CONSTRUCTION COST REVIEW

6.4.1 VARIATIONS

A variation is an order given to the contractor to change the quality and quantity of the works or any part thereof that may in the opinion of the Architect/Project Manager be necessary. No such variation shall in any way initiate or invalidate the Contract, but the value (if any) of all such variations shall be taken into account in ascertaining the amount of the contract price. This facility enables the scope of the contract to be altered. Such alterations are not uncommon. The Contractor shall make no such variation without an order in writing, in this case from the Project Manager. The Contractor has the right under the terms of his contract to confirm in writing any verbal order given to him.

Our review of the Final Statement of Account for the project reveals a number of variations to the contract. The review revealed a few items for which some provision was made in the Contract Document, but due to changes, the items had to be re-measured, resulting in largely increased costs. There were however two instances where there were reduced costs.

Variations on the project were largely straight additional costs to the project, resulting from the introduction of new works, increased scope etc. The Audit Team requested copies of written Variation Orders, but to date none was received. **A number of Site Instructions were issued to the Contractor, but these were not formalised into Variation Orders by the Project Manager.**

A summary of the net effect of the major variations by areas of work is as follows.

• Sundry work Orders	\$ 186,511.00
• Room Blocks	1,759,149.62
• Central Facilities	233,330.23
• External Works	995,169.71
• Beach works	633,187.75
• Staff Housing	239,427.00
• Termite treatment and site filling	417,031.00
• Services, electrical room, shuffle board, service rooms, underground hot water pipes, outdoor security telephone (Builders work) increased formwork rate, increased labour rate on painting, pumping and bailing water	<u>1,363,232.00</u>
Total value of Variations	\$5,827,038.31

The above items are detailed in the following table.

DETAILS OF VARIATIONS AND/OR EXTRAS TO CONTRACT

Item	Description	Omissions	Additions	Variance
Sundry Work Orders	Barbed wire fence, coastline, vendors facility and nursery	-	12,542.00	12,542.00
	Tree protection	-	85,000.00	85,000.00
	Vendors facility	-	5,738.00	5,738.00
	Model room structure and finishing	-	48,390.00	48,390.00
	Land survey work ordered	-	18,680.00	18,680.00
	Reimbursables – Sandals sign, site telephone (consultants)	-	16,161.00	16,161.00
Room Blocks	Piling and raft foundation	-	279,654.00	279,654.00
	Balcony rails	346,144.00	490,416.00	144,272.00
	False roof (inner ceiling)	-	19,385.47	19,385.47
	Roof access hatches	-	15,866.00	15,866.00
	Aluminum louvre windows	-	144,523.00	144,523.00
	Fan coil access door	-	27,290.00	27,290.00
	Waterproofing wall and floor in bathroom	-	212,040.00	212,040.00
	Cast stone elements	-	659,996.00	659,996.00
Linen chute	-	7,500.00	7,500.00	

Item	Description	Omissions	Additions	Variance
Room Blocks contd.	Under building service duct and manhole	-	88,640.00	88,640.00
	Exhaust fans	-	13,919.00	13,919.00
	25 MM cement and sand screed	-	144,841.00	144,841.00
	Modification to bath mixers	-	6,600.00	6,600.00
	Electrical room (roof)	5,376.85	-	(5,376.85)
Central Facilities	Main building and entertainment asphalt tanking	-	41,411.85	41,411.85
	Restaurant and kitchen asphalt tanking	-	51,879.00	51,879.00
	150 MM thick concrete topping screed in lieu of 50 MM	55,441.62	160,456.00	105,014.38
	FRP ceiling in kitchen	-	6,215.00	6,215.00
	Suspended ceiling in B.O.H.	-	28,810.00	28,810.00
External Works	Roads and parking	-	409,850.00	409,850.00
	Entry barrier	-	6,259.71	6,259.71
	Temporary swale	-	9,462.00	9,462.00
	Hurricane damage	-	121,622.00	121,622.00

Item	Description	Omissions	Additions	Variance
External Works contd.	Jetty repairs	-	39,922.00	39,922.00
	Insurance claims excess from hurricane damage	-	449,791.00	449,791.00
	Beach walls	-	633,187.75	633,187.75
	Provision for staff housing	1,216,530.00	1,022,109.00	(194,421.00)
	Underground services	-	375,294.00	375,294.00
	Change in floor finish specification	-	16,817.00	16,817.00
	Termite treatment and site filling	-	417,031.00	417,031.00
	Electrical room (staff accommodation)	-	11,406.00	11,406.00
	Shuffle board	-	44,608.00	44,608.00
	Service rooms	-	53,382.00	53,382.00
	Underground water pipes	-	37,065.00	37,065.00
	Outdoor security (Builders work)	-	261,590.00	261,590.00
	Telephone (Builders work)	-	104,280.00	104,280.00
	Fire fighting (Builders work)	-	103,187.00	103,187.00
	Formwork (Omission for rebate on concrete)	145,232.00	523,067.00	379,835.00

Item	Description	Omissions	Additions	Variance
External Works contd.	Labour increase in painting rates	-	197,879.00	197,879.00
	Pumping and bailing water	-	170,000.00	170,000.00
	Totals	US\$ 1,768,724.47	7,663,499.78	5,827,038.31

The above net variance of US\$5,827,038.31 represents an increase of approximately 14% of the original contract sum of US\$40,463,456.51. The Audit Teams considers this high.

6.4.2 ANALYSIS OF VARIANCE ON PROVSIONAL SUMS

Our review of the Final Statement of Account for the project reveals a number of variances in the "Provisional Sums" included in Contract Document. The net effect of these variances has accounted for a significant increase in the final cost of the project, amounting to some 17 to 18 percent of the revised budget of US\$70,000,000.00.

In the following Table, we highlight the variances, which have either been increased or decreased by ten (10) percent, relative to the original provision. Ten percent (10%) was chosen so as to make the evaluation less onerous. The comparison of Provisional Sums and Final Cost figures is included primarily to indicate where things started and where they ended.

VARIANCE ON PROVISIONAL SUMS

	Item	Description	Provisional Sum	Final Costs	Variance
Room Blocks	2.1.6/B	Finishes to stairs and landing	4,483.00	41,546.00	37,063.00
	2.1.32/A	Dormer roof	4,000.00	18,467.00	14,467.00
	2.1.43/O	Doors to service duct areas	3,271.26	48,836.00	45,564.74
	2.1.58/A	Electrical installation	1,364,979.00	1,110,947.91	(254,031.09)
	2.3.6B	Finishes to stairs and landing	2,373.42	40,726.00	38,352.58
Central Facilities	3.1.7/F	Retractable partition	103,500.00	72,885.00	(30,615.00)
	3.1.18/A	Prefabricated aluminum dome and flag pole	6,000.00	162,000.00	156,000.00
	3.1.33/E	Skirting etc.	25,000.00	9,431.00	(15,569.00)
	3.1.41/A	Fire protection system	15,000.00	22,667.06	7,667.06
	3.1.42/A	Air Condition installation	521,000.00	1,825,694.00	1,304,694.00
	3.1.42/B	Builders work	19,348.00	36,434.00	17,086.00
	3.1.45/A	Visual and audio installation	105,000.00	243,615.00	138,615.00

	Item	Description	Provisional Sums	Final Cost	Variance
Central Facilities contd.	3.2.3/D	Additional work in Substructure	5,000.00	51,880.00	46,880.00
	3.2.10/Q	Skylight	20,000.00	67,850.00	47,850.00
	3.2.11/A	Rainwater disposal	15,000.00	27,576.66	12,576.66
	3.2.13/J	Tiled finishes, handrails etc.	4,500.00	35,103.02	30,603.02
	3.2.15/O	Aluminum shutters	150,000.00	29,635.00	(120,365.00)
	3.2.19/N	Additional tiling	18,000.00	112,090.00	94,090.00
	3.2.34/S	Additional plumbing in kitchen	100,000.00	304,490.00	204,490.00
	3.2.35/A	Rainwater gutter	15,000.00	36,982.00	21,982.00
	3.2.36A	Fire prevention and water sprinkler system	20,000.00	491,704.00	471,704.00
	3.2.38/A	Electrical installation	432,448.00	2,595,354.75	2,162,906.75
	3.2.38/B	Builders work	26,622.00	-	(26,622.00)

	Item	Description	Provisional Sums	Final Costs	Variance
Central Facilities contd.	3.3.16/F	Door hardware	4,000.00	14,119.00	10,119.00
	3.3.22/J	Sauna	25,000.00	38,894.00	11,894.00
	3.3.29/A	Fire prevention and water sprinkler system	16,000.00	37,408.79	21,408.79
	3.4.11/E	Door hardware	3,700.00	17,042.00	13,342.00
	3.4.22/A	Fire prevention and water sprinkler system	20,000.00	30,573.09	10,573.00
	3.6.17/A	Cold water installation	900.00	2,758.70	1,858.70
	3.6.18/A	Disposal installation	1,500.00	3,449.00	1,949.00
	3.9.1/A	Pools	1,186,000.00	2,326,772.00	1,140,772.00
	3.10.1/A	Dive shop, grills and gazebos	460,000.00	561,859.57	101,859.57
External Work	4.1.1/A	General clearance of trees and shrubs	60,000.00	172,724.00	112,724.00
	4.1.1/B	Flood control	500,000.00	703,886.00	203,896.00
	4.1.12/A	Landscaping	1,100,000.00	4,515,548.00	3,415,548.00

	Item	Description	Provisional Sums	Final Costs	Variance
External Work contd.	4.1.16/A	Sewerage Treatment Plant	750,000.00	845,918.23	95,918.23
	4.1.23/B	Desalination plant (Main supply/storage)	700,000.00	-	(700,000.00)
	4.1.24/A	Gas installation	20,000.00	88,344.21	68,344.21
	4.1.27/A	Standby generator	600,000.00	873,316.00	273,316.00
	4.1.32/E	Supply and installation of windows	870.00	2,370.00	1,500.00
	4.1.3/M	Floor finishes	2,174.00	1,007.00	(1,167.00)
	4.1.37/A	Jetty with beach control	360,000.00	328,061.44	(31,938.56)
		Total US\$	9,890,343.68	21,247,059.94	11,356,716.26

The net Variance on Provisional Sums included in the Bills of Quantities, represents an increase of \$11,365,716.26 or 115% over and above the original sum of US\$9,890,343.68. This represents a very unhealthy situation, which is not very common in the industry.

The constant introduction of new items/elements in the project, the changing nature of the works, the increasing size and intricacy of the works, were all indications that we were looking at a moving target, to which not much attention was placed until the latter part of the project.

In terms of our analysis and looking at percentage variances instead of sums, a number of items stand out:

<u>Item</u>	<u>(%) Increase</u>
(a) Electrical installation (s);	211
(b) Finishes to stairs and landing	1,100
(c) Doors to service ducts	1,393
(d) Dormer roof	363
(e) Pre-fabricated aluminum dome and flag pole	2,600
(f) Air condition installation	250
(g) Visual and audio installation	132
(h) Additional work in sub-structure	938
(i) Aluminum shutters	(80)
(j) Additional tiling	523
(k) Additional plumbing in kitchen	204
(l) Fire prevention and water sprinkler system	134
(m) Pools	96
(n) Flood control	41
(o) Landscaping	311
(p) Gas installation	342
(q) Standby generator	46

All the above items saw major increases in the Final Cost over and above the original Provisional Sums.

6.4.3 INTEREST CHARGES

The Heads of Agreement between Gorstew Limited, the Urban Development Corporation Limited and National Investment Bank of Jamaica agreed that the parties' capital injection in the project will be based on an agreed construction schedule, which would determine the capital injection requirements of the project.

The parties' capital injection was also be based on their proportionate share in the ratio of their cash contribution to the ordinary share capital of the company on a percentage basis for each capital injection requirement.

The basis of the contribution is as follows:

- a. UDC - 10/23rd
- b. Gorstew - 5/23rd up to a maximum of US\$1,000,000.00
in the year 2001 and 2002 combined.
- c. NIBJ - 8/23rd

The agreement further states: -

"It is understood and agreed that the remaining US\$2,000,000.00 of Gorstew's equity contribution will be paid on completion of the project or by July, 2003 whichever is earlier and that the shortfall in the capital injection requirements as a result of the deferred payment by Gorstew of the sum of US\$2,000,000.00 during construction, shall be borne by NIBJ and UDC in proportion to their equity i.e. NIBJ – 8/18 and UDC – 10/18".

At the Board meeting of Ackendown Newtown Development Company (ANDCO) held on October 11, 2001, the Cash Flow Projections for the project were circulated. The Cash Flow indicated requirements of US\$9,760,000.00 for the next three months.

The Minutes of the meeting further indicated that based on the formula in the Heads of Agreement, UDC was required to contribute US\$4,866,000.00, NIBJ US\$3,894,000.00 and Gorstew US\$1,000,000.00.

It was resolved at the meeting that the shareholders would be requested to make their respective contributions.

The minutes of the Board meeting of ANDCO, held on 13th December 2001 indicated that the NIBJ had contributed US\$2.0M or approximately one half of its contribution.

Gorstew made no contribution, but they had indicated their intention to make their contribution in two parts – US\$500,000.00 in December 2001, and US\$500,00.00 by the end of January 2002.

The minutes of the Board meeting of ANDCO held on 14th February 2002, page 6 indicated that Gorstew was unable to contribute any of its US\$1,000,000.00 that was due. It further indicated that NIBJ and UDC were advancing payment on Gorstew's behalf. Questions were asked, if the contribution should not be treated as a loan for which interest would be payable.

The Development Bank of Jamaica was the company asked to source some US\$30,000,000.00 on behalf of ANDCO

The failure to have the Shareholders Agreement signed in the normal due process of things, resulted in delays in securing funding for the project. The delays in transferring the land title for the project from Gorstew to ANDCO also created problems and delays in securing permanent loan funding in any timely manner.

The minutes of the Board meeting of ANDCO of 13th March 2003, acknowledged that shareholders must ensure that they inject funds into the company (ANDCO), so that it can meet its obligations. It was also noted in these minutes that with a mere seven months before the date of completion of the original contract (October 31, 2003), it was stated '*Gorstew to transfer Title to ANDCO*'. This is the same title that was required to secure loan funding for the project.

The failure of ANDCO to make timely payments to the Contractor, the partial payments and late payments, led to claims from the Contractor, for interest on outstanding funds. These late payments and partial payments are well documented both in the minutes of ANDCO's Board meetings and the Nevalco's monthly reports.

The consultant Quantity Surveyor on the project, Goldson Barrett Johnson has prepared

a schedule of Payments, **Appendix 6-2**, which calculates the Interest on Overdue payments. The Audit Team was unable to verify both payments and dates of payments as listed in this schedule, due to the absence of details.

6.4.4 INTEREST CHARGES FOR LATE PAYMENTS

Clause 30 (1) of the Conditions of Contract entered into between Ashtrom Building Systems Limited and Ackendown Newtown Development Company Limited, states in part;

“The Contractors Valuation shall, if in order, be approved by the Architect within 7 days and an interim certificate of payment issued by the Architect to the Employer stating the amount due”.

The Clause further states that:

“The Architects Certificate of Payment shall be honoured by the Employer within the period stated in the appendix, from the presentation of the certificate. The Contractor shall be entitled to interest at the rate specified in the appendix, on overdue amounts.

In this contract there was an amendment to the Appendix (Page AA/27 of the Contract) “Period of Honouring Certificates”, to state the following:

“Total period from submission of the Contractors Valuation until receipt of the payment not to exceed 28 days”.

In seeking clarification on this matter, we were advised that the consultant Quantity Surveyor was allowed 7 days from the receipt of the Contractors Valuation to process the claim and the other 21 days for the approval and payment process.

Thus 21 days after the date of each certificate, which is not paid or paid in full, then the outstanding balance, begins to attract interest, at the rates stated in the Appendix (Page AA/27 of the Contract) as follows.

1% on US\$ amounts per month:

2% on J\$ amounts per month.

INTEREST ON OVERDUE PAYMENTS

No	Certificate dated	Amount Approved by Quantity Surveyor	Amount Approved by Project Manager	Date of Recommendation by Project Manager	Date of Payments	Overdue days
1	16.1.02	1,186,699.00	1,186,691.00	14.2.02	18.2.02	11
2	1.3.02	1,750,739.00	1,750,739.00	1.3.02	18.3.02	-
3	9.4.02	4,307,684.00	4,307,684.00	11.4.02	30.4.02	-
4	17.5.02	413,452.38	413,452.00	29.5.02	28.5.02	-
5	28.6.02	625,499.12	625,450.00	8.7.02	2.7.02	-
6	8.7.02	651,712.00	651,712.00	18.7.02	13.8.02	15
7	8.8.02	958,693.00	958,693.00	22.8.02	3.9.02	5
8	16.9.02	660,826.00	660,826.00	19.9.02	11.10.02	4
9	14.10.02	464,598.00	464,598.00	28.10.02	8.11.02	4
10	6.11.02	556,479.00	556,479.00	20.11.02	12.12.02	16
11	4.12.02	808,826.00	808,826.00	16.12.02	3.2.03	40
12	22.1.03	643,898.00	643,898.00	5.2.03	14.3.03	30
13	26.2.03	2,051,540.00	2,051,540.00	10.3.03	14.3.03	-
14	26.3.03	805,874.00	805,874.00	7.4.03	28.4.03	12
15	8.4.03	1,075,975.00	1,075,975.00	22.4.03	7.5.03	8

16	7.5.03	3,934,590.00	3,934,590.00	28.5.03	10.6.03	13
17	2.6.03	1,346,568.00	1,346,568.00	10.6.03	2.7.03	9
18	7.7.03	1,506,347.00	1,506,347.00	10.7.03	5.8.03	7
19	5.8.03	2,134,187.00	2,134,187.00	13.8.03	8.9.03	11
					Total	176 Days

Note: Payments became overdue 21 days after the date of each Certificate

We are unable to provide any further analysis beyond Certificate No. 19, as these were not presented to us. It is our understanding that Certificates have been issued up to No. 38.

The Table above indicates a total of 176 days of overdue payments. This total is not entirely correct as in a number of cases partial payments were effected instead of full payments, on amounts recommended.

We note from the consultant Quantity Surveyor's analysis (**Appendix 6-2**) that the following occurred, over Certificates Nos. 1 through 19:

- Certificate No. 7 - paid in three installments
- Certificate No. 9 - paid in three installments
- Certificate No. 10 - paid in two installments
- Certificate No. 11 - paid in two installments
- Certificate No. 12 - paid in two installments
- Certificate No. 13 - paid in four installments
- Certificate No. 14 - paid in two installments
- Certificate No. 15 - paid in two installments
- Certificate No. 16 - paid in three installments

The date of payments in the table above is indicative of the first payment in each Certificate and therefore does not reflect the overdue days on the outstanding balance.

The table also indicates the following overdue days.

- Certificate No. 1 - 11 overdue days
- Certificate No. 6 - 15 overdue days
- Certificate No. 7 - 5 overdue days
- Certificate No. 8 - 4 overdue days
- Certificate No. 9 - 4 overdue days
- Certificate No. 10 – 16 overdue days
- Certificate No. 11 - 40 overdue days
- Certificate No. 12 - 30 overdue days
- Certificate No. 13 - No overdue days
- Certificate No. 14 - 12 overdue days
- Certificate No. 15 - 8 overdue days
- Certificate No. 16 - 13 overdue days
- Certificate No. 17 - 9 overdue days
- Certificate No. 18 - 7 overdue days
- Certificate No. 19 - 13 overdue days

Based on the partial payments or payments on installments above, the number of overdue days on sums outstanding would increase beyond the total of 176 days. The comparable number of days as calculated by the consultant Quantity Surveyor over Certificates 1-19 (**Appendix 6-2**) is 501 days. We have no way of verifying this calculation, since the information to do this has not been made available to us.

Certificates Nos. 11 and 12 stand out, for being paid either in full or partially, some 40 and 30 days respectively after payment was due.

The consultant Quantity Surveyor's calculation is for a total of US\$1,007,308.00 as interest on overdue payments (**Appendix 6-2**).

Ackendown Newtown Development Company Limited inability to effect payment

promptly, was due to the following:

- The unavailability of funds from the Shareholders.
- Shareholders Agreement not signed – hence loan could not be accessed.
- The late transfer of the title for the property.
Funding had been arranged through the Development Bank, but because of the title not being transferred for an extended period, the loan fell through.
- We were advised that funds were set aside by the Bank of Nova Scotia for government projects, but because of the delay in signing the Shareholders Agreement and transferring the Title for the property, the funds were used elsewhere.

The above situation forced the U.D.C. in 2004 to obtain a number of Promissory Notes, so as not to stop the project.

6.4.5 COSTS OVERRUNS

A number of factors have contributed to the significant overruns experienced on the project. We list below the factors as we have observed from our analysis of the project records.

- a) Commencement of construction without detailed designs.
- b) Inadequate cost provisions for areas of incomplete designs and specifications at contract date.
- c) Lack of funding being in place to execute the project in a timely manner.
- d) The necessity to obtain funding on behalf of contracted parties, who failed to make their timely contribution, hence attracting additional interest charges to the project.
- e) Failure of some consultants to perform, leading to delays in the commencement of areas of work. Of particular note, the failure of the original Mechanical/Electrical Consultant to supply timely designs for the project. They were eventually replaced. The final cost for this area of consultancy was in the

amount of US\$963,061.00 or some 223% over and above the agreed fees (US\$298,000.00) of the original consultant. The replacement consultant also provided less service than was agreed with the original consultant.

- f) Failure of the Project Manager to perform the duties, which were clearly identified in their scope of services.
- g) Design and specification changes.

If the cost of the project was being monitored on a constant basis, and if the approval protocols as they were outlined were being adhered to, by all the parties concerned, then the final cost of the project would have become evident a lot earlier. Some of the late decisions taken to include elements of work probably would not have been made if the projected final cost were determined earlier.

To further complicate the cost overrun issue, instructions were issued to the Contractor by third parties, e.g. Implementation Limited without going through the established approval process.

In a late attempt to reduce expenditure some items of work included in the original planned Design Brief were omitted e.g. stables and helipad.

The Project Manager's representative statement at the site meeting of March 20, 2003 states inter alia *"that all final sign off on the project, for the purposes of execution, can only be done through the Project Manager's office"*.

"The final authority to proceed on any suggestion request or instruction must come from the Project Manager's office. Any body who functions outside of that is donating whatever they do to the project because it will not be paid for unless it is finalized".

The Project Manager in the statement on the above date admitted that in regard to the question of operation, *"that on a number of issues my office has been tardy"*.

At a site meeting held on March 28, 2003, the Project Manager's representative is recorded in the Minutes – item 1.3 stated “*all approvals and instructions can only be issued by the Project Manager*”.

This approval protocol was not followed in a number of cases, and although this was evident, nothing was done about it, and there were no sanctions.

Item 2.5 of the said meeting records that although “*the project manager was aware of a concrete testing lab on site, he did not review the results on a timely basis*”.

The Project Manager's response was to place more operatives on site. This however did not create the desired results.

6.5 FINAL ACCOUNT ANALYSIS

The information contained in this section of the Report were all taken from the “Final Account” for the Construction Contract, as prepared by the consultant Quantity Surveyor for the project, Goldson Barrett Johnson and agreed and signed off by Ashtrom Building system Ltd.

Details of the Budget versus the Final Account are outlined in the following table.

BUDGET PROVISIONS V FINAL COSTS

	Description	\$86M Budget	\$60M Budget	\$70M Budget	Final Project Costs
1	General Conditions	-	-	-	16,768,762.77
2	Room Blocks	20,826,656.00	23,114,519.00	26,835,049.00	18,886,055.49
3	Central Facilities	10,904,757.00	13,270,756.00	15,964,983.00	23,591,383.23
4	External Works	13,033,656.00	7,081,999.00	8,735,107.00	15,090,431.35
5	Furniture & Fixtures	8,522,381.00	1,452,600.00	5,772,600.00	9,646,545.48
6	FF&E	-	74,000.00	74,000.00	270,781.64
7	Architect	1,577,363.00	891,000.00	981,000.00	904,550.00
8	Project Development and Supervision	-	413,043.00	-	
9	Structural Engineering	723,561.00	460,870.00	900,000.00	400,000.00
10	M&E Engineer	347,309.00	339,130.00	450,000.00	963,061.00
11	Quantity Surveyor	530,612.00	460,870.00	600,000.00	463,830.00
12	Landscape Design	72,356.00	59,130.00	68,000.00	51,500.00
13	Interior Design	530,612.00	414,526.00	476,705.00	440,801.00
14	Project Management	723,561.00	1,043,478.00	1,200,000.00	1,504,983.00
15	Coastal Engineering	-	30,000.00	-	34,500.00

	Description	\$86M Budget	\$60M Budget	\$70M Budget	Final Project Costs
16	Environmental Studies	-	49,043.00	-	50,195.00
17	Soil Testing	24,119.00	21,668.00	21,668.00	
18	Site Survey	9,647.00	8,667.00	8,667.00	
19	Project Administration	337,662.00	300,000.00	303,357.00	83,191.00
	Field				
20	Reimbursables	241,187.00	200,000.00	216,684.00	264,427.00
21	Feasibility Study	192,950.00	-	173,347.00	22,000.00
21A	Land	9,279,907.00	-	-	-
22	Adjudicator	-	16,484.00	16,484.00	9,149.00
23	Technical Services	-	413,043.00	-	402,442.00
24	Construction Interest	5,396,956.00	2,478,656.00	4,384,215.00	3,583,256.40
25	Local Commitment Fees	80,014.00	100,000.00	64,999.00	711,250.00
26	Legal Fees	57,629.00	30,000.00	49,680.00	97,450.00
27	Real Estate Taxes	15,869.00	-	13,680.00	1,109.00
28	Contingencies	4,756,466.00	6,783,711.00	2,521,865.00	-
29	Working Capital	106,070.00	-	91,440.00	-
30	Pre-opening Expenses	212,141.00	-	182,880.00	1,474,280.00
31	Equipment				
	Kitchen	2,739,456.00	-	-	-
	Laundry Rooms	5,011,200.00	-	-	

	Description	\$86M Budget	\$60M Budget	\$70M Budget	Final Project Costs
	Add for the following to Construction Cost				
A	Cess at Port	-	-	-	128,654.81
B	Fluctuations – Labour and	-	-	-	7,298,343.31
C	Materials	-	-	-	16,859.00
D	Container Detention at Ports				3,446,665.00
E	Infrastructure (Gorstew)				5,585,647.13
F	Adjustment Clause 30				1,594,100.84
	Interest & Insurance				
	Total US\$	86,254,097.00	59,507,193.00	70,106,410.00	113,786,204.45

6.5.1 DETAILS OF US\$60M / US\$70M / FINAL COSTS

A number of items have been added to the Final Account of the Construction Contract. Some of these items, it would appear, should have been directed under other headings, and not under the Construction Contract. The items we consider such are as follows:

- | | |
|--------------------------------|-------------------|
| (1) M & E Designs | US \$693,000.00 |
| (2) Cost of Drawings from CD's | US \$113,000.00 |
| (3) FF&E items supplied by UDC | US \$2,043,172.00 |

We are aware that M&E Designs were eventually executed through the main contractor

on the project, Ashtrom Building Systems Limited. However we consider that these costs should be addressed under Technical Expenses, where they do not attract the 16% addition for head office overheads and profits payable to the contractor.

Item (3) should be addressed under the main FF&E item, which was executed by the Urban Development Corporation.

In analyzing the Budget versus the Final Accounts, a few items for which there were provisions in the first budget (US\$60M) were not included in the Revised Budget (US\$70M). These items included the following:

- (a) Suite Concierge this item was built but not included as a line item in the Final Account (\$176,671.07);
- (b) Check out facilities, wedding, sales, nurses and tour desk – these items were built and included in the Final Account (\$164,561.62);
- (c) Squash Courts _ this item was built and included in the Final Account (\$312,996.51);
- (d) Port Cochere – this item was not included in the Final Account (\$70,000.00);
- (e) Project Development and Supervision - excluded from the Final Account
- (f) Coastal Engineering -excluded from the Final Account
- (g) Environmental Studies - This item was included in the Final Account (\$50,195.00)
- (h) Technical Services - This item was included in the Final Account (\$391,875.00)

The total of these items that were removed from the first budget (US\$60M) but later built (a) (b) & (c), amounts to \$654,229.13.

At the time of writing, final expenditure under Technical Expenses were not available to us. Hence items (e to h) above have been excluded from this sum. The sums in the brackets following items (e to h) were provisions in the US\$60M budget.

A second scenario presents itself, the item for which there was no provision in either the US\$60M or the US\$70M budgets, but was constructed and included in the Final Account. This item was the Gymnasium (\$237,996.60)

In the third scenario, provisional sums were included in the Construction Contract for items, which were not included in the (US\$70M) Budget and were constructed and included in the Final Account, e.g. Gas installation, concierge, squash courts and gymnasium.

This situation is cause for concern, because if items are not included in the Budget, then on what bases were they constructed and included in the Final Account.

There are no indications (written in the form of Variation/Charge Orders) for these areas of works. The Project Manager's representative issued a number of Site Instructions, however, (though requested) we have not seen any Formal Variation Orders.

The level of monitoring of the expenditure on the project leaves a lot to be concerned about. It would appear that a number of the paid consultants, owners and management abrogated their responsibilities. The various written agreements between parties on the project adequately outlined each party's role and functions.

The Project Management Agreement between the Urban Development Corporation and the Ackendown Newtown Development Company Limited (ANDCO) required the project manager (UDC) *"to bring to the attention of Ackendown Newtown Development Company's Board of Directors, any potential cost overruns"*.

The project manager (UDC), *"should not undertake increased expenditure without the express written approval of the Board of Ackendown Newtown Development Company Limited"*.

It is obvious that this level of monitoring, reporting and approval process, fell down

along the way. Both the ANDCO Board and the Project Manager are to be blamed for the events leading to the situation where, there were major overruns on the project, and this is only being brought to attention at a late stage.

The sub-project management agreement between the Urban Development Corporation and Nevalco Consultants Limited (Page 13 – Item C) states that Nevalco Consultants Limited shall be *“responsible for alerting the Urban Development Corporation immediately of unforeseen circumstance that arises which would impact programme or cost”*.

All parties to the management of the project had their responsibilities to fulfill. If parties performed their functions well then, the late realization of overruns would not have occurred.

The final cost of the construction contract between Ashtrom Building Systems Limited and Ackendown Newtown Town Development Company Limited is reflecting several significant increases over and above the contracted amounts.

A. General Conditions of Contract. This is reflecting increases totaling US\$9,780,058.13 or some 59% of the contract provisions for this tem. The items associated with this increase are as follows:

(i)	Insurances due to extension of time;	313,761.00
(ii)	Additional preliminaries due to extension of time	2,080,650.00
(iii)	Supply additional resources to achieve earlier completion	1,800,000.00
(iv)	Increased profit and over heads (Contract Clause 30) due to increased cost of project	<u>5,585,647.13</u>
		US\$9,780,058.13

The increases in cost (i) & (ii) above, due to Extension of Time, point to a number of

issues.

- a) Commencement of project before designs are completed
- b) Poor project management
- c) Unavailability of funding for the project
- d) Poor performance of some consultants.

The Audit Team has questioned the item "Supply additional resources to achieve earlier completion". The consultant Quantity Surveyor, Goldson Barrett Johnson, in response to our query, supplied us with a list of items that the Contractor claimed under this heading "*additional expenses*" for the period June 2004 to January 2005. The sum total of this claim is in the amount of US\$2,460,401.00 (**Appendix 6-3**). The Quantity Surveyor has recommended a payment of US\$1,800,000.00 against this claim in the Final Account.

The Quantity Surveyor further advised that the Contractor received instructions from the Project Manager to proceed with this area of expenditure after discussions with the Joint Venture Partners.

The Quantity Surveyor has supplied us with the breakdown to indicate how they arrived at their recommendation of US\$1,800,000.00.

Extension of time was granted to the contractor, we are informed, up to the completion of the project. Additional preliminaries costs due to extension of time, totaling some US\$2,080,650.00 is already included in the Final Account. A number of the items listed as "additional costs" are items, which would fall under additional preliminaries. From the attached (**Appendix 6-3**) these would include: items 1, 7, 10, 11, 12, 14, 16 and 17.

All the other items on this list of "additional expenses" items 2, 3, 4, 5, 6, 8, 9, 13, 15, and 18 are items for which the contractor would have had to seek approval, before embarking on them. No evidence of application or approval was submitted to the Audit Team, although this was requested.

It is ironic that payment was made for “supply additional resources to achieve early completion”, bearing in mind that the project was completed after excessive delays, some of which were caused by the contractor.

Increased Profits and Over heads

Clause 30 (12) in the Amendment to the Condition of Contract states “*the amounts calculated as due under the provisions of Clause 30 in an Interim Certificate or the Final Certificate will be subject to an addition of 16 percent, for head office profits and over heads on the value that exceeds for whatever reason \$42,000,000.00*”. We question the inclusion of the following, in making this calculation:

a)	Sum for M & E designs	693,000.00
b)	Cost of producing drawings from CD’s	113,000.00
c)	Additional resources to achieve earlier completion	<u>1,800,000.00</u>
	Total	\$2,606,000.00

We consider items a) and b), not a part of the construction contract and should appropriately be placed under Technical Expenses, thus not attracting the 16 percent addition. Removing all the above items would give a saving of 16% of \$2,606,000.00 or \$416,960.00.

B. Room Blocks This element of the construction project is reflecting increases totaling US\$2,666,911.55. This is because the final cost sum of US\$18,886,055.49 includes the sum of US\$1,740,278.00 for the Staff Housing, which was not included in Ashtrom’s Contract sum.

This increased cost of US\$2,669,468.19 is some sixteen (16) percent above the provision for the Room Blocks in the construction contract.

The increase cost under this element is due to the following:

- a) Changes in specification of items - \$ 491,383.87
 - b) Additions to the scope of works - 2,178,084.32
- US\$2, 669,468.19**

With the exclusion of the Staff Housing, there was no major area of increase in the cost Room Blocks, but rather a significant number of small increases due to changes in specification.

C. Central Facilities The amount included in the revised construction contract for the Central Facilities was a Provisional Sum of US\$12,358,762.89. This element of the construction project is reflecting a major increase in cost over the contracted sum. With a final cost of US\$23,591,383.23, an increase of US\$11,232,620.34 or 91% is very significant and points to the following:

- a) Inadequate provisions in the contract due to budget provisions based on the unit costs of the recently completed Beaches Negril;
- b) Major variations to contract provisions.

We have been able to identify the following, which contributed significantly to b) above.

- Increased size of back of house facilities, by some 15,000 square feet. From the records' Minutes of Meeting of the Board of Directors ANDCo held on December 13, 2001 and February 14, 2002, Gorstew Limited made this request for additional space. Measurements taken from drawings submitted to the Audit Team, gives in a total area of 40,906 square feet. This compared with the total area of 28,310 square feet in the May 2000 Architectural Design Brief.
- Sums included in the Revised Bill of Quantities for various elements of work were adjusted based on final design drawings.

The major areas of variance in the cost of the Central Facilities are shown in the table following.

Description	Original Provision US\$	Final Cost US\$	Percentage Variance
Main Building and entertainment	490,948.00	614,901.01	25.24
Air Conditioning	521,000.00	1,825,694.00	250.42
Electrical Installation	1,099,675.00	2,663,949.75	142.25
Restaurants and Kitchen	582,122.00	1,237,539.15	112.59
Spa	87,842.00	99,858.71	13.68
Retail	155,500.00	49,850.00	(67.94)
Suite Concierge	19,060.00	5,804.00	(70.00)
Check out facility	13,620.00	6,207.70	(54.00)
Gymnasium	255,000.00	237,996.60	(7.00)
Squash Courts	312,000.00	312,996.51	0.32
Pools	1,186,000.00	2,326,772.00	96.19
Dive shop, grills and gazebos	460,000.00	561,859.57	22.14

The increases in the cost of

- a) Main building and entertainment
- b) Air conditioning
- c) Electrical installation to main building
- d) Restaurants and kitchen
- e) Electrical installation to restaurants and kitchen

are due mainly to the increased size of the back of house space. The level of finishes used in the Central Facilities area also contributed to the overruns. Extensive millwork was incorporated in this area. The quality of floor finishes and the intricate

designs/patterns would also have contributed to the overruns.

D. External Works The final construction cost of the external works is US\$15,090,431.35 and reflects increases totaling US\$9,301,198.55, or some 161% above Ashtrom's contracted total. This increase is very significant and again points to:

- a) Inadequate provisions in the contract
- b) Major variations to contract provisions.

We have identified the following areas where increases/overruns took place, we were however unable to be specific, as the details were not supplied to The Audit Team.

- a) Adjustment to Provisional Sums for external works. This area shows increases totaling US\$3,936,287.96, or approximately 89% above the Provisional sum.
- b) Adjustment of Provisional Quantities. This area shows increases totaling US\$67,808.38 or approximately 49% above the Provisional sum.
- c) Re-measurement of items and elements. This area shows increases totaling US\$699,492.47 or approximately 79% above the measured items in the Bill of Quantities.
- d) Design changes/variations – these works contributed US\$5,894,066.29 to overruns.

6.6 PROJECT IMPLEMENTATION

One consistent practice that has haunted building projects over the years and over successive governments, is the practice where projects are started without the completed designs. The practice is prevalent on projects where government and their agencies are involved. In their mad rush to get these projects started, contracts are formalized based on the smallest amount of information and a sum or sums are set-aside for all the unknowns at this stage.

The project then evolves over the project period and the designers' interpretation

becomes completely different from the consultant's original interpretation. During this time of uncertainty, requirements change and specification may also change. The original provisional sums for the various items now become inadequate. This was clearly the case on this Project.

On the other hand, when projects are properly thought through, designed, with operators needs clearly identified and met at the pre-contract stage, then overruns are minimised

6.7 CONCLUSION

In concluding this section of the report and based on information contained in the Final Account the Audit Team can report the following:

1.	<u>Construction Contract</u>	<u>US\$</u>
(i)	Increases in general Preliminaries and Conditions of Contract	9,780,058.13
(ii)	Increases in Construction Cost - Room Blocks (note staff accommodation included here)	2,669,468.19
(iii)	Increases in Construction Cost – Central Facilities	11,232,620.34
(iv)	Increases in External Works Cost	9,301,198.55
(v)	Increased expenditure associated with Labour and Material Fluctuations	1,525,265.31
(vi)	Additional Sundry items	<u>3,911,445.81</u>
	Net Increase to Construction Contract	US\$ 38,420,056.33

The above cost overruns and increased expenditures were associated with the Construction Contract.

2. There were other areas of overruns and increased expenditure associated with the overall project costs. These can be identified as follows:

a)	Coastal Engineering	US\$	34,500.00
b)	Loan Commitment Fees		646,251.00
c)	Legal Fees		47,770.00
d)	Technical Expenses associated with F.F.&E		196,781.64
e)	Reimbursables payable to consultants		47,743.00
f)	Project Management Fees		304,983.00
g)	F.F.&E		3,873,945.48
h)	Pre-opening expenses		<u>1,291,400.00</u>
	Total	US	\$6,443,374.12

We have not included the overrun on M&E Technical Expenses (\$513,061.00), as this was included in the Construction Contract under Sundry Items.

3. Technical Expenses provisions showed under expenditures as follows.:

a)	Architect	US\$	76,450.00
b)	Structural Engineering		500,000.00
c)	Quantity Surveyor		136,170.00
d)	Landscape Design		16,500.00
e)	Interior Design		35,904.00
f)	Feasibility Studies		151,347.00
g)	Project Field Administration		220,166.00
h)	Adjudicator		7,335.00
i)	Real Estate Taxes		12,571.00
j)	Construction Interest		<u>800,958.00</u>
	Total	US\$	1,957,401.00

4. Expenditure on items for which there were no budgetary provisions as follows.

a)	Environmental Studies	US\$	50,195.00
b)	Technical Services		<u>402,442.00</u>
	Total	US\$	452,637.00

In summary, the net project overrun is.

1.	Overruns Construction Contract	US\$	38,420,056.33
2.	Other Project Overruns		6,443,374.12
3.	Under Expenditure on Project		(1,957,401.00)
4.	Expenditures without Budget Provisions		<u>452,637.00</u>
	Net Project Overrun	US\$	<u>43,358,666.45</u>

The above figure does not include any over runs or under expenditures on:

- a) Soil Testing
- b) Site Survey
- c) Working Capital

The Audit Team did request information with respect to these items but up to the time of writing this report, the information was not available.

The net project cost can be determined as follows.

Project Budget		US\$ 70,000,000.00
<u>Add:</u>		
1. Sums for work completed Gorstew (Infrastructure prior to Sandals Whitehouse)	3,446,665.00	
2. Construction Contract Overruns	38,420,056.33	
3. Other Project Overruns	6,443,374.12	
4. Under Expenditure on Project	(1,957,401.00)	
5. Expenditure without Budget Provisions	<u>452,637.00</u>	US\$ 46,805,331.45
		US\$116,805,331.45
<u>Omit:</u> Provision in Budget for the following:		
1. Soil Testing	21,688.00	
2. Site Survey	8,667.00	
3. Contingencies	2,521,865.00	
4. Working Capital	91,440.00	
5. Petrol Station & Helipad	208,800.00	
6. Stables	<u>166,667.00</u>	(US\$3,019,127.00)
	Total Expenditure to Date	<u>US\$ 113,786,204.45</u>

The Audit Team omitted the total of US\$3,019,127.00, as we did not receive any information regarding expenditure on these items.

At best the total expenditure will remain at US\$113,786,204.45 or at worst at US\$116,805,331.45.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 7

**PERFORMANCE OF CONTRACTED
PARTIES**

SECTION 7

PERFORMANCE OF CONTRACTED PARTIES

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PERFORMANCE OF CONTRACTED PARTIES

7.1. PREFACE

During the life of the Sandals Whitehouse project there were over 22 major contracted parties with over sixty (60) sub-contractors.

The major contractual arrangements can be divided into three main groups:

1. Managerial
 2. Design Consultants
 3. Contractors/Suppliers
-
1. The managerial group deals mainly with the overall management, supervision and financial aspect of the project and includes:-
 - The Urban Development Corporation - Project Managers
(Sub-Contracted to Nevalco Ltd.)
 - Gorstew Ltd. - Technical Service Advisor
(Represented by Implementation Ltd.)
 - Capital Options Ltd. - Financial Consultant
 - Goldson Barrett Johnson - Quantity Surveyors
 - Maurice J. Stoppi - Arbitrator
 - Charsal Marketing Inc. - Purchasing Agent
 - Alfred Sharpe - Architectural Representative

- Edwin Hunter - Resident Engineer
 - Rivi Gardner Associates - Supervising Architect
 - Basil Nelson & Associates - Supervising Electrical &
(Also provided some design work) Mechanical Services
 - Environmental Solutions - Environmental Management
Services
2. Design Consultants provided the designs for all aspects of the project. They include:-
- Sant Associates - Architectural Services
 - Witkin Design Group - Landscape Architectural Services
 - Hospitality Purveyors Inc. - Interior Design Services
 - Aquadynamics Design Group Inc. - Design Services for pools, spas
and fountains
 - M^cDonald Group Inc. - Waste Water Treatment Plant Design
Services
 - A.R.T. Inc. - Audio, Video and Lighting Design
Services
 - Smith Warner International Ltd. - Coastal Environmental Engineering
Services
 - Jentech Ltd. - Civil/Structural Engineering

- Hardie & Kossally Ltd. - Mechanical & Electrical Engineering
 - Appliance Traders Ltd. - Food & Beverage, and Back-of-House Design Services
3. The contractors/suppliers provided the materials, plant, equipment, and labour to construct and finish the facility.
- Ashtrom Building Systems - Main Contractor
(Responsible for sub-contractors, list attached in **Appendix 7-1**)
 - Projex Building Systems Ltd. - Manufacture & Install Millwork
 - Appliance Traders Ltd. - Supply & Install Food Service, Laundry and Hot Water Equipment

Details of the above contracts are set out in the attached spreadsheet at the end of this section.

In order to assess the performance of the various parties the Audit Team first looked at how the project progressed from design conception to the end of construction.

This project had been in the making from as far back as in the 1990s as it was to be the catalyst for the development of the South West Coast. There were a couple of aborted attempts and the final attempt in 2001 resulted in the completion of the project. Some professionals from the aborted project, namely Jentech Ltd. and Environmental Solution Ltd., were contracted to work on this new phase.

Discussion on this final approach started in 2000 before the formation of the National Contracts Commission and the Sector Committees. The owners wanted to use consultants familiar with the Sandals International Resort product. The consultants recommended by Gorstrew included the architect, interior designer, landscape architect, wastewater, food and beverage, and the pools and spa designers. The design architect-Sant Associates provided a design concept in 2000.

The UDC, having the expertise and experience in managing similar projects were contracted to carry out project management services for the project. The UDC contracted Nevalco Ltd. to act as their representatives to carry out the project management functions.

A decision was taken to use the 'tunnel' form of construction for the room blocks, and discussions were held with Ashtrom Building System in 2000 to be the Main contractor for the project.

In selecting the rest of the design team, the project managers looked for professionals who work within the hotel industry and were available. Hardie & Kossally were chosen for the electrical and mechanical engineering services as they had just completed a refurbishing project at another hotel.

The quantity surveyors, Goldson Barrett Johnson, had worked on the recently completed Beaches Negril. They started working on this project in 2000, providing preliminary budget estimates based on average cost per room, derived from the cost of the Beaches Negril hotel. As design concepts and details were received, approximate bills and measured bills were developed.

To ensure that the final product was of the standard required by the hotel industry, and the future operators of the Hotel, ANDCO entered into a Technical Services Agreement with Gorstew Ltd. This agreement was for providing "*technical advisory services for the planning, designing, constructing, furnishing, and equipping of the hotel*". Gorstew Ltd, in

May 2001, appointed Implementation Ltd to represent them.

All major professionals were on-board from early 2001 and they started working on the project even before their contracts were formalized. Ashtrom agreed to a contract sum of US\$40,463,456.51, and construction commenced in November 1, 2001 with a 24 month construction period.

The project would be on a fast track basis, as the design would have to be done during the construction period.

7.2. MANAGERIAL:

The overall management of the Project was the responsibility of the Project Manager. They however delegated most of their duties to other consultants.

7.2.1 THE URBAN DEVELOPMENT COPORATION / NEVALCO

The UDC was the overall Project Manager and Architect of Record. The Project Manager's scope included:

- Advise on selection of building contractor and consultants.
- Preparation of comprehensive project brief.
- Architectural and other design services required in order for the approvals to be secured.
- Liaison with consultants, to supervise and co-ordinate the performance of any specialist engineers, sub-contractors or sub-consultants.
- Ensure compliance of designs to brief.
- Review, advise and negotiate any necessary alterations to designs.
- Manage, monitor and co-ordinate the performance by the Building Contractor and The Consultants.
- Supervise, monitor and advise during the construction phase of the project.
- Provide detailed monthly reports

The UDC appointed Nevalco Consultants Limited as its representative to coordinate and

oversee the day to day administration, management, control, and communication coordination of the Project and perform particular responsibilities and functions.

Nevalco did outline methods and reporting procedures to manage and monitor the project, as outlined in minutes of site meeting of November 29, 2001.

- Consultants and contractors to present monthly reports.
- Contractor to provide and update critical path construction schedule.
- All final sign off on the project, for the purposes of execution can only be done through the Project Manager's office. The final authority to proceed on any suggestion, request or instruction, must come from the Project Manager's office.
- Only the Project Manager can issue variations/change orders. Each Consultant must complete a variation order request form.
- The Project Manager will have two full time personnel on site – resident engineer and assistant engineer

The resident engineer, Edwin Hunter was however paid directly by ANDCO.

Although these guidelines were set out from the very beginning of the contract, there is little indication that they were always complied with nor were there much indications that attempts were made to achieve compliance.

It is clear that with the changing of designers and supervisors, the rules were not always repeated and adhered to. Letters with suggestions, recommendations and comments were circulated to all and sundry but the final instructions from the Project Manager's Representative were sometimes tardy.

In some cases instructions were issued directly by other parties such as Implementation Ltd., directly to the Contractor with copies issued to the other members of the team. This went unabated until the contractor became confused as to whose instructions to follow.

(Appendix 7-2)

The project had some environmental issues mainly due to errors by Nevalco, who in one instance overlooked seeking NEPA's approval before building the groyne, which contributed to delays in handing over approvals to the operators of the hotel.

Proper cost control methods were also lacking. Although proper procedures were put in place, there seemed to be a time issue or inadequate resources to deal with the constantly evolving design and cost issues associated with the fast track project.

Cost control monitoring, which was the responsibility of the Project Manager/Nevalco, was basically left up to the quantity surveyor who had little to do with most of the decision making process. Approvals for changes in cost and specifications were not obtained as set out in the Project Manager's project procedures, as outlined by Nevalco. The "open book round table" approach used, assumed that everyone would adhere to the budget with respect to designs and specifications. This was not the case.

One of the items in the contract between UDC and Nevalco Ltd. is that Nevalco "*shall not without prior written consent of the UDC give instructions to any contracted parties which would increase the project cost or time taken to complete or procure anything that is not provided for in the Bills of Quantities of the Project*".

As a large percentage of the Bills of Quantities were provisional sums, it meant that UDC/Nevalco should have closely monitored the expenditure of these sums. In the event that the final designs for these items of work resulted in a cost in excess of the provisional sum, permission should have been sought from the ANDCO Board. The Audit team has not seen any such request or written consent.

The UDC had to "*ensure compliance of designs to brief*". It is clear that this was not effectively done as the designs far exceeded the original brief and Project Budget. It was not until the latter stage of the project, when architect Christopher Shaw of the UDC got involved with the project full time on site, that more concerted efforts were made to rationalize the cost of construction and to achieve completion.

The Project Manager/Project Manager's Representatives had a responsibility to report projected cost overruns to the ANDCO Board, advise on how to reduce these costs, and obtain the Board's permission to proceed with the works. From all indications this was not done, and this was one of the main downfalls of the Project.

The Project Manager/Project Manager's Representatives did not effectively manage the Project. However it should be noted that the ANDCO Board did not meet formally between October 2003 and January 2005 and therefore this avenue of formal approval was not available.

7.2.2 GOLDSON BARRETT JOHNSON

Goldson Barrett Johnson provided full and complete quantity surveying services for the Project.

This service included:

- Preparation of cost plans based on design concepts, tender documents based on approved design, and report on tenders or negotiation with Contractor and make recommendations.
- Preparation of recommendation for interim payments and periodic final cost projections.
- Adjusting and agreeing fluctuation in cost of labour and materials.
- Prepare final account.
- Keep a record of matters relating to cost overruns on the project.

The Audit Team was advised that in the conceptual stage of the project the quantity surveyor (Q.S) costed the 400 room (360 keys) project at approximately UD\$86M based on the recently completed Beaches Negril Hotel. The UDC considered this too high and a subsequent budget of UD\$70M was prepared. Based on projections developed by Capital Options, a budget of UD\$60M was adopted as the Project Budget.

The quantity surveyor had to prepare bills of approximate quantities based on inadequate design drawings. In the Construction Contract, provisional sums were included for all items except for the room blocks. Inputs from other Consultants for their aspect of the works appear to be understated as they were also working with conceptual drawings and basing the estimates on previously completed hotel projects. The Q.S. had to work with incomplete designs inadequate estimates from other consultants, and changing requirements. This made their job very difficult as the entire works had to be remeasured.

In an effort to control cost, the quantity surveyor was asked to vet quotations received by the Contractor and make recommendations, often times for items not budgeted for. In February 2003, the QS was asked by the UDC to provide a Resident Quantity Surveyor, full time on site, to specifically keep track of fluctuations which were occurring on the Project. Goldson Barrett Johnson's contract was subsequently amended to include accommodation for an on-site Quantity Surveyor as a reimbursable expense in the said contract.

From the final cost indicated in the Final Accounts for the Construction, it is clear that the initial budget of \$86M prepared by Goldson Barrett Johnson would have been a more realistic budget for the Project.

7.2.3 GORSTEW LTD./IMPLEMENTATION LTD.

Gorstew (Implementation Ltd.) through the Technical Services Agreement, had to provide technical advice in relation to architectural and interior designs, trade equipment specifications and layouts, life/safety requirements, telecommunications, security and hotel systems.

General responsibilities required them to review and comment on project budget, schedules and environmental reports.

They had to review and comment on design documents, other reports and studies; review and approve the Owner's selection of the Architect and Interior designer.

In terms of design services Gorstew had to;

- Provide food and beverage concepts and recommend concept layouts for administrative offices and back of house areas.
- Conduct risk assessments to determine the types and extent of Security systems required; provide on background drawings the location of security devices and provide specifications.
- Provide specifications, equipment schedules, diagrams etc. required for Hotel systems to allow power and conduit infrastructure to be installed.
- Provide guidelines for telecommunications and conduit sizing for cable distribution, power and space requirements for all equipment.

Gorstew was greatly influential in determining the FF&E and specialist items through the architect and interior designers. Although they assisted in determining the revised UD\$70M Project Budget, it appears that the special system items, such as the air conditioning, standby generator, kitchen equipment, garbage disposal, special light fixtures, and their installation, were not accurately accounted for in the Budget.

The specifications of some of the systems were far more advanced than those at any of the other Sandals or Beaches resorts. For example the Somat garbage disposal system is believed to be the first of its kind in the Caribbean. This system was not allowed for in the budget. The back of house layout at Sandals Whitehouse is the most extensive and sophisticated of all those we have seen.

The Technical Services Agreement calls for the Lessee to review and comment on Design Documents, and upon approval of the submitted Design Documents by Owner and Lessee, coordinate their signing, sign as "approved" and date and incorporate them into the Agreement. Only the original concept drawings were appended to the Agreement. The Audit team has not seen drawings appropriately signed and stamped.

Implementation Ltd. seemed to have performed an aggressive project management role in ensuring that the needs of the proposed operators were addressed. However, the process of having designs approved and signed off on by both Lessee and Owner was not adhered to. The fast track nature of the Project and the late submittal of drawings, resulted in the designs influenced by the Lessee, being directly issued for construction.

7.2.4 RIVI GARDNER & ASSOCIATES LTD.

This architectural company was contracted in June 2002 to carry out the functions of the architect during the construction stage of the project, seven months after commencement of construction.

They were responsible for *“the technical duties of the Architect as set out in the said construction contract and shall advise and make recommendations regarding the administrative duties of the Architect such as claims for extension of time, variations and cost to the Project Manager’s Representative to whom the administrative functions of the Architect will be delegated”*.

Other services included:

- To supervise and monitor the work of the contractor to ensure conformance with design criteria and standards.
- Interpret designs to facilitate the contractor and give instructions regarding compliance with designs.
- Collaborate with the Consultant Design Architect; prepare and supply explanatory drawings.
- Inspection of the works and materials, attend site meetings.
- Prepare a complete set of As Built Drawings of the Project on completion.

The Audit Team requested “as-built” drawings. The architectural drawings received to date do not indicate that they are “as-built”, as they have not been revised and signed off by the responsible parties as being “as-built”. The conclusion here is that this aspect of

the project was poorly done or not yet completed.

In the latter stage of the project, UDC, as the Architect of Record, and in an effort to get the project completed, instructed Architect Christopher Shaw to have a permanent presence on site. He had to perform the duties of the Project Manager's Representative and the Supervising Architect to try to stem the overruns and delays and get the project completed. This is a sign that the Supervising Architect was not effective in the performance of his duties.

The supervising architect, in response to queries by the Audit Team, that he did not have any input into extension of time claims, variations or cost issues.

7.2.5 ALFRED SHARPE.

Alfred sharp was appointed in July 2003 as the Architect's Representative (AR) to liaise closely with the supervising Architect for the Project, the Contractor and as necessary with the other Consultants.

Particular services included inspection of the works and materials whenever and wherever any such inspection is necessary for the performance of his duties or specifically requested by the Supervising Architect.

The AR was appointed a year after the Supervising Architect to perform some of the duties that the Supervising Architect was employed to do. This duplication of duties leads to increased professional fees. It is our opinion that his engagement should have started from the commencement of the construction contract.

The Audit Team is not sure how effective the performance of the AR was in assisting with the timely completion of the project. In addition, the level of defective work at the end of construction is an indication of ineffective daily supervision.

7.2.6 EDWIN HUNTER

Edwin Hunter was appointed Resident Engineer in January 2003. He had responsibility for the monitoring of the electrical and mechanical works particularly the details covering specifications, methodology, construction schedule and quality control.

Additionally he had to liaise with the Contractor's Project Engineer to monitor the details and specifications as per approved drawings and variation orders; maintain a comprehensive log of all major events, and rationalize design details to prevent interference by specialist requirements.

His appointment came after the original E&M engineer's service was terminated in December of the previous year. He was therefore the only person overseeing the E&M works until the new Supervising Engineering came on board. He played a critical role until his illness and untimely death.

7.2.7 BASIL NELSON & ASSOCIATES LTD.

Basil Nelson & Associates Ltd. (BNA) was appointed to provide Supervising Electrical Engineering Services in December 2003, nine months after Ashtrom was given the responsibility for the M&E designs.

They were particularly contracted to:

- Provide general advice and supervision in respect of the electrical engineering aspects of the Project.
- Review designs done by the previous M&E design Consultant.
- Review designs done by the M&E design Consultant to ensure compliance with local building codes, laws and regulation, and recommend changes where necessary.
- Review all designs to ensure reliability and efficiency of the entire M&E engineering system.
- Liaise with the M&E Consultant and give technical support to the M&E site

engineer.

- Review, negotiate and report on quotations.
- Assist in preparations of Final Account

The supervising consultant had to liaise between Ashtrom as designer, the suppliers, and Ashtrom the Contractor. This process, in the case of the air conditioning chillers and air handling units took over 6 months (January to July 2004) during which the contractor complained of delays in the ordering of the equipment.

The resident engineer for the project died in May 2004. BNA took up the responsibility for providing a resident engineer on site 4 days per week.

In reviewing designs and costing, BNA indicated that some major items were not included in the M&E costing, for example, the energy management system, Somat system, landscape and yard lighting.

Provisional sums were allowed for other items such as the energy centre, which was not designed at the time the costing were prepared. BNA was able to identify areas for cost savings, especially in the air conditioning works.

BNA also advised that there were areas of over design. The air conditioning required was approximately 600 Tons, however a total of 1200 Tons were installed.

In addition to supervisory services, BNA had to do some electrical designs and redesigns with respect to the external and landscape lighting, and back of house controls

The job of the supervising consultant was made difficult as they came on the project after the various sub-contracts were in place resulting in conflicts during the review and negotiation process. However, the service provided by BNA was of significant benefit to the project as they were able to identify areas for cost savings and ensure that the designs completed by the overseas consultants conformed to local standards.

7.2.8 MAURICE J. STOPPI

The Consultant Adjudicator was contracted to be available to settle disputes between the parties to the construction contract. It does not appear that he had much to do during the construction period of the Project.

7.2.9 ENVIROMENTAL SOLUTIONS LTD.

This company had provided Environmental Management Services on the previously aborted hotel project and continued to provide services with respect to preparation of license/permit application to NEPA, site monitoring, prepare and submit summary reports to NEPA.

7.2.10 CAPITAL OPTIONS LTD.

Capital Options Ltd. were Financial Consultants on the Project providing a due diligence package to the Project Managers. Their scope included evaluation of economic and financial feasibility; advise on strategies to minimize risks; assist in preparing application for Hotel Incentives.

It was on the basis of their evaluation and recommendations that the sum of US\$60M was adopted as the Project Budget.

7.2.11 CHARSAL MARKETING INC.

This Florida based company was appointed as the purchasing agent for the FF&E items on the Project. They were required to identify and obtain quotations from suppliers for the FF&E as specified by HPI. They would negotiate with the suppliers and make reports and recommendations as to the recommended suppliers, and purchase the items.

They also had to inspect and monitor the shipment of goods and final delivery to site. Their fee was 6% of the value of the FF&E delivered. Based on fees paid, Charsal

should have handled FF&E of over US\$4.5M. To date we have not seen documentation of the total supplies handled by Charsal.

There were issues with late ordering and arrival of some FF&E items but this we understood was mainly due to late payments from the Owners.

7.3. DESIGN CONSULTANTS:

Construction started before detailed designs were completed and the design consultants should have worked expeditiously to produce the designs in a timely manner for the Contractor to adhere to his schedule.

In general the performance of the design consultants were not in keeping with their contracts with respect to deliverables. This is highlighted in the following review of the terms of the contracts of the major design consultants and their delivery schedules.

7.3.1 SANT ASSOCIATES ARCHITECTS

The Florida based architectural company had a contract “*to provide Architectural Services in relation to the planning, design, construction and completion of the Project*”.

They had to:

- Lead and liaise with the other consultants and co-ordinate and integrate into the development the services of all the other consultants including that of the design and build contractor, and any sub-contractors, sub-consultants or suppliers involved in the provision of services or goods for the development.
- Draw the attention of the company and other consultants to any circumstances encountered or unforeseen by the consultant of which the company or any of the other consultants may be unaware and which, in the opinion of the Consultant, might imperil the efficient planning, programming, execution or completion of the development or underline the prevailing cost estimates.

The Architect's fee was a fixed fee for pre contract design services of US\$885,000.00 plus expenses. A deposit of \$88,5000.00 payable on commencement of contract, and a further US\$796,500.00 payable in monthly installments on the last day of each month from May 2001 to March 2002.

Some of their particular services are outlined below.

- Inception and Feasibility
- Outline Proposals
- Schematic Design
- Detail Design
- Production Information for Bills of Quantities
- Operations on Site and Completion

The time frames for performance of these services were as follows:

Guest Rooms – 15 September 2001.

Central facilities – 31 March 2002

Support facilities – 31 March 2002

Indications are that the final designs for the guest rooms were issued on December 12, 2001 (Implementation report), and revisions issued on March 21, 2002.

The final drawings for the Central facilities were issued in September 2002. Hence in terms of deliverables, the design architects were three to six months behind schedule.

In general the design drawings were adequate and well detailed. However the late delivery of drawings had a domino effect on the rest of the design process and consequently on the construction schedule

7.3.2 HOSPITALITY PUREYORS INC.

The interior design contract between Hospitality Purveyors Inc and ANDCO outlines the services to be provided as: -

- *DESIGN CONCEPTS* - Sketches of layouts, furniture and fabric samples, colour swatches, necessary to portray concepts for preliminary review.
- *Drawings* – Furniture layouts; floor finishes including plumbing requirements; wall finishes including electrical & lighting layouts; reflected ceiling plans; typical elevations; details as required.
- *Coordination with Mechanical & Electrical engineer* – To identify electrical, air conditioning and plumbing requirements including specifications.
- *Presentation Boards* – showing construction interior design finishes and specifications and furniture & fixtures including decorative lighting designs & specifications.
- *Model Room* – Assist in the preparation of a model room
- *Quotations* – Quotations or prices for interior design finishes & furnishings and fixtures based on budgets established by the Project Manager.
- *Control Books* – control sheets showing recommended manufacturer or supplier, location corresponding to interior design drawings, specifications, samples, quotations ex factory or FOB country of supply, approximate quantities.
- *Installation Supervision* – Monitor and supervise the installation of interior finishes, furnishings and fixtures. Coordinate with the Architect, provide additional design details as necessary, provide on site representation during critical installation periods, inspect and submit detailed snag lists.

The time frame for performance of these services was as follows;

Design concepts	31 December 2001.
Drawings –	30 June – 31 July 2002
Presentations Boards, Guest rooms	31 May 2002
Presentations Boards, Public area	31 July 2002

Control Books - Guestrooms

Construction related finishes	15 June, 2002
Furnishings etc.	31 July, 2002

Control Books – Public Areas

Construction related finishes	August 1 to Sept. 30, 2002
Furnishings etc.	Oct. 31, 2002

Indications are that these deliverables were late. Control books for construction related finishes for the room blocks were issued in August 2002, two months late. Control books also indicate various changes to specifications and recommended prices.

From the increased costs incurred on the project, it is clear that the items specified by HPI were not within the agreed budget cost. The tardiness of HPI in providing the final designs also affected the construction schedule.

7.3.3 JENTECH LTD.

Jentech had overall responsibility for the structural and civil engineering aspects of the project, including advise, design and supervision. They were responsible for ensuring that the design by Specialist Consultants and/ or Contractors was consistent with the other parts of the Project and for integrating such specialist designs into the Project as a whole.

Their services were divided into design stage 1, design stage 11 and construction stage.

Design Stage 1 comprised:

- Investigating data and information.
- Making normal topographical survey of the proposed site necessary to supplement information available
- Advising on the need to carry out geotechnical investigations necessary to supplement available information. Advise on any other special surveys, investigations or tests.

- Advising the Company on the accuracy/quality of the design and build contractors submissions. The legal responsibility for the structural integrity of such design shall be the Contractor's.

Design Stage 11:

- Preparing design and tender drawings
- Advise on the appropriate conditions of contract, suitability of firms tendering, and tenders.
- Preparing such specifications, schedules and bills of quantities as may be necessary

Construction Stage:

- Advising on preparation of formal contract documents relating to accepted tenders.
- Inspecting and testing during manufacture and installation of equipment and plant.
- Advising on special inspection or testing, and the appointment of site-staff.
- Site visits and inspection of the works during construction.

The Contractor, Ashtrom, did the designs for the structural elements of the room blocks based on their tunnel system. Jentech signed off on these designs. There was however, an issue of the structural element of the architectural roof of the room blocks as to who should do the designs and who would have overall responsibility. Eventually Ashtrom did the designs and Jentech signed off on them. The time taken in making the decision as to who should do the designs and actually getting the designs done, resulted in some delays to the project.

For the most part the structural drawings prepared by Jentech were fairly detailed except for the drawings we have seen for the sewage treatment tanks. The drawings seen lacked wall-to-wall intersection reinforcing details for the corners of the tanks. It appears there was not sufficient supervision during construction as the apparent lack of details on

the design drawings was not observed and/or reported by the engineers or site representatives. This resulted in the existing structural failure of the tanks. It is not totally clear how this problem will be fixed and who will bear the cost.

A contractor of the caliber and experience of Ashtrom, should have identified the lack of details and brought it to the attention of the engineers.

We have not seen all the reports of soil tests that we were advised were done. The additional cost associated with the introduction of piles for the foundation of the Italian room block and revision of foundations to the central facilities, suggests that either inadequate tests were done or incorrect decisions taken on the required foundations.

The Audit Team observed that the support for the timber roof structure of the gym and aerobics rooms, as designed and built, were inadequate and was corrected using structural steel members on the underside of exposed rafters. The corrective work was done at an additional cost to the Project.



Picture 7-1 – Structural Steelwork support to timber roof



Picture 7-2 – Structural Steelwork support to timber roof

It is clear that not enough attention was paid to details in the structural designs. Jentech also did not meet scheduled dates in terms of deliverables and were even late in supplying designs and information by the dates they themselves gave.

7.3.4 HARDIE & KOSSALLY LTD.

They were contracted to provide Mechanical & Electrical Engineering Services. General services included

- Preparing preliminary designs and drawings for all Mechanical & Electrical system.
- Preparing final designs, working drawings and specifications, bills of quantities.
- Supervision of the works, provision of a Resident engineer to undertake day –to-day supervision of the installation.

The time frame for performance of the services was;

- Design Stage 1 February 28, 2002
- Design Stage 2 June 30, 2002.
- Construction Stage November 30, 2003.

Site meeting reports shows that up to May 2002, only the electrical designs for the interior of the room blocks were issued. Deadlines given by the Consultants were not met and efforts by the Project Manager to have other consulting companies assists them did not materialize. This continued late performance of the M&E consultant resulted in the unfortunate termination of their services in December 2002.

7.3.5 A.R.T. INC

This specialist consultant was contracted in May 2003 to provide audio, video and lighting working plans for the entertainment systems for the project based on the “Specialist Light and Sound Design Brief” and current Sandals Standards for these systems. They had to provide the infrastructure requirements needed to accomplish the appropriate systems.

This information was being requested eighteen months after the start of construction when all designs should have been completed.

7.3.6 McDONALD GROUP INTERNATIONAL INC.

This Company provided consulting services for the provision of Waste Water Treatment Plant. Their services included wastewater treatment plant design and specification, and construction consultation services.

Their scope of work indicated that they would provide designs based on the standard SRI design and construction concept, using round field erected bolted steel tankage for all wastewater process tankage, a rotating mechanical sludge collector in the settling tank, and diffused aeration for developing the aerobic biological process.

This design was changed to incorporate concrete rectangular tanks that required the structural engineers design input. The Audit team was unable to ascertain the reasons for the change.

7.3.7 WITKIN DESIGN GROUP

The Miami Beach landscape architects had a detailed scope relating to planting, hardscape, pedestrian circulation, landscape lighting, and site furnishings. Their scope was divided into services as follows:

- Initial site visit
- Preliminary design
- Design development
- Contract documents
- Bidding phase
- Contract administration

They had to provide budget estimates and a preliminary plant pallet for nursery establishment. Incidentally these were not established.

This area of the project was grossly under budgeted, bearing in mind the 40 acre size property. There were challenges with respect to the availability of plants after Hurricane Ivan in 2004, however the quality and quantity of the hardscape and site furnishings surpass that at any of the hotels visited by the Audit Team.

It should be noted that there were areas of incomplete landscaping at the time the Audit Team visited.

7.3.8 SMITH WARNER INTERNATIONAL INC.

This local company provided Coastal Environmental Engineering Services for the Project, which included giving general advice, designs, and supervision. They were involved with the EIA for the site since 1997.

Their design work included a proper swimming area for guests; a dock to accommodate the vessels for water sports activities; a suitable barrier to separate guests from crocodiles; jetty groyne reconstruction and headland.

7.4. CONTRACTORS/SUPPLIERS:

7.4.1 ASHTROM BUILDING SYSTEMS LTD.

Ashtrom Building Systems Limited was selected in March 2000 as the main contractor for the construction of the hotel project and began negotiations with the Quantity Surveyors to establish prices for carrying out the works and arriving at a contract sum.

Ashtrom Building Systems Limited took possession of the site and the date of November 1, 2001 was set as the official start date of their construction contract to be completed within 24 months.

With the working drawings still a work in progress, the contract Bills of Quantities were prepared by the Quantity Surveyors in December 2001 and the formal contract was

signed on February 15, 2002 between Ackendown Newtown Development Company Limited and Ashtrom Building Systems Limited for the sum of US\$40,463,456.51 with a start date set at November 1, 2001.

It was reported that the Contractor commenced work on precast elements in their Central Village plant but up to February 15, 2002, three months after the start date, no building work started on site although by this time final design drawings for the guest rooms were completed.

By May 2002, six months after commencement, the contractor had changed 3 project managers and from minutes of Board Meetings, both Nevalco Consultants and Implementation Ltd were expressing concerns for the slow progress of work by Ashtrom Limited and the poor quality of materials being used.

The Architect, Sant Associates, should have completed the drawings for the Central facilities on March 31, 2002 but these were not issued until September 2002. Ashtrom then claimed for an extension of time of 5 ¼ months due to delays in the construction of the Central Facilities, though preliminary drawings were issued and could have been used for foundation works.

On December 12, 2002 the contract completion date was revised to January 29, 2004, which resulted in an extension of time of 4 months to the contractor. At this point the main contractor was still under performing and Ackendown/UDC were contributing to these delays. Hardie & Kossally M&E consultants services terminated.

The Project Managers decided in March 2003, some seven months before the scheduled completion date of the project, to have Ashtrom assume responsibility for the M&E designs. Ashtrom advised that the designs would be ready in May 2003.

We do not have the details of the contract with Ashtrom for the M&E design work but records show that they were paid US\$693,000.00 (Ja \$31,878,000.00). This was more than twice the fee for the previous M&E consultant and for partial pre-contract design

services only. The rationalization being that they could quickly produce the designs and easily feed information to the contracting arm of the company. Indications are that again the delivery of drawings was consistently late. In addition there were areas of over design, frequent changes in specifications and omission of items in the bills. This did not adversely affect the Contractor's time schedule but affected the cost of the works.

In March 2003 it was recorded that late/partial payments was affecting the contractor's performance and the contractor applied for 10 months extension of time.

May 28, 2003 a new completion date of April 2004 was tabled at ANDCO board meeting. Work on site intensified and Ashtrom Building Systems Ltd put new management in place. At this stage only 40% of the work was completed with 19 months or 79.17% of the original 24 months contract period elapsed.

FF&E specifications for guest rooms completed May 28, 2003 but up to October 2003 no FF&E items had been ordered. At this time the project should have been completed based on the original programme.

It is not the usual practice for a designer to implement his own design except in a Design Build contract. The design arm of Ashtrom should not supervise their own works, hence in October 2003, a Supervising Electrical Engineer, Basil Nelson & Associates (BNA), was retained mainly to review designs, bills and costing, and negotiate the cost of the works.

The project was plagued by poor cash flow and this contributed to late payments to suppliers and payments to get items cleared through customs, resulting in containers with FF&E items being on the docks for extended periods.

7.5. CONCLUSIONS

The project should have been on a fast track basis, however most of the designs were not completed on time, resulting in claims for extension of time from the Contractor and cost overruns.

Astrom Building Systems Ltd performed poorly in general as a main contractor and has contributed to the overall delays in the completion of the Project. This could be deduced from the minutes of the site meetings where there were constant complaints from the Project Manager's Representative (Nevalco) and Implementation Ltd. about the slow progress and poor supervision of the works.

This was compounded by the poor performance of the consultants in providing to Astrom the necessary design details and information on time for the fast track construction process as was originally intended and agreed by all.

The Project Manager's Representative (Nevalco) also contributed to Astrom's poor performance in not providing the necessary information from the consultants in a timely manner and not keeping a tight reign on the activities on site. They outlined proper project management guidelines at the outset, but these were never followed. They never followed up on issues and allowed them to slip without due regard to the time schedule or the budget.

Other issues that contributed to the poor performance of some of the professionals include:

- Some Consultants were working for almost a year before their contracts were formalized and signed. They could not receive payment until the formal contract was signed.
- The use of so many Architects resulted in the overlapping of responsibilities on the one hand and uncertainty as to the boundaries of their respective scope of work.

- The method of using the Contractor to do design works on this project, which had to be checked by another consultant for compliance and acceptance, only prolonged the design process. This is an unacceptable practice and incurred additional cost to the construction contract, in addition to extra consultancy fees.
- The length of time taken to complete and review the electrical & mechanical works resulted in claims for extension of time from the Contractor, which also contributed to cost overruns.

A Project of this nature, with such a large number of highly paid professionals, should not have been allowed to take twice as long to complete. The Project should have been designed, working drawings completed, and a detailed bill of quantities prepared and costed, before construction allowed to start. The construction process needed to be properly planned, managed and coordinated. This was the responsibility of the Project Managers and their representatives. This was only done on paper but not implemented.

TABLE: SUMMARY OF CONTRACTUAL AGREEMENTS

CONTRACTED PARTY	AREA OF SERVICE / SCOPE OF WORK	START DATE	SIGNING DATE	AGREED FEES	% \$45M	RECORDED PAYMENTS	% \$85M
<u>MANAGERIAL</u> UDC [sub - Nevalco Ltd.]	<u>Project Management</u> Project Brief; Coordination of architectural & specialist designs, specifications, bid & all technical documents from consultants Construction Management, coordination & monitoring Cost Control, master programme, coordinate FF&E, reporting. Procure as-built drawings, maintenance manuals.	Nov.1, 2001 June 1, 2001.	Dec. 13, 2001	J\$62,950,625.00 [Ja. \$42M] + reimbursable.	3.04	J\$40,185,000.00 +Ja \$602350.45	
Gorstrew Ltd.	<u>Technical Service Advisor</u> Advise on architecture design, interior design, trade equipment specifications and layouts, life/safety requirements, telecommunications, security and hotel systems.	Nov. 1, 2001	Nov. 1, 2001	USD 439,375.00 +reimbursable	0.98	USD 391,874.96 +USD 9,8910.01	0.46
Capital Options Ltd.	<u>Financial Consultant</u> Due diligence package; Evaluation of economic & financial feasibility; Advise on strategies to reduce risks; Assist in preparing application for Hotel incentives	April 30, 2001	March 18, 2002.	J\$705,000.00 + reimbursable.	0.03	J\$1,034,000.00	0.03
Goldson Barrett Johnson	<u>Quantity Surveyor</u> Cost Planning services, cost estimates, comparative costs. Bills of quantities; Tender documents; Tender reports; Negotiations with contractors; Payment recommendations Advising & agreeing fluctuations; Final Accounts Provision of site Q.S.	Nov. 1, 2001	Feb.14, 2002	J\$18,800,000.00 J\$3,000,000.00+ reimbursable. \$180,910.13/ month	0.91	J\$18,799,999.84 J\$3,000,000.00 +Ja\$6,673,337.73	0.56

CONTRACTED PARTY	AREA OF SERVICE / SCOPE OF WORK	START DATE	SIGNING DATE	AGREED FEES	% \$40M	RECORDED PAYMENTS	% \$85M
Charsal Marketing Inc.	<u>Purchasing Agent</u> Identify & obtain quotations from suppliers for FF&E Negotiations, reports & recommendations; Purchase Inspect, monitor shipments and delivery of FF&E to site.	June 6, 2003	July 3, 2003	6% of FF&E delivered + insurance and Warehouse charges		USD 270,781.64	0.32
Rivi Gardner	<u>Consulting Supervising Architect</u> Advise, recommend on administrative duties such as claims for extension of time. Supervise, monitor work for conformance with designs, collaborate with Consultant Design Architect, provide clarifications to contractor Prepare as-built drawings, issue practical completion certificates & defects list.	June 1, 2002	Nov. 25, 2002.	J\$8,100,000.00 J\$3,000,000.00 + reimbursable.	0.39	J\$11,100,000.00 +Ja \$769,596	0.28
Alfred Sharpe	<u>Architect's Representative</u> Liaison with Supervising Consultant Architect Inspect the works and materials.	July 1, 2003	July 1, 2003	J\$170,000.00 for 12 months	0.10	J\$2,010,000.00 (23 months)	
Edwin Hunter	<u>Resident Engineer</u> Monitoring of E & M aspects of the works, specifications methodology, construction schedule & quality control Liaison with Contractor's Project Engineer; report on progress, log of major activities	Jan. 14, 2003	June 1, 2003.	J\$210,000.00 for 18 months	0.18	J\$2,993,636.37 (12+months)	
Basil Nelson & Associates	<u>Supervising Electrical Engineering Services</u> Provide general advise and supervision; Review designs by previous E&M engineer; Review bills & quotations; recommendations, liaison with J.P.S.Co. Ltd. Final accounts Design system for staff housing; required changes to landscape lighting; Advise on effectiveness & efficiency	Dec. 1, 2003	Dec. 1, 2003	J\$3,200,000.00	0.15	Ja. \$3,200,000.00 + Ja. \$2,724,000.00 +Ja. \$1,375.173.91	0.15

CONTRACTED PARTY	AREA OF SERVICE / SCOPE OF WORK	START DATE	SIGNING DATE	AGREED FEES	% \$40M	RECORDED PAYMENTS	% \$85M
Environmental Solutions	<u>Environmental Management Services</u> Prepare applications to NEPA for permits. Site monitoring, site meetings, technical review committee	Nov. 1, 2001	June 17, 2002	J\$2,332,430.00	0.11	J\$2,359,158.09	0.06
<u>DESIGN CONSULTANTS</u>							
Sant Associates	<u>Architectural Services</u> Architectural services in relation to the planning, design, construction & completion of the project Outline, schematic, & detailed designs, production of drawings & specifications. Additional Services if required - Supervision	January 2001.	June 6, 2002.	USD 885,000.00	2.0	USD 904,549.83 +USD 31,116.41	1.06
Witkin Design Group	<u>Landscape Architectural Services</u> Designs, contract documents, planting plans, lighting layout plans, design details, irrigation plans, grading plans. Limited contract administration.	Nov. 1, 2001 to Dec. 31, 2003		USD 55,000.00 +reimbursables	0.1	USD 51,500.00 +USD 8247.99	0.06
Hospitality Purveyors Inc.	<u>Interior Design Services</u> Design concepts; Drawings; Presentation boards. Coordination with M&E Engineer; model room; Quotations Control Books, sheets of all items of finishes, recommended manufacturers, suppliers, quotations, quantities Monitor & supervise installation for each guest room type, public areas. Site visit reports, snag list, liaison with operators. General installation supervision during critical installation period	Nov. 2, 2001 to Dec. 2003	July 15, 2002.	USD 400,000.00	0.89	USD 416,667.61 +USD 23,042.33	0.49

CONTRACTED PARTY	AREA OF SERVICE / SCOPE OF WORK	START DATE	SIGNING DATE	AGREED FEES	% \$40M	RECORDED PAYMENTS	% \$85M
Aquadynamics Design Group Inc.	<u>Design Services for Pools, Spas and Fountains</u> Engineering drawings for pools & spas. Central pool with swim up bars, Italian, Dutch, French room block pools, dive pool, Hot & cold water plunge pools	Jan. - Feb. 2003		USD 34,500.00	0.08		
McDonald Group	<u>Waste Water Treatment Plant Design Consulting Services</u> Tank layout & geometry plan; hydraulic profile, piping layout; mechanical systems layout; water storage; construction details		Nov. 14, 2002.	USD 7,300.00 +reimbursables	0.02	USD 7,300.00 +USD 2846.26	0.01
A.R.T. INC.	<u>Audio, Video, and Lighting Design Services</u> Provide audio video and lighting working plans for entertainment systems; infrastructure		May 21, 2003.	USD 2,575.00	0.01	USD 2,810.95	0.003
Smith Warner International Ltd.	<u>Coastal Environmental Engineering Services</u> Advise, design and supervision of swimming area, dock for water sports vessels, barrier for crocodiles, jetty, groyne reconstruction and headland structure	Nov. 1, 2001.	June 6, 2002.	J\$1,150,000.00	0.06	J\$1,553,550.60 +Ja \$913,114.00	0.04
Jentech Ltd.	<u>Structural and Civil Engineering Services</u> Advise, design and supervision, coordinate the designs for others with the overall design of the project. Design, tender drawings, & specifications; advise on preparation of contract documents; Inspection & testing during manufacture; provision for site staff.	Nov. 1, 2001.	May 1, 2002.	J\$18,800,000.00 +reimbursables	0.91	J\$18,800,000.00 +Ja \$444,983.00	0.48

CONTRACTED PARTY	AREA OF SERVICE / SCOPE OF WORK	START DATE	SIGNING DATE	AGREED FEES	% \$40M	RECORDED PAYMENTS	% \$85M
Hardie & Kossally Ltd.	<u>Mechanical & Electrical Engineering</u> Preliminary, final designs, working drawings & specifications for E&M works; B.Q. for electrical & air conditioning. Supervision; Provide a resident engineer for day to day supervision.	Nov. 1, 2001.	May 15, 2002.	J\$14,000,000.00 +reimbursables	0.68	J\$1,762,500.00 +Ja \$427,816.94	12.59 of Fee
Appliance Traders Ltd.	<u>Food & Beverage, & Back of House Design Services</u> Provide design & consulting advisory services for food & beverage - equipment layouts & specifications, utility requirements of each area, CAD drawings and details		Sept. 1, 2002.	J\$3,406,500.00 +reimbursables	0.16	J\$3,236,175.00 +Ja \$209,853.00	0.08
<u>CONTRACTORS/ SUPPLIERS</u>							
Ashtrom Building Systems Ltd.	<u>Main Contractor</u>						
Projex Building Systems Ltd.	<u>Manufacture & Install Millwork</u>		Nov. 14, 2004.	USD 478,735.00		USD 1,626,424.15	
Appliance Traders Ltd.	<u>Supply & Install Food Services, Laundry and Hot water Equipment</u>						

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 8

**REVIEW THE QUALITY OF THE
FINAL PRODUCT AND VALUE OF
THE COMPLETED HOTEL**

SECTION 8

**REVIEW THE QUALITY OF THE FINAL PRODUCT
AND VALUE OF THE COMPLETED PROJECT**

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REVIEW THE QUALITY OF THE FINAL PRODUCT AND VALUE OF THE COMPLETED PROJECT

8.1 FINAL PRODUCT SANDALS WHITEHOUSE

The “Sandals Whitehouse European Village and Spa”, is a 400 room 360 keys, couples only, all-inclusive Hotel, and is classified by Sandals Resorts International as one of the “Sandals Signature Collection”. It is constructed on a 40 acre site located at Ackendown, approximately 2 miles East of Whitehouse, in the parish of Westmoreland.

The facilities constructed on the site are as follows:-

- 400 Rooms, 360 Keys consisting of 280 Standard Rooms, 48 Deluxe Rooms and 32 Suites
- The Buffet Restaurant
- The Italian Restaurant
- The Japanese Restaurant
- The Caribbean Restaurant
- The Pastry Shop
- 3 Beach bars and grills
- A Piano Bar
- Entertainment area
- Conference facilities comprising
 - Ballroom (400 seats)
 - Boardroom (20 seats)
 - Pre-function Room
 - Business Center
 - Kitchen
 - Storage
- Full service European spa
- Departure lounge
- Main Pool with swim-up bar

- Additional pools with swim-up bars at the French and Dutch Room Block Villages.
- Hot tubs only in the Italian Room Block Village.
- Dive Shop
- Dive Pool + Jetty
- Wedding office
- Sales office
- Nurses room
- Games rooms
- Retail areas
- Large porte cochere
- Large lobby
- Suite concierge
- Administrative offices
 - Front Office
 - Executive Office
 - Accounting Office
- Back-of-house facilities
- Staff housing
- Studio Apartments
 - 1-Bedroom Apartments
 - 2-Bedroom Apartments
 - 3-Bedroom Apartment
- Recreational Facilities
- Parking



Picture 8.1 Sandals Whitehouse - Central Plaza



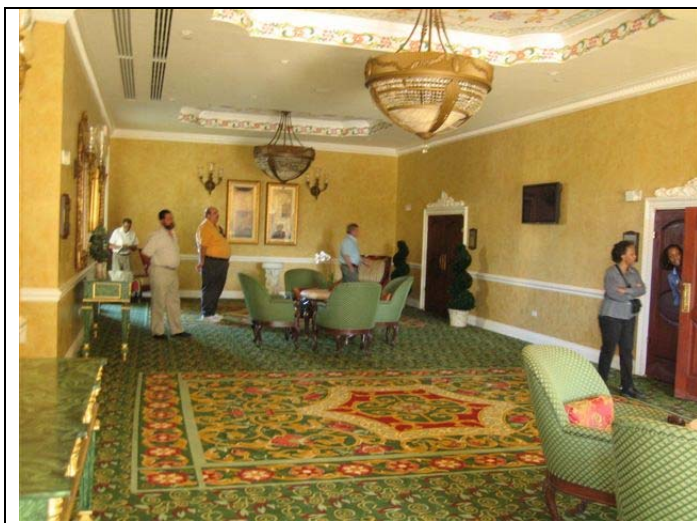
Picture 8.2 Sandals Whitehouse - Central Plaza 2



Picture 8.3 Sandals Whitehouse – Entry Elevation



Picture 8.4 Sandals Whitehouse – Reception



Picture 8.5 Sandals Whitehouse – Pre-Meeting Room



Picture 8.6 Sandals Whitehouse – Exotic Chandelier



Picture 8.7 Sandals Whitehouse – Ballroom Chandelier



Picture 8.8 Sandals Whitehouse - Ballroom

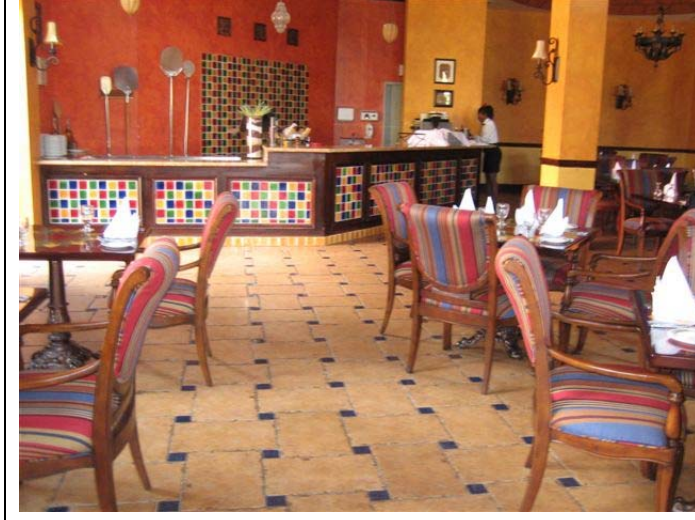
Architecturally, the Hotel is designed using a variety of architectural styles copied from different European Countries, namely France, the Netherlands and Italy. In other cases where the restaurants have certain “themes”, the interior design, and in some cases the design of the external facade, reflect those themes, for example, the Italian, Japanese and Caribbean Restaurants and the Arizona Beach Bar and Grill.



Picture 8.9 Sandals Whitehouse – Main Restaurant



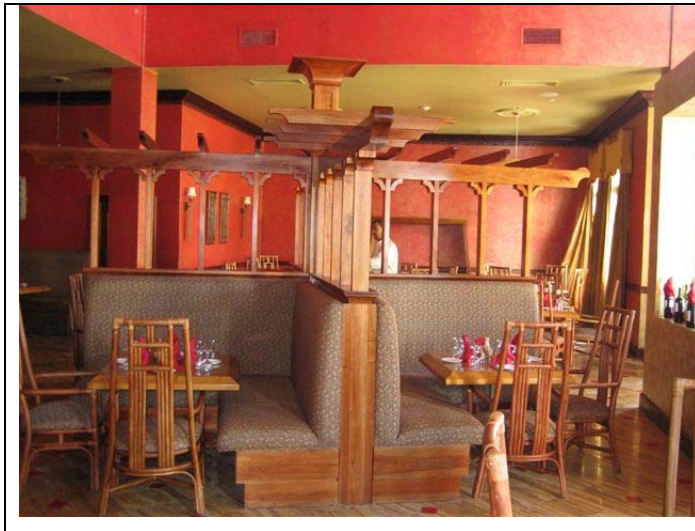
Picture 8.10 Sandals Whitehouse – Restaurant Decor



Picture 8.11 Sandals Whitehouse – Italian Restaurant



Picture 8.12 Sandals Whitehouse – Restaurant Floor Finish



Picture 8.13 Sandals Whitehouse – Italian Restaurant



Picture 8.14 Sandals Whitehouse – Oriental Restaurant

With regards to the overall planning of the resort, the Central Facilities and the Back-of-House Facilities are located in the southeastern section of the property with the room blocks located along the western boundary.

Access to the site is in the northeastern quadrant. The staff facilities are located along the eastern boundary.

The energy center, and recreational facilities are located approximately in the center of the site. The sewage plant is located on the northern boundary. The site is bordered on the west and on the south by the Caribbean Sea.

The planning of the Hotel separates the “working section” of the Hotel i.e. the Back-of-House facilities, from the Room Blocks. Because of the size of the property (40+ acres), this layout has resulted in two “satellite” beach bars, restaurants and swimming pools having to be constructed and operated adjacent to the French and Dutch Room Blocks. The advantage is that guests staying in those Room Blocks have a relatively short distance between their rooms and these facilities and therefore only have to walk the long distance to the main restaurants for special meals and entertainment. Another advantage is that the Room Blocks are all sited along the coastline giving every room an uninterrupted view of the Caribbean Sea.



Picture 8.15 Sandals Whitehouse – View from Sea



Picture 8.16 Sandals Whitehouse – French Village Pool

On the positive side the physical planning of the Back-of-House is very efficient in that it groups all its services in one central area. This area is highly automated and systematically laid out. The food preparation area stretches the entire length of the back-of-house and directly services the Italian, Japanese, Pastry, Caribbean and main Buffet Restaurants. With regards the equipment installed, this physical layout is also enhanced by the use of the most up-to-date and advanced technological equipment. This is most evident in the security, laundry, food preparation and the garbage disposal

systems.

Overall, the quality of construction and the levels of completion are very good with a few notable exceptions.

- Because of the high water table, underground electrical cables are constantly underwater. It is possible that this could have been alleviated by using a watertight manhole and conduits. During our investigations we were told that the Hotel experiences “brown-outs” from time to time and that these cables would have to be replaced over time. This problem could also have been avoided if the more expensive marine electrical cable had been used.
- The reinforced concrete sewage tanks are showing signs of structural failure. The reasons for the failure are either a design fault, poor construction or a combination of both.
- Landscaping. The landscaping at the Sandals Whitehouse Hotel seems sparse in comparison to the other Hotels visited. This is as a result of a reduced amount of planting material installed. The excuses given were that the subcontractor involved could not source the required amount of plants and a reduction in the specifications by the project managers. This not a critical issue as over time the growth of the existing and with the addition of more plant materials the flora will be on par with other hotel properties of similar standard.
- There are areas where light fixtures have not been installed as well as other areas where the light fixtures were inappropriate, e.g. in the Piano Bar and in the Arizona Restaurant. These will have to be corrected. There are also areas where the ground mounted landscape lighting fixtures are inappropriately positioned.
- In one or two areas the painting of the walls and ceiling was not complete.
- The Jetty still shows signs of disturbance due to Hurricane Ivan.

- Furniture. There are a few examples where we observed defective furniture i.e. in some cases there was deterioration to the finishes and in others, failure of the construction joints. On the whole, the furniture at Sandals Whitehouse are of a similar standard to those observed at Beaches Negril and Beaches Turks & Caicos. For the record, we have been told that the Board of Ackendown Newtown Development Co. has made arrangements to repair the defective furniture.

8.1.1 HOTEL RATING

For over 40 years the World Tourism Organization has been developing and encouraging the use of a “universally accepted hotel rating system.”

Their symbol of rating is the “Star”. The table below is adapted from the W.T.O’s. proposed minimum standards.

For the purposes of this study, we have determined that the Sandals Whitehouse Hotel surpasses the minimum standards for a 3 star Hotel and have done a comparison to ascertain if it can meet the minimum standards of a 4 star Hotel (or above).

The general characteristics of a 4 and 5 star Hotel are as follows;

- | | |
|---------------|--|
| <i>4 Star</i> | <i>High quality hotels, well equipped and furnished to a very high standard of comfort, offering a very wide range of services and amenities for guests and visitors.</i> |
| <i>5 Star</i> | <i>Outstanding hotels with exceptional quality accommodation and furnishings to the highest standards of luxury, providing impeccable services and extensive amenities.”</i> |

8.1.2 MINIMUM HOTEL STANDARDS

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Size	Minimum 10 letting rooms	Minimum 10 letting rooms	4 Star
Entrance	The hotel must have its own independent entrance. Hotel restaurants must have their own external as well as internal entrances. Separate service entrance.	The hotel must have its own independent entrance. Hotel restaurants must have their own external as well as internal entrances. Separate service entrance.	5 Star
Staircases	To comply with legal requirements. Separate service staircases.	To comply with legal requirements. Separate service staircases.	4 Star
Construction	Architecture, design, furniture and decoration should reflect the local style with the degree of sophistication increasing with category	Architecture, design, furniture and decoration should reflect the local style with the degree of sophistication increasing with category	4 Star except for “the local style.”
Furniture, fittings and equipment	High cost construction and fittings. Custom made equipment and furniture	Top cost construction, fittings, equipment and furniture. Individualized decor	4/5 Star
Emergency power supply	Stand by generator to supply energy for lighting, lifts, water treatment, cooking and refrigeration and heating	Stand by generator to supply energy for lighting, lifts, water treatment, cooking and refrigeration and heating	5 Star
Air Conditioning	Individual air conditioning control in all rooms. High quality equipment with very low noise emission	Individual air conditioning control in all rooms. High quality equipment with very low noise emission	5 Star
Lift(s) available to match room capacity	When more than one upper floor	When more than one upper floor	4 Star
Service lift	Separate from main guest lift	Separate from main guest lift	4 Star

Physical requirements	4 Star	5 Star	Sandals Whitehouse
In room communication	Direct dial telephone to other rooms and for national calls	Direct dial telephones for national and international calls. Telephone in bathroom.	4Star
Public telephone	Soundproof booth in lobby with national and international connections Telephone available near all public rooms	Soundproof booth in lobby with national and international connections Telephone available near all public rooms	N/A
Bedrooms			
Size	Adequate for free movement, comfort and safety. Minimum area in square meters (excluding bathroom and lobby) 14 sq. meters.	Adequate for free movement, comfort and safety. Minimum area in square meters (excluding bathroom and lobby) 16 sq. meters.	4 Star
Suites	Some suites available or connecting rooms to make temporary suites	Independent suites of various types and connecting rooms	4 Star
Single bed minimum size	2000 mm x 800 mm	2000 mm x 800 mm	4 star
Linen/towels	Towels changed with each new occupant and daily. Bed linen changed daily	Towels changed with each new occupant and daily. Bed linen changed daily	4 Star
Room cleaning	Additional room cleaning on request up to 12:00 pm	24 hour additional room cleaning	4 Star
Storage	Closet or wardrobe with hangers plus shelves or chest of drawers. Increasing in sophistication	Closet or wardrobe with hangers plus shelves or chest of drawers. Increasing in sophistication	4 Star
Seating	Minimum of one armchair per person	Minimum of one armchair per person	4 Star
Tables	Writing/dressing table with drawers	Writing/dressing table with drawers	4 Star

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Lighting	Natural light through windows during the day. Artificial light at night adequate for reading. Ceiling light with switches at entrance and bedside. One bedside lamp per person. Reading lamp at armchair/writing table	Natural light through windows during the day. Artificial light at night adequate for reading. Ceiling light with switches at entrance and bedside. One bedside lamp per person. Reading lamp at armchair/writing table	4 Star
Floor covering	Wall to wall carpets or high quality flooring and floor coverings	Wall to wall carpets or high quality flooring and floor coverings	4 Star Ceramic tiles
In-room entertainment	Radio/central music system controlled by guest. Colour TV with video channel	Radio/central music system controlled by guest. Colour TV with video channel	4 Star
Other room facilities	Window coverings to provide privacy and exclude light. High quality furnishings Local regulations may require display or tariff	Window coverings to provide privacy and exclude light. High quality furnishings Local regulations may require display or tariff	4 Star
Soundproofing	High standard soundproofing.	High standard soundproofing.	4 Star
Door	Lockable with individual keys or other means. Easily identifiable from outside. Internal security fastening	Lockable with individual keys or other means. Easily identifiable from outside. Internal security fastening	4 Star
Bathrooms			
Availability	All rooms have private bathrooms	Spacious bathrooms Separate toilet	4 Star
Size	Adequate for free, comfortable and safe movement	Adequate for free, comfortable and safe movement	4 Star

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Standard facilities	<p>Natural or induced ventilation providing at least 3 air changes/hr.</p> <p>Hot and cold running water. Colour coded. Thermostatically controlled</p> <p>Wash-basin with mirror, light, shelf, towels, soap and electric socket marked with voltage.</p> <p>Water closet with toilet paper. Waste bin</p> <p>Bath with shower-head minimum 1600mm long</p> <p>Minimum or one hand and one bath towel per guest</p> <p>Cabinet for personal effects</p>	<p>Natural or induced ventilation providing at least 3 air changes/hr.</p> <p>Hot and cold running water. Colour coded. Thermostatically controlled</p> <p>Wash-basin with mirror, light, shelf, towels, soap and electric socket marked with voltage.</p> <p>Water closet with toilet paper. Waste bin</p> <p>Bath with shower-head minimum 1600mm long. Separate shower cubicle</p> <p>Chilled drinking water.</p> <p>Cabinet for personal effects Shampoo and other toiletries provided</p> <p>Hairdryer, telephone</p>	4 Star
Public areas			
Public toilets	<p>Separate for each sex. Normally each should have a minimum of two water closets with toilet paper, washbasins with hot and cold running water, mirror, soap, towels or hand drier and waste bin. Separate cubicle for the disabled equipped with appropriate fittings. Suitable sited near public areas with interiors screened from view. Ventilation with at least 3 air changes/hour.</p>		4 Star

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Corridors	Well lit 24 hours a day by natural and/or artificial light. Adequately ventilated. Free from obstacles or hazards. Suitable signposted with emergency exits clearly indicated. Carpets, wall to wall carpeting or special floor finishes		4 Star
Reception area	Well lit. Carpets. Wall to wall carpeting or special floor finishes. Plants. Music/PA system	Well lit. Carpets. Wall to wall carpeting or special floor finishes. Plants. Music/PA system	4 Star
Parking	Exclusive parking or garage to accommodate all hotel guests and casual visitors. 24 hour security.	As four star plus basic care servicing available	4 Star
Green area/Landscaping	Some garden area or terrace with plants	Green area for guest use such as terrace with plants, roof garden, patio or adjoining gardens	3 Star
Food and beverage, leisure and recreation facilities			
Lounge	Choice of lounge(s) or sitting room(s) as before, plus service of drinks and refreshments	Choice of lounge(s) or sitting room(s) as before with 24 hour lounge service	4 Star
Breakfast	Restaurant(s) provided within hotel with adequate seating capacity for breakfast and other meals Breakfast served 7:00 am to 10:00 am	Restaurant(s) provided within hotel with adequate seating capacity for breakfast and other meals Breakfast served 7:00 am to 11:00 am	4 Star
Room service	The option of self-catering facilities may be provided Breakfast service including newspaper. 24 hour beverage and light meal service	The option of self-catering facilities may be provided 24 hour full meal service and beverage services	N/A in an all inclusive

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Restaurant	Main restaurant or choice of restaurants serving a variety of meals. Private dining or function rooms available. Total seating not less than hotel bed capacity High quality food and beverage services.	Main restaurant or choice of restaurants serving a variety of meals. Private dining or function rooms available. Total seating not less than hotel bed capacity Highest standards of cuisine and services.	4 Star
Bar	Separate bar(s) and cocktail lounge	Separate bar(s) and cocktail lounge	4 Star
Conference facilities	Meeting and conference room with appropriate conference facilities.	Meeting and conference room with appropriate conference facilities.	4/5 Star
Cloakroom	Cloakroom and toilets near public rooms	Cloakroom and toilets near public rooms	N/A
Entertainment	Music and public address system. Night club, dancing area or discotheque available in hotel or near proximity	Music and public address system. Night club, dancing area or discotheque available in hotel or near proximity	4/5 Star
Recreation	Sauna or swimming pool or health club or a combination	Sauna, gymnasium/health club, swimming pool/jet pool	5 Star
Hairdresser	Hairdresser/beauty studio	Hairdresser/beauty studio	4/5 Star
Services			
Reception services	Permanent reception service. 24 hour check-in Hall porters, luggage handling and doorman	Permanent reception service. 24 hour check-in Hall porters, luggage handling and doorman Paging service/public address system	4 Star
Medical services	Emergency medical/first aid service First aid room	Emergency medical/first aid service First aid room	4 Star

Physical requirements	4 Star	5 Star	Sandals Whitehouse
Cashiers services	Safety deposit Credit cards accepted 24 hour currency exchange service	Individual safety deposit boxes Credit cards accepted 24 hour currency exchange service	4 Star
Laundry services	Express laundry including washing, ironing and dry cleaning		4/5 Star
Postal services	Service to include mail delivery and dispatch and sale of postage stamps and stationery Dispatch and receipt of, telex and telefax		4 Star
Tourist and travel services	Travel agency/tourism service (tourist information, excursions, guiding, insurance etc.) Ticketing and booking service for transport, hotels, entertainment and cultural events		5 Star
	Taxi service Hotel minibus available if isolated location	Taxi & rent-a-car service Free hotel vehicle if isolated location	
Retail services	Sale of newspapers, books, postcards, tobacco and photographic supplies		4/5 Star
Language services	Good knowledge of two key international languages by customer contact staff	Good knowledge of two key international languages by management positions. very good knowledge of three such languages by customer contact staff.	4 Star
Conditions	Buildings, ground, equipment, fittings and furniture maintained in clean, safe and sound condition, in good working order and free from defects which could impair use. Exceptionally clean and in excellent decorative order and condition. Rapid response to any matter requiring attention. Full compliance with legal and licensing standards in respect of fire, means of escape and other safety precautions, hygiene, conditions for places of work and habitation, hotel insurance and other stipulated requirements.		4/5 Star

Using the W.T.O.'s. minimum hotel standards, we are of the opinion that, the Sandals Whitehouse Hotel succeeds in meeting the minimum requirements to be rated a 4 star Hotel. In some cases it exceeds that standard. A few notable examples are;

- Emergency power supply
- Air-conditioning
- Recreation
- Furniture, fittings and equipment
- Conference facilities. Meeting/ conference rooms with appropriate facilities.
- Recreation. Sauna, gymnasium/health club, swimming pool etc.
- Tourist and travel services
- Entertainment
- Laundry

In summing up, the “Architecture, design, furniture and decoration” reflects the style and the degree of sophistication that classifies Sandals Whitehouse as a 4 Star Hotel.



Picture 8.17 Sandals Whitehouse – Central Plaza

8.2 VALUE OF FINAL PRODUCT

The Sandals Whitehouse hotel is a 400 Rooms (360 keys) upscale hotel facility consisting of 280 standard rooms 48 deluxe rooms and 32 suites. The level of finishing at the hotel lends it to being described as well above average and into the upscale property range.

At US\$220,000.00 per room, this 400 rooms hotel would yield a project cost of US\$88.0M. However there are factors associated with this particular project, which affects the overall total project cost. These include:

1. Redundancy / over capacity of air conditioning system
2. Redundancy / over capacity of standby generator
3. Extent of site spread, leading to additional construction cost of
 - Electrical installation - incoming main and distribution
 - Air conditioning chilled water lines
 - Sewage - drain runs.
 - Water supply - distribution
 - Walkways, roads
 - Landscaping, irrigation
 - Storm water drainage

It is the Audit Teams considered opinion that items 1 & 2 above would have accounted for an additional US\$1,900.00 per room or US\$760,000.00 on the overall cost.. Item 3 would amount approximately to an additional US\$15,000.00 per room or US\$6.0M on the overall project cost.

In addition to the base price per room, additional costs thereto for site spread, there was an over sizing to the back of house area of approximately 15,000 sq. ft. This would have contributed an additional US\$3.0M on the overall project cost.

The net effect of these additional costs would result in a total project cost of US\$97,760,000.00.

Additionally, there were costs incurred on the project due to management deficits.

These costs as derived from the final account are as follows:

• Interest charges for late Payments	US\$	1,007,308.00
• Additional Fees due to extended contract period		2,162,042.00
• Additional Preliminaries due to extended		
• contract period, including insurances		2,394,411.00
• Sums expended to try and achieve earlier		
• completion		1,800,000.00
• Labour and material fluctuations		7,298,343.00
• Cess on Fees at Ports		145,514.00

At this time, despite its operational problems along with the negative publicity, the hotel has been reportedly enjoying high occupancy levels since opening on February 10, 2005. We have been informed that approximately US\$6.15M lease payments have been made to the owners between July 2005 and July 2006. This sum comprises approximately US\$2.4M for the fixed lease payments and approximately US\$3.6M for occupancy adjustment over the period.

On a regional scale, some major strategy elements, as outlined in the “Southwest Coast Development Plan” are;

“The development of primary sector activities.....”

“The development of related infrastructure”

“The development of “cottage industries”.

“The rationalization of settlement patterns”

“The development of Social Services.

Tourism and resort developments, of a “low to medium density”, were identified to assist

in achieving these goals and within the Whitehouse/ Culloden area the "seaward part of Ackendown" was one of the sites that was identified as having potential for "resort/residential development" and was thought that it would be a catalyst for future development of the region.

At this time it is clear that this hotel, as part of the regional development plan, has already had a positive economic impact on the town of Whitehouse and surrounding communities. This is evident in areas such as;

- Housing
- Job creation (injecting millions of dollars every week into the local economy)
- Improved skills training
- The creation (or upgrading) of support industries such as;
 - Agriculture
 - Restaurants
 - Hardware stores
 - Financial institutions
 - Motor sales and service
 - Increased real estate development resulting in higher property values in the area.

Additionally, this hotel development has also resulted in the improvement of infrastructure in the area such as,

- Utility services
- Communication facilities
- Transportation

The opinion of the Audit Team is that the project has succeeded in enhancing the development of the region and should be successful in encouraging future development of the area – only time will tell !.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

SECTION 9

CONCLUSION

CONCLUDING SECTION

The Audit Team carried out extensive investigations, analyses of numerous documents, interviews and site visits in preparing the reports set out in the previous sections.

From our investigations we have gleaned the following:

1. The project was of high importance as the catalyst to the South West Coast Regional Development Plan, rather than merely a hotel project.
2. That the project was developmental in nature and sought to generate employment opportunities and increase the tourism product in the South Coast area.
3. There was pressure to have the hotel development start as soon as possible and proceed along a fast track route rather than the normal route. It was agreed to start without completed designs. When these designs became available and approved they would be incorporated into the project. To facilitate the fast track process, a round-table approach was adopted.
4. It is evident that this round-table approach developed an in-built process of virtual approvals within itself and the required hierarchical approaches to approvals were not always followed.
5. In this round-table approach Implementation Limited on behalf of Gorstew Ltd., through the Technical Services Agreement (TSA), influenced the quality, costs and sophistication of the finished work. This influence was all the more effective especially in the absence of complete designs and specifications as reference points at the start of construction.

The initial budget estimate for the 400 room (360 keys) hotel project, as calculated by the consultant Quantity Surveyor was US\$86M. This was based on the Quantity Surveyor's analysis of the then recently completed Beaches Negril Hotel.

The UDC considered this estimate too high. A subsequent budget of US\$70M was also rejected by the UDC.

Based on projections developed by Capital Options Limited a budget of US\$60M was adopted. It is clear that this bore no relationship to the size or specifications of the proposed hotel as conceptualized and proposed by the Architects, Sant Associates, in May 2000. It is our opinion that if the US\$60M budget was to be adopted, then the size and specifications would have to be substantially reduced.

After the start of construction, and apparently on the realization of the inadequacy of the US\$60M budget, a revised budget of US\$70M was agreed and approved by the Joint Venture Partners.

In respect of the review of the contracts we have examined between the Client, Ackendown Newtown Development Company Limited, and Contractors, Consultants and Sub-Contractors, we are of the view that they contained adequate provisions for requisite services needed for the successful carrying out of the works in designing and constructing the 400 room (360 keys) hotel project.

The fact that almost all consultants were selected by a non-competitive process, should not have affected their overall performance on the project, but the selection and negotiations of fixed price contracts with the selected consultants succeeded in obtaining a fair price for the services rendered by these consultants.

The total amount paid out for the negotiated professional services amounted to approximately 6.0% of the projected construction budget of US\$45M, a very competitive amount compared to at least 12.0% under normal market conditions. However, it

should be pointed out that obtaining these competitive fees does not justify the circumvention of any relevant procurement rules and guidelines.

Some of the consultants were engaged and started working on the project prior to the publishing of the guidelines for Public Sector Procurement in October 24, 2000, and the establishment of the relevant Sector Committee in August 2001.

The UDC was appointed Project Manager and in turn sub-contracted this aspect of the work to Nevalco Consultants Limited.

The main contractor, Ashtrom Building Systems Limited, was selected by the UDC in March 2000, by a non-competitive process, and entered into discussions and negotiations with the UDC for the construction of the hotel using the tunnel form system.

In respect of the effect of external influences on the project, while there were increases in inflation, and the cost of labour, and a rise in the cost of materials especially from Euro sources during the life of the project, these increases did not form a major part of the cost overruns.

Regarding the question of Benchmarking, we are of the view that the consultant Quantity Surveyor did use Beaches Negril as a “benchmark” in arriving at an initial Project Budget for Sandals Whitehouse. However the designs, standards and specifications at Sandals Whitehouse have turned out to be far more elaborate than those at Beaches Negril and the French Village at Beaches Turks and Caicos

For example,

- The design of the swimming pools, hardscaping and landscaping at Sandals Whitehouse, are more elaborate and is of a higher level of finishes than those at Beaches Turks and Caicos
- The pool deck at Sandals Whitehouse is finished with elaborate and expensive Italian porcelain tiles.

- The restaurants and back-of house facilities at Sandals Whitehouse are much larger and more elaborate than those at Beaches Turks and Caicos.
- The interior design of the rooms, central facilities and the departure lounge at Sandals Whitehouse are of a higher standard than those at, Beaches Turks and Caicos. The rooms have no balconies at Beaches Turks and Caicos.
- The balustrades at Sandals Whitehouse are cast iron and those at Beaches Turks and Caicos are manufactured from extruded aluminium.
- Coral stone is used to make the exterior mouldings at Sandals Whitehouse whereas at Beaches Turks and Caicos they are fabricated using concrete.

Finally, in comparing the three hotels, it is the opinion of the Forensic Audit Team that Sandals Whitehouse far surpasses the other two hotels in their overall design, detailing and standards of specifications. It is our opinion that Sandals Whitehouse is an upscale Four-Star facility.

In reviewing the specific mechanical and engineering standard, we are of the view that in general the standard of the engineering systems at the Sandals Whitehouse Hotel are acceptable and meet international and local standards. There are areas of over design and under design and some of the problems caused by the latter were corrected during construction, as was the case with the structural support for the roof of the gym and aerobics rooms.

In the case of the sewage plant, those involved, namely the structural engineer, Jentech Ltd, the resident engineer and the main contractor Ashtrom Ltd, should have seen the lack of adequate design details on the structural drawings, before or during construction of the sewage tanks.

With respect to the deterioration of the underground cables, changes could have been made to the electrical designs to utilize more suitable cables in areas where they are constantly under water, or to install the proper control devices, as has been recommended by the local electrical consultant (Basil Nelson & Associates), to forewarn on signs of cable breakdown.

As previously mentioned the electrical and mechanical systems installed at Sandals Whitehouse Hotel are of a high quality and are generally more sophisticated, efficient, reliable, and high tech than those in the other hotels visited by the Audit Team. –e.g. the Somat garbage disposal system, the security system, energy management system, and the air conditioning system.

The back-of-house area is highly automated and systematically laid out. The food prep area stretches the entire length of the back-of-house and services the 5 restaurants in front. This arrangement does not exist at any of the other hotels.

The cold and dry storage areas are well appointed with excessive areas for normal and emergency storage. The laundry is also oversized, and has sufficient equipment to handle more than the current laundry capacity of the Hotel. This is especially evident when this laundry is compared with the existing laundry at Beaches Negril. The laundry at Beaches Negril services four hotels at well over 450 rooms and is less than half the size of that at Sandals Whitehouse.

The two main areas of poor design and defective work, the underground cables and the sewage tanks, do detract from the overall high standard of the engineering systems of the Hotel. However, these defects are being addressed.

In reviewing the project cost and final account prepared by the consultant Quantity Surveyor, the Audit Team can report net project overrun of approximately US\$43.36M. This is over and above the budget of US\$70.0M.

These overruns can be summarized as follows.

1.	Overruns Construction Contract	US\$	38,420,056.33
2.	Other Project Overruns		6,443,374.12
3.	Under Expenditure on Project		(1,957,401.00)
4.	Expenditures without Budget Provisions		<u>452,637.00</u>
	Net Project Overrun		<u>US\$43,358,666.45</u>

Each of the above areas can be broken down as follows.

- The following cost overruns and increased expenditures were associated with the Construction Contract.

•	General Preliminaries and Conditions of Contract	US\$	9,780,058.13
•	Room Blocks & Staff Facilities		2,669,468.19
•	Central Facilities		11,232,620.34
•	External Works Cost		9,301,198.55
•	Labour and Material Fluctuations		1,525,265.31
•	Additional Sundry items		<u>3,911,445.81</u>
	Net Increase to Construction Contract	US\$	38,420,056.33

- There were other areas of overruns and increased expenditure associated with the overall project costs. These can be identified as follows:

•	Coastal Engineering	US\$	34,500.00
•	Loan Commitment Fees		646,251.00
•	Legal Fees		47,770.00
•	Technical Expenses associated with F.F.&E		196,781.64
•	Reimbursables payable to consultants		47,743.00
•	Project Management Fees		304,983.00
•	F.F.&E		3,873,945.48
•	Pre-opening expenses		<u>1,291,400.00</u>
	Total	US\$	6,443,374.12

We have not included the overrun on M&E Technical Expenses (\$513,061.00), as this was included in the Construction Contract under Sundry Items.

3. Under Expenditure on Project - Technical Expenses as follows.:

• Architect	US\$	76,450.00
• Structural Engineering		500,000.00
• Quantity Surveyor		136,170.00
• Landscape Design		16,500.00
• Interior Design		35,904.00
• Feasibility Studies		151,347.00
• Project Field Administration		220,166.00
• Adjudicator		7,335.00
• Real Estate Taxes		12,571.00
• Construction Interest		<u>800,958.00</u>
Total	US\$	1,957,401.00

4. Expenditure on items for which there were no budgetary provisions as follows.

• Environmental Studies	US\$	50,195.00
• Technical Services		<u>402,442.00</u>
Total	US\$	452,637.00

The net Variance on Provisional Sums included in the Bills of Quantities, represents an increase of \$11,365,716.26 or 115% over and above the original sum of US\$9,890,343.68. This represents a very unhealthy situation, which is not very common in the Building Industry.

The lack of funding for the project contributed to delays in effecting payments to the contractor and led to claims for "interest on outstanding sums". This area resulted in increased payments of US\$1,007,308.00.

The inability of Ackendown Newtown Development Company Limited to effect payment promptly, was due to the following:

- The unavailability of funds from the Shareholders.
- Shareholders Agreement not signed, hence loan could not be accessed.
- The late transfer of the title for the property.

We were advised that funding had been arranged through the Development Bank, but because of the title not being transferred for an extended period, the loan fell through.

We were also advised that funds were set aside by the Bank of Nova Scotia for government projects, but because of the delay in the signing of the Shareholders Agreement and transferring of the Title for the property, the funds were used elsewhere.

Non-payment of Shareholders equity also contributed to the overrun on the project. When these funds were not available, ANDCO was forced to seek funding elsewhere. Interest charges on these loans also contributed to the overruns on the project.

The effect on costs, of the name change of the hotel from “Beaches” to “Sandals” is almost negligible in the scheme of things. This item should not be considered as having any major impact on the cost overruns experienced on this project.

One consistent practice that has haunted building projects over the years and over successive governments, is the practice where projects are started without the completed designs. The practice is prevalent on projects where government and their agencies are involved. In the rush to get these projects started, contracts are formalized based on limited information and provisional sums are set aside for all the unknowns at this stage.

The project then evolves over the project period and the designers’ interpretation becomes completely different from the consultant’s original interpretation. During this

time of uncertainty, requirements change and specification may also change. The original provisional sums for the various items now become inadequate. This was clearly the case on this Project.

On the other hand, when projects are properly thought through, designed, with the operators needs clearly identified and met at the pre-contract stage, then overruns are minimised.

In respect of the performance of contracted parties, we can make the following comment on the overall management of the project and the performance of the Project Manager. One of the items in the contract between UDC and Nevalco Ltd. is that Nevalco *“shall not without prior written consent of the UDC give instructions to any contracted parties which would increase the project cost or time taken to complete or procure anything that is not provided for in the Bills of Quantities of the Project”*.

As a large percentage of the Bills of Quantities were provisional sums, it meant that UDC/Nevalco should have closely monitored the expenditure of these sums. In the event that the final designs for these items of work resulted in a cost in excess of the provisional sum, permission should have been sought from the ANDCO Board. The Audit team has not seen any such request or written consent.

The UDC had to *“ensure compliance of designs to brief”*. It is clear that this was not effectively done as the designs far exceeded the original brief and Project Budget. It was not until the latter stage of the project, when UDC's Chief Architect got involved with the project full time on site, that more concerted efforts were made to rationalize the cost of construction and to achieve completion.

The Project Manager/Project Manager Representative had a responsibility to report projected cost overruns to the ANDCO Board, advise on how to reduce these costs, and obtain the Board's permission to proceed with the works. From all indications this was not done, and this was one of the main downfalls of the Project.

The Project Manager/Project Manager Representative did not effectively manage the Project. However it should be noted that the ANDCO Board did not meet formally between October 2003 and January 2005 and therefore this avenue of formal approval was not available.

In respect of Gorstew Ltd./Implementation Limited, Gorstew was greatly influential in determining the FF&E and specialist items through the architect and interior designers. Although they assisted in determining the revised US\$70.0M Project Budget, it appears that the special system items, such as the air conditioning, standby generator, kitchen equipment, garbage disposal, special light fixtures, and their installation, were not accurately accounted for in the Budget.

The specifications of some of the systems were far more advanced than those at any of the other Sandals or Beaches resorts. For example the Somat garbage disposal system is believed to be the first of its kind in the Caribbean. This system was not allowed for in the budget. The back of house layout at Sandals Whitehouse is the most extensive and sophisticated of all those we have seen.

The Technical Services Agreement calls for the Lessee to review and comment on Design Documents, and upon approval of the submitted Design Documents by Owner and Lessee, coordinate their signing, sign as "approved" and date and incorporate them into the Agreement. Only the original concept drawings were appended to the Agreement. The Audit team has not seen drawings appropriately signed and stamped.

Implementation Ltd. seemed to have performed an aggressive project management role in ensuring that the needs of the proposed operators were addressed. However, the process of having designs approved and signed off on by both Lessee and Owner was not adhered to. The fast track nature of the Project and the late submittal of drawings, often resulted in the designs influenced by the Lessee, being directly issued for construction.

On the overall, we are of the view that while the project was meant to be on a fast track basis, most of the designs were not completed on time, resulting in claims for extension of time from the contractor and cost overruns.

Ashtrom Building Systems Ltd performed poorly in general as a main contractor and has contributed to the overall delays in the completion of the Project. This could be deduced from the minutes of the site meetings where there were constant complaints from the Project Manager's Representative (Nevalco) and Implementation Ltd. about the slow progress and poor supervision of the works.

This was compounded by the inadequate performance of the consultants in providing to Ashtrom the necessary design details and information on time for the fast track construction process as was originally intended and agreed by all.

The Project Manager's Representative (Nevalco) also contributed to Ashtrom's performance in not providing the necessary information from the consultants in a timely manner and not keeping a tight reign on the activities on site. Nevalco outlined proper project management guidelines at the outset, but these were almost never followed. It appears that issues were not always followed up and allowed to slip without due regard to the time schedule or the budget.

The management arrangement for this project had more than its fair quota of **shared executives**. These relationships commenced with the Joint Venture Partners and filtered down to the consultants.

Joint Venture Partners

- Chairman of ANDCO also Executive Chairman of UDC
- Company Secretary of ANDCO also UDC's Company Secretary
- Project Manager (UDC) also shareholder in ANDCO
- Gorstew Limited, shareholder and also consultant to the project
- Deputy General Manager of UDC – Overseeing affairs of ANDCO

Consultants

- Executive Chairman UDC/ chairman ANDCO also director of Jentech Consultants Limited, structural engineers to the project.
- Gorstew shareholder ANDCO also shareholder Appliance Traders Limited

These relationships were not good for the project, for as demonstrated above there was too much power in the hands of some executives, leading to lack of objectivity and accountability.

Also, the failure of the UDC/Nevalco to exercise proper control, and to conform to the various protocols established for the execution of the project, adversely affected the various checks and balances consistent with good management and cost control.

In this scenario, the Board of ANDCO abrogated its responsibilities to the project as it relied solely on the UDC, for all the checks and balances. When these were not forthcoming, there were no efforts from the ANDCO Board itself to rectify the situation. It must be noted that the Board had no independent management apparatus.

It was only when expenditure on the project exceeded the US\$70M budget, as brought to light in January 2005, one month before the Hotel was scheduled to open, that the Board became aware that there were overruns on the project.

It is arguable that a truly independent Chairman of ANDCO, that is, one who was not also chairman of the UDC, might have been more inclined to carry out more detailed scrutiny of the performance of the UDC as Project Manager, as well as insisting on more timely financial and construction details.

The management procedures established for the control of this project were almost never adhered to. For this the Project Manager must accept full responsibility.

A number of dates were set at various times for the completion/delivery of the hotel to

the operators. Almost all of these dates failed to materialize. The hotel was delivered to the operators and opened on February 10, 2005. This some three years and two months after commencement of construction or 15 months after the original contracted period.

In reviewing the quality of the final product and value of the completed project, we can summarise that, the “architecture, design, furniture and decoration” reflect the style and the degree of sophistication that could classify Sandals Whitehouse as a Four-Star hotel.

The Sandals Whitehouse hotel is a 400 rooms (360 keys) upscale hotel facility consisting of 280 standard rooms 48 deluxe rooms and 32 suites. The level of finishing at the hotel lends it to being described as well above average and into the upscale property range.

It Is the opinion of the Audit Team that a base price of US\$220,000.00 per room could be considered reasonable, for a hotel constructed during the period 2002 to 2005 and with the level of finishes that obtains at Sandals Whitehouse.

At US\$220,000.00 per room, this 400 rooms hotel would yield a project cost of US\$88.0M. However there are factors associated with this particular project, which affect the overall total project cost. These include:

1. Redundancy / over capacity of air conditioning system
2. Redundancy / over capacity of standby generator
3. Extent of site spread, leading to additional construction cost of
 - Electrical installation - incoming main and distribution
 - Air conditioning chilled water lines
 - Sewage - drain runs.
 - Water supply - distribution
 - Walkways, roads

- Landscaping, irrigation
- Storm water drainage

It is the considered opinion of the Audit Teams that items 1 & 2 above would have accounted for an additional US\$1,900.00 per room or US\$760,000.00 on the overall cost. Item 3 would amount approximately to an additional US\$15,000.00 per room or US\$6.0M on the overall project cost.

In addition to the base price per room, additional costs thereto for site spread, there was an over sizing to the back of house area of approximately 15,000 sq. ft. This would have contributed an additional US\$3.0M on the overall project cost.

The net effect of these additional costs would result in a total project cost of US\$97,760,000.00.

Additionally, there were costs incurred on the project due to management deficits. These costs as derived from the final account are as follows:

• Interest charges for late Payments	US\$ 1,007,308.00
• Additional Fees due to extended contract period	2,162,042.00
• Additional Preliminaries due to extended contract period, including insurances	2,394,411.00
• Sums expended to try and achieve earlier completion	1,800,000.00
• Labour and material fluctuations	7,298,343.00
• Cess on Fees at Ports	145,514.00
• Etc.	

At this time it is clear that this hotel development, as part of the regional development plan, has already had a positive economic impact on the Whitehouse and surrounding communities.

This is evident in areas such as

- Housing
- Job creation (injecting millions of dollars every week into the local economy)
- Improved skills training
- The creation (or upgrading) of support industries such as;
 - Agriculture
 - Restaurants
 - Hardware stores
 - Financial institutions
 - Motor sales and service
 - Increased real estate development resulting in higher property values in the area.

Additionally, this hotel development has also resulted in the improvement of infrastructure in the area such as

- Utility services
- Communication facilities
- Transportation

At this time, despite its operational problems along with the negative publicity, the hotel has been reportedly enjoying high occupancy levels since opening on February 10, 2005. We have been informed that approximately US\$6.15M lease payments have been made to the owners between July 2005 and July 2006. This sum comprises approximately US\$2.4M for the fixed lease payments and approximately US\$3.6M for occupancy adjustment over the period.

We concur with the following (taken from a Sandals advert on their web site) that, *“Sandals Whitehouse European Village and Spa is as alluring as it is rich in the history, distinctive culture and creative fare that makes Jamaica’s south coast the next hit vacation spot. Home to the newest 360 room Sandals Whitehouse resort. Whitehouse*

is a flashback to Jamaica's colonial past, as it is the setting for what's hot in Caribbean vacation getaways".

The web site also states *"the seven resorts in Sandals Signature Collection [of which Sandals Whitehouse is a part,] embody a standard of opulence and pampering that far exceeds the expectations of even the world's most discriminating travelers. With ultra-deluxe touches such as Champagne Breakfasts, beach valets, white-glove service in our gourmet restaurants, late night buffets, turndown service and so much more – Sandals Signature Collection represents the very pinnacle of all-inclusive luxury."*

The opinion of the Audit Team is that this hotel project has succeeded in enhancing the development of the region and should be successful in encouraging future development of the area. Only time will tell !.

**SANDALS WHITEHOUSE
PROJECT
FORENSIC AUDIT REPORT**

APPENDIX

APPENDICES

- 1-1 Letter from Solicitor General dated November 16, 2005
- 1-2 List of persons interviewed
- 1-3 List of Institutions and Documents received
- 1-4 Heads of Agreement
- 1-5 Technical Service Agreement
- 2-1 Letter from Caribbean Construction Company dated May 31, 2005
- 2-2 Letter from Caribbean Construction Company dated June 28, 2006
- 2-3 Letter from Appliance Traders Limited dated May 27, 2004
- 2-4 Letter to UDC/ANDCO dated January 19, 2006
- 3-1 Letter from the Planning Institute of Jamaica dated May 1, 2006
- 5-1 McDonald Group International letter dated May 27, 2001
- 5-2 Jentech Drawing S-032
- 6-1 List of Drawings used in preparation of Bills of Quantities
- 6-2 Consultants/ Quantity Surveyor Schedule of Payments
- 6-3 Claim from Contractor totaling \$2,460,401.00
- 7-1 List of Sub-Contractors
- 7-2 Letters re instructions – Ashtrom/Implementation Limited



Telephone: (876) 906-2414
Facsimile: (876) 754-5158
E-Mail: attorneygeneral@agc.gov.jm
Reference No 010213

ATTORNEY GENERAL'S CHAMBERS
2nd Floor – North Tower
NCB Towers
2 Oxford Road
Kingston 5

November 16, 2005

Mr. Don Mullings
Chairman, Sandals Whitehouse Audit Team
c/o Incorporated Masterbuilders Association of Jamaica
5 Oxford Park Avenue
Kingston 5

Dear Mr. Mullings,

Re: Sandals Whitehouse Project

I acknowledge receipt of your letter dated November 14 and refer to our discussion on that date. My advice on the issue raised in your letter and on the various other matters discussed at our meeting is as follows.

The Law Suit

1. You correctly point out that the Terms of Reference for the Sandals Whitehouse Audit Team (which I will refer to as “the Audit Team”) relate to the same issues which have given rise to the Law Suit by Gorstew Ltd. and Sandals Whitehouse Management Ltd. against the U.D.C., NIBJ and Ackendown Newtown Development Company. It is not correct to state, however, that the outcome of the Audit Team examination of the areas “will have a direct bearing on the law suit. Although they are considering the same issues,

the role of the court and the role of the Audit team will be quite different.

2. The Audit team is composed of persons with technical expertise in various areas relating to construction and it is being asked to prepare what is, in effect, an expert report as to what did or did not go wrong in the Whitehouse project. The Audit Team will not determine what rights or liabilities result. If there are factual disputes (for example, as to who said what) the Audit Team will not be asked to resolve them.
3. The court, on the other hand, has no technical expertise in these areas. It will call on technical persons to give their opinion and then make determinations as to facts and as to rights and liabilities. It would be quite usual in a case like this for the parties to retain the services of technical experts such as the members of the Audit Team to consider and render reports on the issues which arise in the suit. In fact, very often the court finds such reports to be of significant assistance.
4. In the circumstances I advise that there will be no objection to your proceeding with the forensic audit and preparing the report requested, subject to the limitations referred to above.

Indemnity

5. During our meeting you asked whether members of the Audit Team would receive an indemnity from the government. I have

written to the Prime Minister on this issue and hope to let you have a formal response before the Team's first meeting.

Procedure

6. A major issue will be the procedure to be followed by the Audit Team in carrying out their mandate. It is important to note at the outset that you are not a commission of enquiry or even arbitrators. You cannot require anyone to attend or to produce documents and you cannot take sworn evidence.

7. Generally speaking, the appropriate procedure will be to invite the relevant parties to send you copies of the relevant documents and to submit any written representations they may wish to make. If any of the parties wish to meet with the Audit Team and make representations, that could also be facilitated. We can discuss this aspect of the matter further when we meet next week.

Legal Representation

8. I confirm that Ms. Carlene Larmond, Crown Counsel in this office, will be working with me on this matter and you should feel free to contact either of us at any time. Our contact details are as follows:

Michael Hylton
Email: solicitorgeneral@agc.gov.jm
Private line: 906-2407
Cell: 995-3777

Carlene Larmond
Email: carlene.larmond@agc.gov.jm
Private line: 512-7654
Cel: 322-8532

Lines of Communication

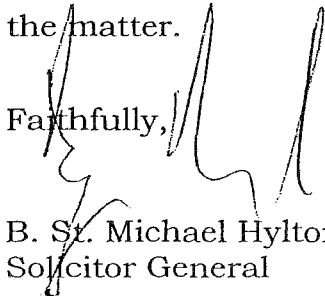
9. Although the Audit Team's appointment came about as a result of a resolution of parliament, you were appointed by the Prime Minister and you should therefore communicate with him. This a very public exercise however, and it would not be inappropriate, in my view, if the Audit Team were to respond to some media enquiries. This might include, for example, confirming that you have accepted the appointment and started upon your work.

Staff/Location

10. I have made some informal enquiries in relation to the enquiry by the "Angus Commission" into Operation Pride. It seems to me that the work carried out during that exercise was similar to the present investigation in many respects.
11. I have been advised that, that commission did not have any permanent staff assigned to it, but it had access to assistance from Ministry Personnel. Your team will no doubt make a recommendation as to staffing, office facilities and other resources as appears appropriate, considering all the circumstances.

Please let me know if you wish me to comment further on any aspect of the matter.

Faithfully,



B. St. Michael Hylton
Solicitor General

**SANDALS WHITE HOUSE AUDIT TEAM
INTERVIEWS HELD**

March 2, 2006

Mr. Brian Goldson Snr., Quantity Surveyor, Goldson Barrett Johnson

March 9, 2006

Mr. Alston Stewart, Project Manager

Mr. Basil Nelson, Quantity Surveyor

March 14, 2006

Dr. the Hon. Vincent Lawrence, Ackendown Newtown Development Company/
Urban Development Corporation

Mrs. Marjorie Campbell Urban Development Corporation

Mr. Jomo Pitterson Urban Development Corporation

Mr. Christopher Shaw Urban Development Corporation

Mr. Brian Goldson Goldson Barrett Johnson

March 28, 2006

Mr. Christopher Zacca, Gorstew (Requested that interview be not recorded)

Mr. Jeremy Brown, Gorstew

April 22, 2006

Mr. Rivington Gardner, Senior Architect

May 2, 2006

Dr. Wayne Reid, Structural Engineer, JENTECH

May 4, 2006

Mr. Aubyn Hill, National Investment Bank of Jamaica

Ms. Megan Dean, National Investment Bank of Jamaica

Ms. Jennifer Campbell, National Investment Bank of Jamaica

Ms. Denise Arana, National Investment Bank of Jamaica

May 9, 2006

Mr. Rami A. Subocki, Vice President, Ashtrom International Limited
Mr. Akiva Schiff, Director of Finance, Ashtrom International Group of Builders &
Contractors

July 18, 2006

Mrs. Vivalyn Downer Edwards
Mr. Jomo Pitterson
Mr. Christopher Shaw
Mr. Alston Stewart
Mr. Brian Goldson

Urban Development Corporation
Urban Development Corporation
Urban Development Corporation
Nevalco
Goldson Barrett Johnson

**SANDALS WHITEHOUSE AUDIT TEAM
SITE VISITS**

February 9 – 10, 2006 Sandals White House Hotel

Team Members

Mr. Desmond Hayle
Mr. Robert Wan
Mr. Calvin Roach
Dr. Allan Kirton
Ms. Grace Ashley

Met with:

Mr. Jeremy Jones, General Manager
Mr. Bryan Roper, Operations Manager
Mr. Keith Rigbye, Implementations Limited
Mr. Patrick Borely, Engineer

March 17 - 18, 2006 Beaches Negrill and Sandals Negril

Team Members

Mr. Desmond Hayle
Mr. Robert Wan
Mr. Calvin Roach
Dr. Allan Kirton
Ms. Grace Ashley

Met with:

Mr. C. Reeder
Mr. S. Spittle

May 22 – 24, 2006 Beaches Turks and Caicos

Team Members

Mr. Desmond Hayle
Mr. Robert Wan
Mr. Calvin Roach
Dr. Allan Kirton
Ms. Grace Ashley

Met with:

Mr. Josef Zelgnar, Managing Director
Mr. Keith Rigbye, Implementation Limited

June 7, 2006

**SANDALS WHITEHOUSE AUDIT TEAM
DOCUMENTS RECEIVED FROM THE
URBAN DEVELOPMENT CORPORATION AND OTHER PARTIES**

1. Practical Completion Certificate
2. Monthly Construction Project Report
3. Joint Venture Agreement
4. Soil Investigation Report
5. Extension of Time Claims
6. Implementation Limited's Report
7. Defects as Outlined by Gorstew to ANDCO
8. Agreements with Consultants (22)
9. Ackendown Board Minutes
10. Approval from Statutory Agencies
11. Other Pertinent Agreements
 - Hotel Incentive Act
 - Project Managers Agreement
 - Technical Services Agreement
12. Memorandum of Association
13. Articles of Association
14. Lease Agreement
15. Agreement for Sale of Land to Gorstew
16. Documentation of Cost Overrun – Mr. Christopher Shaw's Final Report
17. Sandals Whitehouse Drawings Log
18. Sandals Whitehouse Site Meetings Minutes May 03- September 04
19. Beaches Whitehouse drawings
20. Articles of Agreement Conditions of Contract Bills of Quantities and Specifications (4 sets).
21. UDC Defence
22. Letters extending contracts
23. Schedule of payments to consultants
24. Letters showing intent to employ Ashtrom

25. Information regarding \$3.25M for costing of Gorstew's initial investment
26. Correspondence showing early discussions with consultants
27. Suppliers' payment schedule (Floppy Disk)
28. Valuation Reports (**Goldson Barrett Johnson**)
29. Variation Order/ Evaluation of Electrical Submission etc. (**Basil Nelson & Associates**)
30. **Office of the Contractor General**
 1. Interim Guidelines for Public Sector Procurement – Circular # 15
 2. Contractor General Act
 3. Information CD – Office of the Contractor General and National Contracts Commission containing procurement procedures etc.
31. **Ministry of Finance & Planning**
 1. Ministry Paper #19/03 Taxation Measures 2003/2004
 2. Brief on the 4% CESS
 3. Jamaica Gazette Supplement dated May 30, 2003
32. **Attorney General's Department**
 1. Opinion - Letter dated March 20, 2006 – "The Contractor General Act"
Letter dated April 24, 2006 - Gorstew document/DunnCox
33. **Gorstew (Attorneys-at-Law DunnCox)**
 - (i) Copy of designed brief prepared by Sant Associates
 - (ii) Summary of changes to the Scope of Work requested by Gorstew Limited
 - (iii) Video and pictures taken on Opening Day, February 10, 2005
 - (iv) Copy of list of spare parts which were to have been provided
 - (v) List of qualified Architectural and Interior Designs Firms
 - (vi) Letter dated March 11, 2005 from Witkin Design Group to Sant Associates and Site Inspection by Witkin Design Group – Landscape Report April 8-10, 2005

- (vii) Folder with further documentation
 - (viii) Letter dated May 4, 2006 – List of defects and items of work omitted etc.
 - (ix) Letter dated May 17, 2006 from Implementation Ltd. - Beaches Whitehouse Project Manual –prepared by Sant Associates
34. Contractor's claims and recommendations against these claims 1-38
 35. Information regarding proposals submitted by Charsal & HPI
 36. Summaries from Final Statement of Account
 37. South West Coast Development Plan
 38. Ministry Paper dated 16 May 2005
 39. Response to Questions asked by the Leader of the Opposition of the Most Honourable Prime Minister
 40. **Planning Institute of Jamaica** - Letter dated May 1, 2006 - Impact of external influences on the Sandals Whitehouse Project.
 41. Letter dated May 8, 2006, from NIBJ - Confidential Memo etc.
 42. Letter dated May 15, 2006 from Goldson Barrett Johnson – Details of Item 18B Bill of Quantities – Sundries.
 43. Beaches Whitehouse Project Manual (Implementation Limited) Prepared by Sant Associates
 44. Site Instructions
 45. NIBJ - Minutes of ANDCo Board Meetings – 16/3/05, 2/3/05, 28/5/03, Meeting Notes 4/3/05 etc.
NIBJ Minutes of all Meeting relating to Sandals Whitehouse
 46. Ashtrom Building Systems – original construction drawings for Sewer Treatment Plant : List of Sub-contractors; List of Local and Foreign Suppliers; Time Schedule; Requests for extension of time; Instruction, direction and approvals from Implementation Limited and Hospitality Surveys Inc. – 2 Folders.
 47. UDC – Summary schedules detailing payments to FF&E suppliers
Schedules of payments to consultants
Audited financial statements for year ended 31/3/05

48. UDC - Report from Capital Options Limited
Copies of Fee Proposals from Charsal & HPI
Audited Financial Statements for period ended March 31, 2003
49. Goldson Barrett Johnson - Draft Final Statement of Account Vols. 2 & 3
50. UDC - Schedule of UDC's Project Management Fees
Payments to Aquadynamics
Schedule of Legal Fees
Schedule of Commitment Fees
Schedule of Real Estate Taxes
51. Sandals Whitehouse - Approvals
52. Final Account Statement of Account Vol. 2-3 dated July 2006
53. UDC – Letter dated July 27, 2006
Construction Interest
Pre-Opening expenses
Information regarding additional funds paid to Capital Options Ltd.
54. Technical Meetings Minutes
55. Goldson Barrett Johnson – Calculation of Currency Fluctuation

August 10, 2006

HEADS OF AGREEMENT

This AGREEMENT is made between GORSTEW LIMITED, a Company duly incorporated under the Laws of Jamaica and having its registered office at 3 Haughton Avenue, Kingston 10 in the parish of Saint Andrew (hereinafter called "Gorstew") OF THE FIRST PART, the URBAN DEVELOPMENT CORPORATION, a Statutory Corporation established and existing under and by virtue of the Urban Development Corporation Act and having its offices at 12 Ocean Boulevard in the City and parish of Kingston (hereinafter called "UDC") OF THE SECOND PART AND NATIONAL INVESTMENT BANK OF JAMAICA LIMITED a Company duly registered under the Laws of Jamaica and having its registered office at ScotiaBank Centre, Cnr. Duke and Port Royal Streets in the parish of Kingston with its principal place of business at 11 Oxford Road Kingston 5 in the parish of Saint Andrew (hereinafter called "NIBJ") of the THIRD PART (Gorstew, UDC and NIBJ are hereinafter referred to together as "the parties").

WHEREAS

The parties have agreed to work together in the planning, design, financing, development, construction and equipping of a first class four star all inclusive family hotel of three hundred and sixty guestrooms keys to be located at Whitehouse in the parish of Westmoreland (hereinafter called "the Project").

NOW IT IS AGREED:

1. That UDC will cause a company to be incorporated that will be known as **NEWTOWN DEVELOPMENT COMPANY LIMITED**

(hereinafter called "NEWTOWN") AND THAT the principal shareholders of NEWTOWN will be UDC, Gorstew, NIBJ (and/or their nominees) AND FURTHER THAT the Articles of Association of the said company will contain, inter alia, a pre-emption clause which would grant the parties a right of first refusal to purchase the shares of the others.

2. That the parties agree that NIBJ will, upon the expiration of ten (10) years from the date on which NIBJ completes its capital injection into the project, be allowed to dispose of its shareholding in NEWTOWN in accordance with rights of pre-emption as set out in the Articles of Association of NEWTOWN.
3. That UDC, with technical assistance from Gorstew, will negotiate loan financing on behalf of NEWTOWN.
4. That Gorstew will, at its sole cost, subdivide and prepare for transfer to NEWTOWN forty (40) acres of land being part of parcel of land part of ACKENDOWN in the parish of WESTMORELAND containing by survey Two Hundred and Eighty Six Acres Three Roods Twenty Two Perches and being the land comprised in Certificate of Title registered at Volume 1080 Folio 468 of the Register Book of Titles AND THAT the said land will be transferred to NEWTOWN upon receipt of Commitment Letter relating to the loan financing.
5. That in the event that UDC is unable to negotiate loan financing by December 31, 2001, the Project will be discontinued PROVIDED that the parties agree that this time limit can be extended if they so agree.
6. That the cost of infrastructural works, construction, furniture, fixtures and equipment (FF&E), Landscaping, Professional Fees

and Financing Costs will amount to NO MORE THAN United States Sixty Million Dollars (US\$60M) (the project cost).

7. That any cost overrun in the project cost will be borne by the parties as follows:
 - i) Gorstew shall bear the cost of any overrun which is due to instructions given by Gorstew for a change in the design or design brief after the design and design brief have been agreed and signed off on by the parties prior to commencement of the project.
 - ii) UDC shall bear the cost of overruns which are due to inefficient implementation of the project or poor contractual arrangements.
 - iii) Overruns which are due to events outside the control of the parties such as changes in exchange rate or Government policy shall be borne by UDC and NIBJ.
 - iv) PROVIDED HOWEVER that if on completion of the project, the project cost does not exceed the said sum of US\$60M, the parties will not be required to bear the costs of the matters set out at 7(i-iii) above.
 - v) Any question arising as to whether any instructions, matter or thing has given rise to a cost overrun shall be determined by the Project Quantity Surveyor and if the parties do not agree with the Project Quantity Surveyor the matter shall be referred to and resolved finally by the Project Adjudicator whose role is specified in paragraph 21 hereof.
8. That the construction cost will be funded as follows:
US\$30M - External debt

US\$15M - National Investment Bank of Jamaica as to
US\$8M ordinary shares and US\$7M preference
shares

US\$10M - UDC (ordinary shares)

US\$5M - Gorstew (ordinary shares)

9. That the parties' capital injection in the project will be based on an agreed construction schedule which will determine the capital injection requirements of the project SAVE THAT the Parties further agree that Gorstew will be credited for expenditure already made in relation to the matters set out at paragraph 10 below. The parties capital injection will also be based on their proportionate share in the ratio of their cash contribution to the ordinary share capital of the company on a percentage basis for each capital injection requirement. Cash Equity contribution based on ordinary share capital is as set out at clause 8 above. The basis of the contributions is as follows:

(a) UDC - 10/23rd

(b) Gorstew – 5/23rd up to a maximum of US\$1,000,000.00 in the year 2001 and up to a maximum of US\$3,000,000.00 for the years 2001 and 2002 combined.

(c) NIBJ - 8/23rd

It is understood and agreed that the remaining US\$2,000,000.00 of Gorstew's equity contribution will be paid on completion of the project or by July, 2003 whichever is earlier and that the shortfall in the capital injection requirements as a result of the deferred payment by Gorstew of the sum of US\$2,000,000.00, during construction, shall be borne by NIBJ and UDC in proportion to their equity i.e. NIBJ – 8/18 and UDC – 10/18

10. That Gorstew's and or its nominee's equity position with NEWTOWN will be augmented by -
 - (i) the actual cost of the works already done on the site in the amount of Three Million Four Hundred Forty Six Thousand Six Hundred and Sixty Five Dollars United States currency (US\$3,446,665.00);
 - (ii) the land to be transferred to Newtown valued at Two Hundred and Fifty Thousand Dollars United States currency (US\$250,000.00).
 - (iii) One Half the Stamp Duty and Registration Fees payable on transfer in the amount of Three Hundred and Thirty Seven Thousand Five Hundred Jamaican Dollars (JA\$337,500.00).
11. That the parties agree that all equity injections into the project (including preference shares) should be utilised before the use of external debt. Any variation will require the approval in writing of all the parties.
12. That NEWTOWN will, with the approval of UDC, NIBJ and Gorstew, oversee all aspects of the Project.
13. That UDC will ensure that the construction and all aspects of the project will be in full compliance with environmental standards and requirements.
14. That the parties agree that UDC will be appointed by Newtown as Project Manager of the Project on terms and for fees to be agreed between Newtown and UDC which fees shall be confined within the Project cost.
15. That all issues relating to the design and design brief of the hotel and its facilities, must be approved by the UDC and Gorstew prior to commencement of the project and during

- the construction all approvals must be given by UDC and Gorstew within twenty (20) days of request.
16. That NEWTOWN will lease the completed hotel to Gorstew and or its nominee to operate the resort, in a name to be agreed by the parties. That the lease will be on the terms of the proposed Draft lease attached hereto as Appendix 1.
 17. That the initial term of the Lease will be for five (5) years with three (3) options to renew for additional five (5) year terms.
 18. That Gorstew and or its nominee at its own cost and expense will provide the pre-opening services necessary to commission and market the resort and will provide all resort management services.
 19. That construction of the project will commence in July 2001 with completion targeted for December, 2002.
 20. That NEWTOWN will seek to obtain Hotel Incentives under the Hotel Incentives Act for the Hotel.
 21. That the parties will appoint a Project Adjudicator to adjudicate disputes relating to the project.
 22. That all aspects of this Agreement are to be held in the strictest confidence and that no party shall reveal details of this Agreement or of the Project without the consent of the other.

In witness whereof the parties have hereunto executed this Agreement on the 2nd day of July 2001.

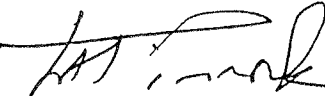
GORSTEW LIMITED

Per: _____


URBAN DEVELOPMENT CORPORATION

Per: 

NATIONAL INVESTMENT BANK OF JAMAICA LIMITED

Per: 

IN THE PRESENCE OF:-



WITNESS TO THE ABOVE SIGNATURES

- (15) "All Inclusive Hotel" means a hotel in which room, food, beverage, entertainment and sports are sold for a single charge.
- (16) "Net Package Revenue" as used herein, means Gross Package Revenue less travel commission, the cost of Out-booked Rooms and General Consumption Tax;
- (17) "Travel Agents' Commission" as used herein, means the commission paid to license agents' for direct bookings PLUS the amount deducted by tour operator (wholesaler) the amounts collected by them from travel agents (retailers), but shall not include the payments made in respect of fees for marketing or representational services.
- (18) "Out-booked Rooms" as used herein, means rooms rented at other hotels, where available rooms of the Hotel are fully occupied and oversold, (including Sandals/Beaches hotels);
- (19) "Achieved Paid Occupancy" as used herein, means the number of rooms occupied by guests liable to pay therefor extracted as a percentage of the total available rooms in the Hotel;
- (20) "General Consumption Tax" as used herein, means the tax imposed under the Consumption Tax Act and the Regulations issued thereunder on the supply in Jamaica of goods and services by the Tenant in the course of furtherance of its business upon the Leased Premises;
- (21) "Rated Room Nights" as used herein, means the number of nights in which rooms are occupied at the Hotel by guests who are liable to pay therefor;
- (22) "Extraordinary Events" shall mean (i) events occasioned exclusively by violence or without the interference of any human agency (including but not limited to hurricanes, other severe storms, winds, lightning, floods, earthquakes, volcanic eruptions, epidemics and certain fires & explosions), (ii) fires and explosions caused wholly or in part by hijacking, sabotage, bombing, murder, assault and kidnapping, strikes or similar disturbances; or (iii) any other events beyond the control of the Owner or Lessee as may be, which events are likely to have an adverse effect upon the performance or fulfillment of obligations of the Owner or Lessee hereunder.
- (23) "quarter" as used herein shall mean a three month period ending on the last days of August, November and February in each year.
- (24) words importing the masculine gender only shall include the feminine and neuter gender.
- (25) words importing the singular shall include the plural and vice versa, and where two or more persons included in the expression "the Tenant", covenants expressed to be made by the Tenant shall be deemed to be made by such person jointly and severally.

2 LEASE

SUBJECT to the covenants and powers implied under the Registration of Titles Act save as hereinbefore negatived or modified AND ALSO to the covenants and conditions and warranties contained, IN CONSIDERATION of the rent hereby reserved and the covenants hereinafter contained, the Landlord HEREBY LEASES unto the Tenant all the leased premises more particularly described in the FIRST SCHEDULE together with the FF&E itemised in the SECOND SCHEDULE to be used for the same for the Term set out in the THIRD SCHEDULE from the Effective Date therein set out, the Tenant to HOLD, YIELDING AND PAYING therefor during the Term and so too in proportion for any less period of time than the full term of the Term, the fixed rent specified in Item 6 of the THIRD SCHEDULE hereto and the additional rent specified in Item 7 of the THIRD SCHEDULE hereto.

therein in each year of the Term. The Tenant shall pay the fixed rent in arrears by equal payments on the last day of each and every month during the Term hereof, free and clear of deductions.

3. **CONDITIONS PRECEDENT** It shall be a condition precedent to the coming into effect of this Lease that there shall have been granted to the Hotel all licenses, including liquor licenses and a Beach License for the operation of the Hotel by the Tenant and in the event that the above conditions are not met by the Effective Date, this Lease may be declared null and void and of no effect by either party unless such condition or conditions have been expressly waived or varied by an instrument in writing signed by the parties hereto.

4 **WARRANTIES**

The Landlord warrants to the Tenant:-

(1) **Ownership**

That it is registered under the Registration of Titles Act as the proprietor of a fee simple in the leased premises and that it has the right and the corporate power to enter into this Lease.

(2) **FF&E**

That it is the absolute owner of the FF&E specified in the SECOND SCHEDULE and that same is not subject to any charge or lien.

(3) **Zoning**

That the leased premises are properly zoned for the operation of all hotel and service facilities and there are no restrictive covenants or other encumbrances of which would prejudice such operation and all planning permissions for the use of the leased premises are to be put in accordance with this Lease have been obtained.

(4) **Compliance with Insurance**

That the Hotel as presently equipped, meets all requirements of any insurance which may have specifically been requested of the Landlord by such carriers.

5 **TENANT'S COVENANTS**

The Tenant HEREBY COVENANTS with the Landlord as follows:

(1) **To pay rent**

To pay rent hereinbefore reserved at times and in the manner aforesaid and in any event if any rent is not paid within thirty (30) working days of the due date for payment, interest thereon from the due date to the date of actual payment to the Landlord shall be of interest charged by NCB Jamaica Limited at its prime lending rate plus 1%.

(2) **To pay rates and taxes**

To bear, pay and discharge all existing and future rates, taxes (excluding penalties, duties, charges, assessments, impositions and outgoings whatsoever (other than those of a capital nature in relation to Landlord's property) which may now or at any time during the term be charged, levied, assessed or imposed upon the leased premises by the owner or occupier thereof whether for the supply of utilities or otherwise in connection with the leased premises.

(3) To repair the Premises

To repair, maintain, cleanse and keep the leased premises, including the roof and all ceilings, exterior and interior finishes, additions and improvements in good and substantial repair and condition as at the commencement of this Lease, fair wear and tear excepted to keep the windows, entrances and doors of the leased premises and the glass surfaces and the conduits therein clean and in good condition and subject to the provisions of Clause 6(5) hereof to promptly replace all broken or cracked glass and when it becomes necessary to replace or substitute fixtures and/or materials or otherwise of a similar description, quality and value to the satisfaction of the Landlord, all of which shall be done in a manner in accordance with the equivalent standards which apply in respect of housing an equivalent standard offering like amenities and facilities, PROVIDED, HOWEVER, THAT:-

- (i) The Tenant's obligations and liability under this sub-clause shall be subject to the provisions of Clauses 6(2), 6(3), 6(5) and 7(10) hereof and limited by the following sub-paragraphs of this sub-clause (3);
- (ii) In the event that during the Term, the leased premises are damaged by events against which the Landlord is obliged to insure against, in accordance with Clause 6(2) hereof, and the claim on such insurance in respect thereof is collected following the Tenant expeditiously pursuing all their rights and remedies, or is payable by the Landlord or its own insurer, the total amount as appropriately relates to such damage shall be utilised towards the cost of repair and replacement which the Tenant is obliged to effect under the provisions of this sub-clause, PROVIDED HOWEVER, THAT the Tenant's obligations to repair and replace hereunder in such event, shall not come into effect until it has received from the Landlord such amounts as are necessary to enable the Tenant to proceed reasonably and diligently with such repair and replacements. Thereafter the Landlord shall pay to the Tenant on demand such amounts as are necessary from time to time to enable the Tenant to proceed reasonably and diligently with such repair and replacements. In any case other than that in which the Landlord is its own insurer, no demand may be made by the Tenant prior to the receipt by the Landlord of the insurance proceeds as aforesaid;
- (iii) In the event that during the Term, the leased premises are damaged by events against which the Landlord is obliged to insure against and the Tenant commences the repair and replacement thereof with the prior approval of the Landlord both as to repair and replacement costs (except in the case of emergency) prior to the receipt from the Landlord of the insurance amounts necessarily required therefor all amounts advanced by the Tenant to the Landlord with interest thereon at the rate of interest charged at the relevant time by Jamaica Limited's prime lending rate plus 1%, shall be repayable by the Landlord to the Tenant, and may be offset by the Tenant against rent due hereunder.

(4) Repair, maintenance and Replacement of FF&E

To repair, maintain and keep the FF&E in good and substantial repair and operational condition as at the commencement of this Lease, fair wear and tear excepted, and subject to the provisions of Clause 6(5) hereof to promptly replace all broken or cracked glass and when it becomes necessary to replace or substitute fixtures and/or materials or otherwise of a similar description, quality and value to the satisfaction of the Landlord, all of which shall be done in a manner in accordance with the equivalent standards which apply in respect of housing an equivalent standard offering like amenities and facilities, PROVIDED, HOWEVER, THAT:-

to the covenants and obligations of the Landlord hereunder, to replace such items of FF&E as may become worn out or unfit for use by substituting others of a like nature of equal quality PROVIDED, HOWEVER, THAT:

- (i) The Tenant's obligations and liability under this sub-clause shall be subject to the provisions of Clauses 6(2), 6(3) and 6(5) hereof and limited by the following paragraphs of this Clause 5(4);
- (ii) In the event that during the Term FF&E is damaged by events which the Landlord is obliged to insure against, in accordance with Clause 6(2) hereof, and the premium on such insurance in respect thereof is collected following the insurance policy, the Landlord shall expeditiously pursuing all their rights and remedies, or is payable by the Landlord as its own insurer, the total amount as shall appropriately relate to such damage shall be paid to the Tenant towards the cost of repair and replacement which the Landlord is obliged to effect under the provisions of this sub-clause, PROVIDED, HOWEVER, THAT the Tenant's obligations to repair and replace hereunder in the event of such event shall not come into effect until the Landlord has paid such amount and the Tenant are necessarily required to commence such repairs and replacements and the Landlord shall pay such amounts as the Tenant reasonably requires from time to time to carry out such repairs and replacements reasonably and diligently. In any case other than that in which the Landlord is its own insurer, the Landlord shall not be liable to make any payment to the Tenant prior to the receipt by the Landlord of the 'insurance proceeds' as aforesaid;
- (iii) In the event that during the Term, the FF&E are damaged by events which the Landlord is obliged to insure against and the Tenant commences the repair and replacement thereof with the approval of the Landlord (except in the case of an emergency) prior to the receipt from the Landlord of the amounts necessarily required therefor, all amounts advanced by the Tenant, together with interest thereon at the rate of interest charged at the relevant time by NCB Jamboree Limited's prime lending rate plus 1%, shall be repayable by the Landlord to the Tenant, and may be offset by the Tenant against rent due hereunder.

(5) Maintenance, repair and replacement of operating equipment

To maintain, repair and replace all operating equipment on the Leased Premises at the cost of the Tenant during the Term and to maintain adequate supplies of operating equipment and Consumable Items for the use by the guests of the Hotel.

(6) To decorate

During the term of the Lease, to clean, paint and decorate all the internal and external surfaces originally painted and all additions thereto on the leased premises as and when the same may be necessary or desirable and in such manner and on such occasions as the Landlord may reasonably approve and generally to redecorate throughout, restore

making good the leased premises in accordance with the best standards of workmanship available.

(7) Not to change exterior colour scheme

Not without the previous consent in writing of the Landlord (which shall not be unreasonably withheld) to change in any way the exterior colour scheme or finishes of the leased premises from that previously approved.

(8) To yield

At the expiration or sooner determination of the Term, peaceably and quietly to yield up the leased premises together with all additions and improvements, Landlord's fixtures and fittings thereto and the FF&E in such condition as shall be consistent with the covenants contained in this Lease to the Landlord or its nominee, fair wear and tear excepted.

(9) To comply with statutory provisions

At all times during the said Term to observe and comply in all respects with the provisions and requirements of any and every present or future statutory enactment, including the Town and Country Planning Acts and all orders, regulations and bye-laws thereunder so far as they relate to or affect the leased premises or any additions or improvements thereto or the user thereof or the use or employment therein of any person or persons or any fixtures, machinery, plant or chattels for the time being affixed thereto or being thereupon used to carry out any new requirements and to execute all works and provide and maintain all arrangements which (by or under any enactment or by any government department, local authority or other public authority or duly authorised Officer or Court of competent jurisdiction under or in pursuance of any enactment) are or may be directed or required to be executed, provided and maintained at any time during the said Term upon or in respect of the leased premises or any additions or improvements thereto or in respect of any such use or employment therein of any person or persons or fixtures, machinery, plant or chattels aforesaid whether by the owner or occupier thereof and to indemnify the Landlord from all times against all costs, charges and expenses of or incidental to the execution of any such works or the provision or maintenance of any arrangement so directed or required as aforesaid and not at any time during the said Term to do or omit or suffer to be done or omitted or about the leased premises any act or thing by reason of which the Landlord may become liable to pay any penalty or compensation costs levy charges or expenses, PROVIDED, HOWEVER, that the Tenant shall not be obliged to erect any additional structures or to carry out any structural modifications or repairs necessitated under the provisions of this sub-clause (9) and such erections, modifications or repairs shall be the responsibility of the Landlord.

(10) To inform the Landlord of Notices received

Within seven (7) days of the receipt of same or such earlier time as may be necessary to give full particulars to the Landlord of any permission, notice or order served on or made by or to the Tenant by any government department or statutory power, and if so required by the Landlord, to make or join the Landlord in making objections or representations in relation to any such notice or order as the Landlord shall deem expedient.

(11) To permit entry

To permit the Landlord together with its duly approved servants, agents or represent at all reasonable times to enter the leased premises or any part thereof with or wi workmen or others, on giving three (3) days written notice (or without prior notice case of emergency) together with all necessary appliances, for the purpose of viewin examining the state and condition thereof and executing repairs and alterations of sa are necessary.

(12) To make good Breaches of Covenant

Within thirty (30) days of the date of Notice to repair and make good, or to comr and proceed with reasonable diligence to repair and make good to the satisfaction Landlord all breaches of covenant and defects for which the Tenant may be liable these presents and of which notice shall have been given by the Landlord to the Tena

(13) Landlord may carry out works

That if the Tenant at any time shall default in the performance of any covenant con herein relating to the repair decoration and cleaning or condition of the leased premi any part thereof provided that notice has been given as aforesaid, it shall be lawful f Landlord and its agents and workmen to enter the leased premises and at the exper the Tenant to carry out such works as may be necessary in accordance with the cove contained herein and the cost and expenses of such works (including any surveye agents' fees) shall be paid by the Tenant to the Landlord within thirty (30) days of w demand.

(14) To take fire precautions and not to invalidate insurance

Not to bring or store or permit to be brought or stored onto or on the leased premis articles or thing which is or may become dangerous, offensive, combustible, inflamr radio-active or explosive save as are normal in the operations of hotel, with proper precautions, and not to carry on or do or permit to be carried on or done therec hazardous trade or act and not without the written consent of the Landlord to do or to be done anything whereby the insurance policies to be effected hereunder r invalidated or any additional premium above the normal rate may become payable f insurance of the leased premises the Landlord's fixtures and fittings therein and the F.

(15) To-give notice of damage

In the event the leased premises or any part thereof or the FF&E are damag destroyed by any risks against which insurance is carried, immediately to give no writing to the Landlord and to co-operate without charge in all ways in the making claims for damage or destruction on such insurance in the event that the extent o damage exceeds the stated excess on the relevant insurance policies.

(16) To pay cost of repair if Insurance is invalidated

In the event of the leased premises or any part thereof or the FF&E being dama destroyed and the insurance money under any insurance effected by the Landlord wholly or partly irrecoverable by reason of any act or default of the Tenant, then

every such case, the Tenant shall forthwith (in addition to the payment of rent) p whole (or as the case may require) a fair proportion of the cost of completely re repairing, reinstating or replacing the same.

(17) Hold Harmless Indemnity Liability and Tenant's Insurance

To fully indemnify and hold the Landlord, the Landlord's employees and agents com free and harmless from any and all occurrences (arising directly or indirectly out Tenant's use and/or occupancy of the leased premises and the FF&E) which shall re bodily injury, disease, death, property damage, property loss or financial loss Tenant, the Tenant's employees, the Landlord's employees, visitors, agents, licens invitees who are in, on or about, entering or leaving the Hotel and the ways ac thereto. As a condition precedent to the Tenant's obligations hereunder, the Tenant to carry Comprehensive Liability Insurance including Premises Operations, Autor (owned, non-owned and hired automobiles), Public Liability, Products Liability, Liability, Contractual Liability, Workmen's Compensation, with not less than MILLION UNITED STATES DOLLARS (US\$5,000,000.00) combined single li Bodily Injury and Property Damage, with such Comprehensive Liability Insurance to specifically insure the abovementioned, hold harmless and indemnity. The agrees to the extent that same is permissible, to cause the interest of the Landlor noted on the policy or policies for such insurance by the addition thereto of the Lan name as an insured party. The Tenant shall also carry such insurance or participat programme as required by Statute for injury to employees of the Tenant.

(18) Not to Alter Electrical Installation

Not at any time to make any major alteration or addition to the electrical installati leased premises except in accordance with the terms and conditions laid down in by the Landlord and the Landlord's Electrical Engineers and the Regulations Jamaica Public Service Company Limited.

(19) Not to alter

Not without the previous consent in writing of the Landlord (such consent if gra be without prejudice to the provisions of Clause 5(9) hereof) to make any major alt addition or improvement, structural or otherwise to the leased premises either ex or internally nor to make any major alterations or changes to any of the mate architectural decorations of the leased premises and to pay to the Landlord any cc expenses incurred in connection with the approval and supervision of such works.

(20) To use only as Hotel

To use the leased premises and every part thereof and the FF&E only for the purp operating a first class Hotel with restaurant and other facilities which purpos include the sale of food, liquor, spirits, wines, beers, malts and the like, and whic shall be continuously open and operating except for such closures as are norma Jamaican Hotel business so that the Hotel and restaurants to be operated on the premises shall be operated in accordance with at least the equivalent standards of

and service offered in similar hotels of an equivalent standard and offering a similar rate structure.

(21) Unauthorized Uses

Not at any time to carry out or use or permit the leased premises or any part thereof used for any noisy, noxious, offensive or dangerous trade, art, manufacture or nor for any public meeting, exhibition or entertainment save as is normal in the operation of a hotel nor for any illegal or immoral purpose nor to do or suffer to be done on the leased premises any act, matter or thing whatsoever which in the reasonable opinion of the Landlord may be or tend to become an annoyance, nuisance, damage, disturbance or inconvenience or to the prejudice of the owners or occupiers of any adjacent or neighbouring premises.

(22) Nuisance

To keep the Landlord fully and effectually indemnified against all actions, proceedings, damages, costs, expenses, claims and demands whatsoever arising out of or in consequence of any breach or non-observance of the foregoing covenants against the Landlord and user.

(23) Easements

- (i) To do all such things as the Landlord may reasonably require or deem proper for preventing any encroachment or easement being made or acquired in or over the leased premises.
- (ii) To give immediate notice to the Landlord of any encroachment or attempted encroachment or easement against, upon or over the leased premises and to permit the Landlord and its agents to enter upon the leased premises for the purpose of ascertaining the nature of any such encroachment or easement and to comply with the request of the Landlord to adopt such means as may be reasonably deemed proper for preventing the acquisition of any such encroachment or easement.

(24) Not to Assign or Underlet

Not in any way to assign, underlet or part with possession of the leased premises or any part thereof nor the FF&E or any part thereof nor to assign this Lease or part of the interest hereunder or any part thereof, without the previous consent in writing of the Landlord such consent not to be unreasonably withheld but in case of any assignment, the Tenant shall continue liable for the performance of the several covenants herein contained, PROVIDED, HOWEVER, that:

- (i) The Tenant shall have the right to sublet any retail shops forming part of the leased premises and to grant concessions on those departments which the Tenant may deem advantageous, such as check rooms and the like, with the written consent of the Landlord (which shall not be unreasonably withheld), with all revenues derived therefrom to belong to the Tenant (except where the Tenant enters into an arms-length sub-lease with a third party, the revenue derived therefrom will be shared between the parties in the same percentages as set out in the third schedule), provided that in no event shall the term of any such sub-lease or concession exceed the term of this Lease, and such sub-

concessions shall provide that same shall terminate concurrently with any termination of this Lease for whatever cause, but nothing contained in this sub-clause shall impose any liability on the Tenant if any sub-lessee unlawfully holds over in breach of such provision, provided that the Tenant shall have used its best endeavours to have the sub-leased premises vacated;

- (ii) This sub-clause shall not prohibit the rental of rooms in the ordinary course of operation of the Hotel for the use of such rooms for lodgings, meetings, or conventions.

(25) Consent

Upon making an application for any written consent which is required under these provisions the Tenant shall disclose to the Landlord such information as the Landlord may reasonably require.

(26) To renew Licenses

To apply or cause application to be made at all proper times to the licensing authorities for licenses to be granted and to use its best endeavours to obtain a grant or renewal of any certificates and licenses necessary for using and keeping open the leased premises during the Term as a fully licensed premises and to pay all fees and duties (if any) in respect thereof.

(27) Not to exhibit Advertisements or alter Signs

Not to affix or exhibit or cause to be affixed or exhibited to or upon any external part of the premises or of the external rails or fences thereof any placard, poster, signpost or advertisement except such as shall be approved in writing by the Landlord nor to change the appearance of the Hotel without the previous written consent of the Landlord PROVIDED, HOWEVER, nothing herein shall prevent the Tenant with the prior written consent of the Landlord from making public solicitations or from advertising the Hotel in the ordinary course of business including the use of the name of the Hotel with other words or phrases identifying the Hotel as part of the Tenant's or its subsidiary or parent or affiliated companies' operations.

(28) Not to Load

Not to suspend or permit to be suspended any heavy load from the main structure of the premises nor to load nor permit the floor or structures of the leased premises to be loaded or used in any manner which will impose a weight or strain in excess of that which the premises is constructed to bear with proper margin for safety or which will in any way interfere with the main supports thereof.

(29) To pay Costs of Notices

To pay all reasonable costs, fees and expenses incurred by the Landlord in the preparation and service of any notice provided for hereunder occasioned by the default of the Tenant, whether or not the same is served during or after the expiration or sooner determination of the Term.

(30) To observe provisions for dangerous materials

To observe all statutory provisions and all provisions contained in any regulations or in any policy of insurance relating to the leased premises with regard to the storage and use of petrol and other explosive or inflammable oils or substances.

(31) To pay costs

To pay half of the disbursements of and incidental to the preparation, completion, stamping and registration of this Lease and Counterpart, the other half to be borne by the Landlord. Each Party shall bear its own Attorney's fees.

(32) To Transfer Licenses

On the termination of this Lease in so far as is permitted by law, at the expense of the Landlord, to assign, transfer and deliver to the Landlord or its nominee or nominees then existing licenses and certificates in respect of the leased premises and the operation of the Hotel and to sign, make and do all necessary notices, applications and approvals and to procure the transfer of the same or for obtaining renewals thereof to such persons on being paid a fair proportion for the then unexpired term thereof of the sum (if any) paid for the same, subject to the right of the Landlord to set off against the purchase price any money owing from the Tenant to the Landlord on any account whatsoever.

(33) To provide for Employee Benefits

To ensure that adequate financial provision is made within the Tenant's operations for the satisfaction of the Landlord for the payment of all or any redundancy, termination, severance and pension entitlements of the Tenant's employees as and when same fall due.

6. LANDLORDS COVENANTS

The Landlord HEREBY COVENANTS with the Tenant as follows

(1) Quiet enjoyment

That the Tenant paying the said rents and outgoings hereby reserved and observing and performing the covenants, conditions and agreements on its part herein contained shall quietly enjoy the leased premises and the FF&E during the said Term without interruption by the Landlord or Persons lawfully claiming under the Landlord.

(2) Insurance

To maintain or cause to be maintained at all times during the Term, the following insurance:

- (i) Buildings, structures, groynes, beach, landscaping, improvements, contents and equipment, including contents and equipment in the open and all other property belonging to the Landlord, shall be insured for their full replacement value, under the Standard Fire or comparable Policy available in Jamaica, extended to cover all special perils available under such Policy, including but not limited to earthquake, subsidence, tornado, hurricane, windstorm and fire following the insured perils. Insurance shall be written in amounts sufficient to prevent the average (coinsurance) provision from being effective;
- (ii) Insurance against loss or damage to buildings, structures and contents the damage caused by explosion, cracking, bursting, and failure of boilers, heat exchangers, air-conditioning apparatus, pressure vessels and pressure pipes installed in buildings and structures; and
- (iii) In the event any sprinkler system is installed in any portion of the Hotel, the insurance shall be secured by the Landlord on the Hotel and contents against

or damage from leakage or accidental discharge from any sprinkler system in this Hotel.

All of the above insurance shall be written by insurance companies authorised to do business in Jamaica as the Landlord may select. The Landlord agrees to cause the terms of the Tenant hereunder to be noted on the policy or policies for such insurance and in addition thereto of the Tenant's name as an insured party and to furnish Tenant with a Certificate of said Policy which shall provide that said insurance shall not be cancelled or changed unless ten (10) days prior written notice shall first be given to Tenant. The Landlord shall furnish such Certificate prior to the Effective Date of this Lease. The Landlord shall be entitled to be paid all moneys that shall become payable under any such policies of insurance which shall be held and applied in accordance with the terms of this Lease.

(3) Self Insurance

If the Landlord is unable or fails to obtain insurance cover for any item or property specified in sub-clause (2) hereof against loss or damage from any peril therein specified in accordance with its covenant under the said sub-clause, the Landlord hereby agrees and declares that it shall be its own insurer in respect of such uninsured property and uninsured perils in question and in the event of loss or damage occurring to any such uninsured property, or to any other property from any uninsured peril, the Landlord hereby covenants to pay to the Tenant such amount as would have been payable if the property in question had been insured for its full replacement value against loss or damage from the peril in question, such amount to be utilised by the Tenant in accordance with Clauses 5(3)(ii) or 5(4)(ii) hereof, as may be.

(4) To pay Property Tax

During the continuance of this Lease, to pay and discharge all existing and future taxes payable in respect of the leased premises and any taxes of a capital nature which may now or at any time in the future be payable in respect of the Landlord's property (including FF&E) on the leased premises or by reason of the Landlord's ownership thereof.

(5) The Landlord will be responsible for capital expenditure previously approved in writing by the Tenant relating to:

- (i) Leasehold improvements involving new construction on or additions to, or extensions to the Hotel's existing buildings, infrastructure, external works and equipment and all structural repairs.
- (ii) Major refurbishing and upgrading programmes, including cyclical refurbishing of guestrooms, public areas and facilities, back-of-house areas and kitchen accommodation. Refurbishing includes the replacement and/or upgrading of sanitary and plumbing fixtures and fittings, wall, floor and ceiling finishes, fixtures, windows, doors and hardware, and counters.

- (iii) Replacement and/or upgrading to the Hotel's plant and equipment lists which have reached the end of their normal useful life and/or is obsolescent or incapable of repair. Plant and equipment includes:
- (1) The Hotel's main electrical switchgear, high-and low-voltage distribution cabling, standby generating plant and automatic transfer switches, transformers, controls and panel boards.
 - (2) Air conditioning chillers, air handling units, cooling towers, pumps and ducting.
 - (3) Elevators.
 - (4) Steam and hot water boilers including clarifiers and pumps.
 - (5) Sewage treatment plant including tanks, blowers, pumps and other equipment.
 - (6) Irrigation equipment including tanks and pumps.
 - (7) Cold and hot water supply distribution piping, tanks, and pumps.
 - (8) Spa, swimming pool and jacuzzi equipment.

Which is required to ensure that the Hotel is maintained at a level befitting the Hotel's image and reputation in the tourist industry.

7. PROVIDED ALWAYS AND IT IS HEREBY MUTUALLY AGREED AND DECLARED THAT THE FOLLOWING follows:-

(1) Termination and re-entry

If the rent hereby reserved or any part thereof shall at any time be unpaid for ten (10) days after lawful demand by the Landlord from the Tenant, or if there shall be a default or non-performance or non-observance by the Tenant of any of the covenants, conditions or obligations on the part of the Tenant herein contained and the Tenant shall fail to remedy or to commence and proceed with reasonable diligence to remedy the same within thirty (30) days after written notice from the Landlord requiring it so to do, or if the Tenant or other person in whom for the time being the Term hereby created is or becomes bankrupt, or commit an act of bankruptcy or commit an offence under the Insolvency Act 1986 which renders it liable to be wound up pursuant to the terms of any agreement between it and its shareholders or go into liquidation or make any assignment for the benefit of its creditors or if the Tenant shall suffer any distress or execution to be levied on the Tenant's goods which is not paid out within five (5) days, or in the case of a default or non-performance or non-observance pursuant to Clause 7(12) hereof, THEN and in any of the said cases, it shall be the duty of the Landlord or any person or persons authorised at any time by the Landlord to re-enter upon the leased premises or any part thereof in the name of the whole or any part of the Tenant and take possession thereof and of the FF&E and thereupon this Lease shall absolutely terminate and determine but without prejudice to any right of action of either party in respect of any antecedent breach of their respective covenants herein contained.

(2) Options to Renew

Provided there shall be no breach of the terms of this Lease then existing the Tenant shall have the options to renew this Lease for each of the further periods of time :

Item 7 of the THIRD SCHEDULE hereto from the expiration of the initial term of years hereby created PROVIDED that the Tenant shall have given notice to the L in writing of such intention to renew at least ninety (90) days prior to the expiratio respective term hereof then in force and thereupon the Lease shall continue : period provided for herein but otherwise upon the same terms covenants and cc hereof except for this provision regarding renewal at the expiration of the second term.

(3) Permission to Enter and View

The Landlord and all persons with written authority from the Landlord or it agents entitled and permitted, during the ninety (90) days immediately preceding the expi this Lease, upon three (3) days written notice being given to the Tenant, acce: leased premises for the purpose of viewing the same.

(4) Landlord responsible for Claims

The Landlord shall not be responsible to the Tenant or anyone claiming any rig the Tenant, or anyone using the leased premises or any part thereof by virtue of or privilege granted by the Tenant, for any claim made by such party in relatio leased premises or the use thereof, and the Tenant agrees to hold the Landlord from all claims in respect of any and all such matters.

(5) Working Capital

The Tenant shall provide and maintain such working capital for the operation of : as shall be necessary for the uninterrupted operation of the Hotel in accordance conditions, terms and covenants herein contained.

(6) Tenant to bear Operating Loss

Any operating loss in respect of the operation of the Hotel during the Term, shall exclusively by the Tenant and shall not reduce the rent payable hereunder.

(7) Power to Advance Funds

The Landlord during the Term of this Lease and extensions thereof, shall be ei but shall not be obliged to pay and advance all monies which may be nece carrying out the Tenant's obligations hereunder or remedying any breaches by tl (other than nonpayment of rent) of any such obligations and all monies so advanced shall bear interest at such rate of interest charged at the relevant time Jamaica Limited's prime lending rate plus 1% and shall be repayable by the Ten Landlord on demand together with such interest.

(8) Gambling

Notwithstanding anything herein contained, no part of the Leased Premises sha the previous written consent of the Landlord be used as a casino or public { gambling room.

(9) Compulsory Acquisition

In the event that all or any part of the leased premises and the FF&E or either of any part thereof respectively, shall be taken or damaged by the exercise of the power of compulsory acquisition, then (whether or not this Lease shall terminate by operation of law upon such exercise of the power of compulsory acquisition) the amount of damage resulting to the Landlord and the Tenant, respectively, by reason of such exercise of the power of compulsory acquisition, shall be separately determined and compensation awarded by the court or other competent authority having jurisdiction and separate awards and judgments with respect to such damage to the Landlord and the Tenant respectively to each of such respective interests shall be made and entered. Each party hereto shall receive and retain the amount of such damage so determined with respect to such respective interest. In the event that so substantial a part of the leased premises including restaurants and parking facilities are permanently or temporarily taken or damaged by the power of compulsory acquisition as to make the leased premises, in the reasonable opinion of the Tenant, unsuitable for continuing the operation of the Hotel, then this Lease shall terminate by the Tenant as of the effective date of the taking, or damage by notice given by the Tenant to the Landlord within thirty (30) days thereof. At termination shall be without prejudice to any claim against the acquiring authority for damages resulting from such acquisition. In the event the leased premises shall be taken and either permanently or temporarily damaged by the power of compulsory acquisition, but in the reasonable opinion of the Tenant the remaining portion of the premises is suitable for continuing the operation of the Hotel, including the restaurants and parking facilities, then this Lease shall not terminate, but the rental payable hereunder shall abate proportionately.

(10) Destruction or Damage

If during the Term the leased premises or any part thereof shall be damaged or destroyed so as to be unfit for the occupation or use by the Tenant in accordance with the terms hereof, then PROVIDED THAT the Tenant shall not have caused violation of any insurance policies effected by the Landlord or payment of such insurance moneys shall not have been withheld as a result of any act of the Tenant its servants, agents or licensees, the Landlord shall advise the Tenant within thirty (30) days of such damage or destruction. The Landlord's intent to effect repairs and restoration and the estimated time for completion of such repairs or restoration from the date of destruction or damage shall be stated in writing. In the event that the damage is such as to make the operation of the Hotel impracticable and

- (i) The estimated time for such completion shall exceed Twelve (12) months; and
- (ii) Such part so destroyed or damaged is not completely rebuilt or repaired within said twelve (12) months from the date of such destruction or damage, the party hereto shall have the right to terminate this Lease by not less than thirty (30) days' notice to the other party in writing. During such time as Hotel operation is interrupted and until repair or restoration is completed, it shall be the responsibility of the Landlord to take such steps and incur such expense as is necessary to protect the leased premises against further damage, and the rent hereby reserved shall

a fair proportion thereof according to the nature and extent of the damage sustained shall be abated until the leased premises shall again have been rendered fit for occupation and use by the Tenant as provided for herein.

(11) Right to Terminate

If at any time during the Term:

- (i) the Tenant's license to operate the Hotel or any other license or permit is revoked or suspended by action of any Governmental Authority or political subdivision, agency, bureau or other governmental body or instrumentality for any reason beyond the control of or not caused by the Tenant or its affiliates as a result of which the operation of the Hotel is closed or is not reasonably practicable according to accepted practice of sound and good hotel operation for a continuous period of 60 days or for a total of 90 days in any 180 day period; or
- (ii) extraordinary events, acts of God excluding acts of God involving damage to the leased premises or FF&E which the Tenant is obliged to repair under sub-clauses (3) and 5 (4) or the Landlord is obliged to repair or replace under sub-clause (0), strikes force majeure or other events beyond the reasonable control of the parties hereto, the operation of the Hotel is not reasonably practicable according to accepted practice of sound and good hotel operation for a continuous period of 60 days;

either party shall have the right to terminate this Lease upon giving the other party not less than thirty (30) days' prior written notice. Such notice shall only be valid and effective if given during the existence of any event giving rise to termination referred to in (i) or (ii) above or within 30 days of the cessation of any such event.

- (12) Notwithstanding any provision of this Agreement to the contrary, if either Landlord or Tenant's failure to conform to, keep, perform, fulfill or satisfy any representation, warranty, covenant, undertaking, obligations, standard test or condition set forth in this Lease, is caused in whole or in part by one or more Extraordinary Events, such as those set forth in (i) or (ii) above, then such failure shall not constitute a breach under this Agreement and such failure excused pursuant to this section, the party claiming that an Extraordinary Event caused failure, must notify the other party within sixty (60) days after the Extraordinary Event first begins to affect performance.

(13) Suspension of Lease

In any of the events mentioned in Clause 7(1)(ii) above in lieu of termination as provided in the said Clause 7(1) the parties hereto may by mutual agreement suspend the operation of this Lease and the operation of the Hotel for such period of time as they shall agree. In the event of suspension pursuant to the provisions of this clause a Memorandum in writing of such suspension and the period thereof shall be executed by the parties hereto. In the event the parties hereto shall cooperate in taking such steps and incurring such expenses as is necessary to protect the Leased Premises and the contents thereof during the period of the suspension of this Lease and the operation of the Hotel.

(13) Applicable Law

This Lease shall be construed, interpreted and applied in accordance with, and shall be governed by the laws applicable in Jamaica and all amounts stated herein to be payable in any currency other than Jamaican Dollars shall be payable in the currency so stated.

(14) Cease Operation as an All Inclusive Hotel

In the event the Tenant wishes to cease to operate the Hotel as an All Inclusive Hotel, the Tenant shall so notify the Landlord in writing and the parties shall meet and in good faith negotiate an agreeable formula to replace the formula for calculating the additional charges for operating an All Inclusive Hotel. In the event the parties do not agree a replacement formula within ninety (90) days of such notice either party may on giving six (6) months notice in writing to the other to that effect terminate the lease. Unless otherwise agreed in writing with the Landlord, the Tenant shall operate the Hotel during the notice period as an All Inclusive Hotel.

(15) Notification of under leases or Granting Concessions

Within one month of every underletting or concession of or relating to the leased premises or any part thereof, the Tenant shall give notice thereof to the Landlord in writing and shall produce to the Landlord for inspection the relevant underlease or concession. All such underleases and concessions in respect of space in the leased premises shall expire and terminate on or before the expiration of the Term or concurrently with the termination of this Lease.

(16) No Waiver

The failure, original or recurring of the Landlord to insist upon strict performance of the terms or provisions of this Lease, or to exercise any option, right or remedy contained, shall not be construed as a waiver or as a relinquishment for the future of any term, provision, option, right or remedy, but the same shall continue and remain in full force and effect.

(17) Landlord's Option to Purchase Consumable Items

Upon expiration or termination of this Lease for whatever cause the Landlord shall have the option to purchase such Consumable Items there on hand at the Hotel from the Tenant at the cost to the Tenant thereof. If the Landlord shall fail to exercise such option within seven (7) days of expiration or termination of the Lease as aforesaid the Tenant shall be entitled to sell such Consumable Items to any third party on such terms and conditions as the Tenant shall deem fit.

(18) Notices

All notices under this Lease shall be in writing, and any notice, document or instrument required or permitted to be given or delivered by either party to the other under any provisions of this Lease may be given by registered or certified mail addressed to the person to whom the notice is to be given, or delivery is to be made, or delivered to the address of the respective party set out in the THIRD SCHEDULE hereto, and delivery by mail as aforesaid, shall be deemed to have been given five (5) days after it is delivered.

other than by registered mail, as provided in the preceding sentence, such notice shall be deemed to have been given or document delivered until it is actually received by party to whom the notice is given or delivery is made. Any party may by giving notice such change by registered or certified mail to the other party change its address as mentioned, which change, however, shall not become effective until it is actually received by other party.

(19) Waiver of Subrogation

The Parties hereto, irrespective of any negligence whatsoever on the part of either party, mutually agree to hold one another (including their respective affiliates) completely free and harmless from any loss or damage to one another's business or property, if said loss or damage is recovered by any type of real or personal property insurance and/or time element coverage (but not including interruption, profits and commissions, leasehold or rent) carried by any recognised insurance carrier and is payable to either party as an insured and both parties further agree to effect a waiver or negation of any and all rights of subrogation or recovery against one another and their respective nominated affiliates that would inure to the benefit of their respective property insurance carriers and the Landlord and the Tenant shall cause their respective carrier(s) to endorse any property damage policies to reflect such carrier(s) agreement to the foregoing. In no event, however, this mutual waiver or negation of subrogation rights ever apply to any claim, suit or action by any third party (including but not limited to Landlord's employees, invitees, licensees of other tenants; Tenant's employees, customers, invitees and licensees and permitted sub-tenants arising out of any occurrence resulting in bodily injury, property damage or financial loss to a third party.

(20) No Grant of Easement

Nothing herein contained shall by implication, law or otherwise, operate or be deemed to grant upon the Tenant any easement, right or privilege whatsoever over or against any adjoining or neighbouring property which now or hereafter shall belong to the Landlord and the Landlord shall have the right at any time to deal with such adjoining or neighbouring property as it may desire without obtaining any consent from or making any compensation to the Tenant.

(21) No Restriction

Nothing herein contained or implied shall impose or be deemed to impose any restriction on the development of any land or building not comprised in these presents or give the Tenant the benefit of or the right to enforce or to have enforced or to permit the release or modification of any covenant, agreement or condition entered into by purchaser from or by any lessee or occupier thereof or to prevent or restrict in any way the development of any land or buildings not comprised in these presents, in so far as substantially to interfere with or affect the quiet enjoyment and use of the leased premises by the Tenant.

(22) The Landlord shall at its own cost take out and keep in force a consequential loss insurance policy to cover any loss of fixed rent which the Landlord may suffer as a result of any damage to the leased premises by events which the Landlord is obliged to insure against Clause

(23) Right of First Refusal to Purchase

Provided there shall be no breach of the terms of this Lease then existing at any time during the Term or any renewal thereof, in the event that the Landlord shall be desirous of selling the Leased Premises it shall first offer the same to the Tenant upon such terms and conditions as shall be required by the Landlord, and in the event that the Tenant shall

to accept such offer, the Landlord shall be entitled to sell the Leased Premises to any other party as it may in its discretion decide, PROVIDED THAT such sale to such other party shall be on no more favourable terms and conditions than those offered to the Tenant.

(24) Sale by Landlord

In the event that the Tenant does not purchase the Leased Premises and the Landlord thereafter sells same to a third party during the Term or any renewal thereof, such sale shall be subject to the terms of this Lease.

(25) Clause Headings

The clause headings shall not affect in any way the construction of this Lease.

FIRST SCHEDULE

Description of the Leased Premises

SECOND SCHEDULE

SCHEDULE OF FF&E

(To be supplied.)

THIRD SCHEDULE

ITEM 1: THE EFFECTIVE DATE

ITEM 2: THE LANDLORD:

NEWTOWN DEVELOPMENT COMPANY LIMITED

ITEM 3: THE TENANT:

GORSTEW LIMITED and/or nominee

ITEM 4: THE TERM

FIVE (5) YEARS with option to renew as per item 7 hereof.

ITEM 5: THE HOTELITEM 6: RENT

The fixed rent for the initial term will be US\$2,000,000.00 per year payable in monthly installments in arrears.

ADDITIONAL RENT

The additional annual rent payable by the Tenant for each lease year or any part thereof of the Lease and any renewal thereof shall be a percentage share of the audited Net Pacific Revenue, based on the average paid occupancy for the lease year as follows:

- | | | |
|-----|--|-----|
| (a) | If Paid Occupancy is less than 55% - | 0% |
| (b) | If Paid Occupancy is greater than or equal to 55% but less than 60%- | 2% |
| (c) | If Paid Occupancy is greater than or equal to 60% but less than 70%- | 5% |
| (d) | If Paid Occupancy is greater than or equal to 70% but less than 75%- | 8% |
| (e) | If Paid Occupancy is greater than or equal to 75% but less than 85% | 9% |
| (f) | If Paid Occupancy is greater than or equal to 85% | 10% |

The additional rent shall be paid in monthly installments on the last day of each month. The amount of each installment will be the year to date additional rent based on the actual revenues and average occupancies for the year to date up to the end of the previous month less all previous installments already paid for the then current lease year. Within ninety (90) days of its financial year end the lessee's auditors will provide a certificate of actual revenues and occupancies, for the lease year and the Additional Rent due. Any difference between the certified additional rent payable for the lease year and the sum total of monthly installments of additional rent made for the lease year will be settled by the parties within thirty (30) days of issuance of the auditor's certificate.

ITEM 7: OPTIONS TO RENEW:

Three (3) Options to renew for three (3) further terms of five (5) years each.

ITEM 8 RENTAL PAYABLE IN RENEWAL PERIODS (IF ANY)(a) Renewal Period 1

The fixed rent will be US\$2,000,000.00 per year payable in monthly installments in arrears.

(b) Renewal Periods Two and Three

The fixed rent will be US\$2,500,000.00 per year payable in monthly installments in arrears.

(c) Additional Rent

As set out in item 6 above.

BEACHES WHITEHOUSE

TECHNICAL SERVICES AGREEMENT

by and between

**ACKENDOWN
NEWTOWN DEVELOPMENT COMPANY LIMITED**

and

GORSTEW LIMITED

dated as of

NOVEMBER 1, 2001.

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PREAMBLE

This Technical Services Agreement (hereinafter the "Agreement") is executed this 1st day of November, 2001 (hereinafter the "Effective Date") by and between :

ACKENDOWN NEWTOWN DEVELOPMENT COMPANY LIMITED, (hereinafter "Owner"), a limited liability company organized and existing under the laws of Jamaica with its registered place of business at 12, Ocean Boulevard, Kingston. Jamaica.

GORSTEW LIMITED, (hereinafter "Gorstew Ltd" or the "Lessee"), a limited liability company organized and existing under the laws of Jamaica with its registered place of business at 3 Haughton Avenue, Kingston 10.

RECITALS:

A. WHEREAS, the Owner intends to plan, design, construct, famish and equip a first class, 4-star, all-inclusive family hotel comprising three hundred & sixty (360) guestrooms keys, including forty-eight (48) honeymoon junior suites and thirty-two (32) one-bedroom suites, conference facilities, public and back-of-house areas, fitness spa, retail areas and other amenities and staff accommodation (hereinafter referred to as the "Hotel") located at Whitehouse, Westmoreland, Jamaica (hereinafter referred to as the "Site") at its sole cost and expense; and

B. WHEREAS, by separate written Lease Agreement, the Owner (hereinafter referred to as the Lessor Company) and Gorstew Limited and or its nominee, (hereinafter referred to as the Lessee Company), have agreed to a lease of the Hotel for an initial period of five (5) years with three options to renew for further terms of five (5) years each.

C. WHEREAS, the Owner and Lessee intend that the Hotel will be planned, designed, constructed, furnished and equipped to meet the Standards agreed and in accordance with the time schedules and Design Documents approved by Gorstew Ltd prior to the commencement of construction; and

D. WHEREAS, the Owner desires to retain the Lessee to provide certain technical services during the course of the Project, and the Lessee desires to provide such technical services on the Owner's behalf upon ten-ns and conditions set forth in this agreement.

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE ONE TERMS USED IN AGREEMENT

1.01 Every word or term in this Agreement which is capitalized for the purpose of indicating a particular meaning shall have the meanings indicated hereunder or, if such word or term is not defined hereunder, shall have the meaning set forth in the Heads of Agreement.

“Agreement” shall have the meaning set forth in the Preamble.

“Architect” shall mean the architectural firm retained by the Owner and approved by the Lessee to perform & coordinate the design of the Hotel and to produce and coordinate the Construction Documents.

“Background Drawings” shall mean floor plans, interior wall elevations and reflected ceiling plans prepared by the Architect clearly delineating structural grid, walls, partitions, columns, shafts and chases.

“Back-of-the-House” shall mean the portions of the Hotel used as service and support areas, and to which guest and public access is restricted.

“Construction Documents” shall mean those Design Documents prepared for contracting the Work which are substantially completed and officially issued by the responsible consultant.

“Consultant” shall mean a firm or individual, including the Architect, retained by the Owner who provides advice, opinions, and direction in a specific field of expertise for the Project and who may be responsible for producing Design Documents.

“Control Book” shall mean an assemblage of all Control Sheets, with samples and identifying manufacturers.

“Control Sheet” shall mean a requisition form completed by the Interior Designer for each decorative item to be procured and containing a complete description, quantity, recommended manufacturer and model number, product specification, photograph (when appropriate), installed location, budget per unit, budget for the lot, and other pertinent information.

“Design Brief” shall mean the Space Programme, the Food and Beverage Concepts and other documents required to describe the size, layout and quality of the project which, once approved by all parties, will be incorporated into this Agreement as Exhibit D.

“Decorative Items” shall include, but not be limited to, artifacts, artwork, banquettes, carpeting, curtains, decorative lighting fixtures, draperies, furniture, graphics, interior landscaping, radios, signage & televisions.

“Design Documents” shall mean all drawings, specifications, schedules and other technical documents prepared by the Consultants which, (i) describe the construction, furnishing and equipping of the Project, (ii) are listed in Exhibit K – Document and Presentation Submissions and, (iii) are incorporated, once approved by both parties, into this Agreement collectively as the “Approved Design Documents” within Exhibit C.

“Effective Date” shall have the meaning set forth in the Preamble.

“Environmental Consultant” shall mean a firm or individual with the ability to prepare Environmental Resource Assessments and Environmental Impact Assessments for approval by the relevant Authorities in Jamaica.

“Exterior Identity Signage” shall mean exterior illuminated or non-illuminated signs for identification of the Hotel including wall-mounted building signs, pylon signs, and ground-mounted monument signs.

“Extraordinary Events” shall mean (i) events occasioned exclusively by violence of nature without the interference of any human agency (including but not limited to hurricanes, and other severe storms, winds, lightning, floods, earthquakes, volcanic eruptions, disease, epidemics and certain fires & explosions), (ii) fires and explosions caused wholly or in part by human agency, acts of war, riots and civil commotion, terrorism (including but not limited to hijacking, sabotage, bombing, murder, assault and kidnapping, strikes or similar labour disturbances, shortage of critical materials or supplies, action or inaction of governmental authorities having jurisdiction over the Project, or (iii) any other events beyond the control of the Owner or Lessee as the case may be, which events are likely to have an adverse effect upon the performance or fulfillment of obligations of the Owner or Lessee hereunder.

“Food and Beverage Concepts” shall mean the detailed food & beverage concepts of the Hotel provided by the Lessee which establish themes and elements relating to interior design and food facilities equipment for restaurants, lounges, and other food & beverage operations.

“Food Equipment” shall mean food preparation, cooking and holding equipment; exhaust hoods & hood fire protection systems; general storage layout; refrigerators and freezers (including coils, condensers and compressors); ice-making, beverage dispensing and other food and beverage equipment; dishwashing equipment and all other similar items required for complete food and beverage service at the Hotel.

“Gorstew Ltd” shall have the meaning set forth in the Preamble and shall include Gorstew Ltd’s legal successors and permitted assigns.

“Gorstew Ltd’s Representative” shall mean Implementation Ltd assigned to the project through whom all communications relating to the Lessee’s services under this agreement will be channeled.

“Hazardous Material” shall mean and include any substance or material containing one or more of any of the following : hazardous material, hazardous waste, regulated substance, petroleum, pollutant, contaminant, or asbestos, as such terms are defined in any applicable Environmental Law, or otherwise generally understood, in such concentration(s) or amount(s) as may require clean-up or removal or which may present a significant risk of harm to guests, invitees or employees of the Hotel.

“Hotel” shall have the meaning as set forth in the Preamble.

“Hotel Systems” shall include room management system, including front office, back office and accounting management systems; reservation system; automated payroll; point-of-sale systems, computer applications; all of which are included in the budget for Operating Supplies to be provided by the Lessee.

“Housekeeping Equipment” shall mean equipment to be used by Hotel employees for cleaning the Hotel.

“Interior Design Documents” shall mean those Design Documents that describe Decorative Items including the floor, wall and ceiling finishes, decorative lighting fixtures, artwork and artifacts or other specific interior treatments of the Hotel as approved by the Owner & Lessee.

“Interior Designer” shall mean the interior design firm to be retained by the Owner and approved by the Lessee to perform the interior design of the Project and to prepare and coordinate the Interior Design Documents.

“Inventories” shall have the meaning defined in the Uniform System of Accounts, and shall include (by way of example but not limitation) provisions in storerooms, refrigerators, pantries & kitchens; beverages in wine cellars & bars; other merchandise intended for sale; fuel; mechanical supplies; stationery and other similar expensed items. These are to be provided by the Lessee prior to the Hotel’s Opening Date.

“Laundry Equipment” shall mean washers, washer/extractors, dryers, ironers, steam boiler, lint control devices, linen folders, linen carts, dry cleaning equipment (if necessary), laundry sinks, air compressors, laundry scales and all other similar items required for a complete laundry with ironing capability.

“Opening Date” shall mean the date, as determined by the parties to this agreement, on which the Lessee assumes possession and commences operation of the Hotel, such date to be no later than thirty (30) days after the Hotel first begins to receive paying overnight guests.

“Operating Supplies” shall mean supply items included in the “Property and Equipment” description of the Uniform System of Accounts, including without limitation linen, china, glassware, silver, utensils, automotive equipment, watersports equipment, office supplies, computers and software, Hotel Systems, uniforms and similar items. These are to be provided by the Lessee prior to the Hotel’s Opening Date.

“Operating Supplies Document” shall mean a list of Operating Supplies showing each item, manufacturer, quantities, total category cost and grand total cost.

“Owner” shall have the meaning as set forth in the Preamble and shall include the Owner’s legal successors and permitted assigns.

“Owner’s Representative” shall mean the Urban Development Corporation (UDC) who have been appointed Project Manager by the Owner. The UDC will appoint their designated Project Management representative through whom all communications relating to the Project shall be channeled.

“Payment Schedule” shall mean a schedule of payments to be made by the Owner to the Lessee for the services provided hereunder which is incorporated in this agreement as Exhibit F.

“Project” shall have the meaning set forth in Section 2.01.

“Project Adjudicator” shall mean an independent person appointed to resolve disputes between the Owner and Lessee on cost overruns which the Owner claims should be borne by the Lessee arising from instructions or other circumstances giving rise to an increase in costs.

“Project Budget” shall mean the budget for all design, construction, furnishing and equipping costs estimated to be incurred to perform the Project, prepared by the Owner and to be attached hereto as Exhibit A.

“Project Schedule” shall mean the programme of all design and construction activities of the Project, including dates of significant milestone events, presentations to the Owner and the Lessee, and the submission of Design Documents by the Owner, which will be approved by the Owner and Lessee and attached hereto as Exhibit B.

“Quantity Surveyor” shall mean the Owner-appointed firm of project Quantity Surveyors who will determine whether cost overruns shall be borne by the Lessee arising from instructions given by the Lessee or from any other circumstances. In the event of a dispute the matter shall be referred to the Project Adjudicator

“Sample Boards” shall be composed of samples of decorative materials and finishes, and “Control Sheets” describing the materials, manufacturers and location(s) where sample materials are to be installed, with cross-referencing between the samples and their locations shown on the Interior Design Documents.

“Security Systems” shall include closed circuit television camera monitoring system; entrance doors electronic card control system, two-way radio system and other special security systems required for the Project.

“Signage” shall include food and beverage logos; name signs for suites, meeting rooms, board rooms, conference suites, and ballrooms, guestroom numbers; all directional signage; exterior signs except Exterior Identity Signage; guestroom evacuation signage; elevator, handicapped, fire stair, and elevator restriction signage; miscellaneous directional and safety signs; and all signs required by fire safety or other jurisdictional authorities for the operation of the Hotel.

“Site” shall have the meaning set forth in the Preamble.

“Space Programme” shall mean the detailed listing of each operating function of the Hotel and the area requirements thereof.

“Standards” shall mean those standards of design and construction Specified in Section 2.02.

“Submittals” shall mean shop drawings, product data and samples submitted by contractors or vendors which have been specifically prepared to illustrate some portion of the Work.

“Telecommunication System” shall mean PBX system and call accounting.

“Trade Equipment” shall mean Food & Beverage Equipment, Laundry Equipment and Housekeeping Equipment.

“Turnover Date” shall mean the date on which the Project is officially accepted (in writing) by the Lessee.

“United States Dollars” or “US\$” shall mean the legal currency of the United States of America.

“Uniform System of Accounts” shall mean such edition of the “Uniform System of Accounts for Hotels” (published and revised by the Hotel Association of New York City, Inc.).

“Work” shall mean the collective activities of designing, constructing, furnishing and equipping the Project.

1.02 The following conventions apply throughout this Agreement:

A. Unless otherwise stated, reference to Articles, Sections, and Exhibits are to Articles, Sections and Exhibits of or to this Agreement, and all such Exhibits are hereby incorporated herein by reference.

B. Words importing the singular include the plural and vice versa. Words imparting a gender include every gender as the context requires.

C. References to days, months, and years are to calendar days, calendar months, and calendar years, respectively.

D. The captions and headings to the Articles and Sections throughout this Agreement are for the convenience of reference only, and the words contained therein shall in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision of Agreement, or the scope or intent of this Agreement, or in any way affect this Agreement.

ARTICLE TWO THE PROJECT

2.01 The Project shall be the design and construction of a first class, 4-star, all-inclusive family hotel comprising three hundred & sixty (360) guestrooms keys, including forty-eight (48) honeymoon junior suites and thirty-two (32) one-bedroom suites, conference facilities, public and back-of-house areas, fitness spa, retail areas and other amenities and staff accommodation, located at the Site, completely furnished and equipped.

2.02 In accordance with the Lease Agreement the Project shall be planned, designed, constructed, furnished and equipped in substantial conformity with the current standards of quality, durability and efficiency established by the Lessee in its recently completed Beaches all-inclusive family hotels and the Design Brief. The Hotel will conform to NFPA Life Safety Code 101-1991, NFPA Sprinkler Installation Code 13, and such other requirements as are mutually agreed upon by the Owner and the Lessee to meet the needs of the Project. For the purpose of clarification, in the event that the requirements of local codes and regulations exceed the standards stated above, then the Project shall comply with such local codes and regulations. The foregoing are collectively referred to herein as the Standards.

ARTICLE THREE
OWNER'S RESPONSIBILITIES

Owner, through the Urban Development Corporation (UDC) as Project Manager, at its sole cost and expense shall be responsible for the planning, designing, constructing, furnishing, and equipping of the Hotel. In carrying out this responsibility, the Owner shall perform by way of example but not limitation, those tasks and actions described in Schedule A. This list is not all-inclusive and any responsibility of the Project not specifically assigned to the Lessee in Article Four of this Agreement is the responsibility of the Owner, unless otherwise agreed between the parties.

ARTICLE FOUR
LESSEE'S RESPONSIBILITIES

The Lessee will, subject to the terms and conditions contained herein, provide technical advisory services for the planning, designing, constructing, furnishing and equipping of the Hotel. The Lessee will advise the Owner and the Owner's consultants on the Standards, aesthetics and systems necessary for the Hotel's operations. Such advice will be provided to the Owner and the Owner's consultants in the areas of architectural design, interior design, Trade Equipment specifications and layouts, life/safety requirements, Telecommunications, Security and Hotel Systems. The scope of these technical advisory services to be performed by the Lessee is more fully described in Schedule B.

ARTICLE FIVE
COMPENSATION

5.01 Owner shall compensate the Lessee for the services performed pursuant to Article Four as follows :

For advisory services performed pursuant to Section 4.01 and Schedule B of this Agreement, Owner shall pay the Lessee a fixed fee of Four hundred & thirty-nine thousand three hundred & seventy five United States Dollars (US\$ 439,375.00) plus applicable taxes payable in Jamaican Dollars at a fixed rate of exchange of US\$1.00 to Ja\$47.00.

- 5.02 The Lessee shall be entitled to increase its compensation for additional services it performs, including but not limited to :
1. Services requested by Owner outside the scope of this Agreement.
 2. Substantial increase in the cost of any services performed by the Lessee under this Agreement when such increase is caused by an Extraordinary Event.
- Additional compensation for such compensation shall be agreed upon prior to the commencement of additional work.
- 5.03 On the first business day of each month the Lessee will issue invoices to Owner for amounts due pursuant to Section 5.01 based upon the Payment Schedule (Exhibit F). Any amounts due under Section 5.02 will be invoiced by the Lessee to the Owner monthly in accordance with the mutually agreed upon terms and conditions.
- 5.04 On or before the last business day of the month invoiced, Owner shall remit the invoice amount in Jamaican Dollars to the Lessee to an account designated on the invoice. Owner shall pay all General Consumption Tax (GCT) levied on any compensation or reimbursements payable to the Lessee pursuant to Article Five. Such GCT shall be payable by Owner to the Lessee together with the payment to which it relates.
- 5.05 Invoiced amounts which are not paid in accordance herewith shall accrue interest at a rate per annum equal to the prime rate charged by NCB Jamaica Ltd plus one percent (1%), starting with the date on which said amounts became overdue.
- 5.06 Any dispute Owner has with an invoice shall be addressed in writing to the Lessee within ten (10) days of receipt of the invoice. The portions of the invoice which are not disputed shall be due and payable as provided in Section 5.04. The parties shall use their best efforts to resolve any disputes as expeditiously as possible. Once resolved, all correct portions of the invoice that have not been paid when due shall accrue interest starting thirty (30) days from the date of the invoice at the rate set forth in Section 5.06 above.
- 5.07 Both parties shall bear the cost and be responsible for the payment of stamp duty, if any, applicable to this Agreement in equal shares.

ARTICLE SIX
COOPERATION AND CHANGES

- 6.01 A policy of full cooperation shall prevail between the parties and their authorized representatives with respect to all matters contemplated in this Agreement. Subject to the understandings contained herein, each party agrees in good faith to:
- A. Commence promptly, pursue diligently and complete timely whatever matters are required of it by this Agreement; and
 - B. Fully cooperate and keep each other (through their designated representatives) regularly and reasonably informed of the progress being made in the preparation and review of the documents, technical data and other information pertinent to the Project. Owner and the Lessee agree that all documents, technical data and other information submitted for review by either to the other shall be promptly reviewed by the recipient, who shall be permitted reasonable time to review and respond. Owner and the Lessee shall provide complete and accurate responses to all written or verbal communications from the other party.
- 6.02 Neither party shall make or cause to be made any material changes in the previously approved designs, plans, layouts or specifications for the Project without the prior approval of the other party, which approval shall not be unreasonably withheld. Owner shall use its best efforts to implement Lessee-generated comments or modifications to all plans and specifications to the extent consistent with Article Two.

ARTICLE SEVEN
WARRANTIES

- 7.01 In performing the services hereunder, the Lessee makes no representation or warranty, expressed or implied, regarding the sufficiency of any designs, plans or drawings, and, in the event of any errors or omissions in the designs, plans or drawings actually prepared by the Lessee pursuant to this Agreement, the Lessee's sole obligation shall be to correct such designs, plans or drawings at no expense to the Owner. Any responsibility of the Lessee hereunder shall be limited solely to deficiencies which are directly attributable to the Lessee's failure to exercise the reasonable care and skill usually exercised by individuals and firms providing similar services.
- 7.02 In providing or otherwise participating in the development of any budgets or other cost projections in connection with the Project, the Lessee will use its good faith efforts to assist Owner, but shall not in any way guarantee the figures or results shown in any such budgets or projections.

ARTICLE EIGHT
DURATION

8.01 This Agreement shall commence upon the date set forth in the Preamble and, unless terminated at an earlier date as provided herein, shall expire upon the date that both parties have fully completed all of the obligations pursuant to this Agreement.

8.02 This Agreement may be terminated (unless otherwise restricted by applicable law) on thirty (30) days written notice upon the happening of any of the following events:

A. By either party upon occurrence of any of the following events:

1. The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law by either party, or the admission by either party that it is unable to pay its debts as they become due; or

2. The consent to an involuntary petition in bankruptcy or the failure to vacate, within ninety (90) days from the date of entry thereof, any order approving an involuntary petition by either party; or

3. The entering of an order, judgement or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either party as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of such party's assets and such other judgement or decree continued unstayed and in effect for any period of ninety (90) days;

B. By the Lessee upon the occurrence of any of the following events:

1. If Owner shall, (a) fail to make proper payment to the Lessee when due, or (b) fail to make proper payment to Consultants, contractors or vendors when due, or (c) fail to perform or observe any other covenant, obligation or requirement of this Agreement, and such failure shall continue for thirty (30) days after written notice thereof from the Lessee specifying the nature and extent of any such default; provided, however, that if upon receipt of such notice, Owner shall (if such default is not a failure to make a proper payment to the Lessee and is not susceptible of being cured within thirty (30) days), promptly commence to cure the default, and shall thereafter diligently pursue such efforts to completion, then such notice shall be of no force and effect; or

2. If Owner fails to commence construction of the Hotel within 180 days after the Effective Date of this Agreement, such period not to be extended pursuant to Section 9.08 hereof; or

3. If Owner is unable to complete the Hotel in accordance with this Agreement prior to 365 days following the Opening Date as set forth in the approved Project Schedule; provided, however, that if there are delays which are due to Extraordinary Events, then

the time for completion shall be extended for the duration of any such cause, not to one (1) year, in which event the Lessee shall have the option to terminate this Agreement regardless of the cause of such delay; or

4. The discovery of Hazardous Materials at the Hotel site, the discovery of Hazardous Materials near the Hotel site that are reasonably likely to affect the Hotel site, the introduction of any Hazardous Materials into the Work, or the environmental report required to be prepared pursuant to Schedule A of this Agreement reveals that Hazardous Materials are present or are likely to be present at or near the Hotel site.

C. By Owner if Lessee shall fail to perform or observe any obligation or requirement of this Agreement and such failure shall continue for thirty (30) days after written notice thereof from the Owner specifying the nature and extent of such default, provided, however, that if upon receipt of such notice, the Lessee shall (if such default is not susceptible of being cured within thirty (30) days) promptly commence to cure the default, and shall thereafter diligently pursue such efforts to completion, then such notice shall be of no force and effect.

8.03 The obligations of Owner for compensation to the Lessee as contained in Article Five and for indemnification in Section 9.07 shall survive any termination or expiration of this Agreement provided that compensation under this Article shall be for services rendered to the date of termination only.

ARTICLE NINE MISCELLANEOUS

9.01 The termination of this Agreement shall not in any way relieve the Owner of its obligations to pay or reimburse the Lessee for all amounts owing or to be reimbursed to the Lessee under the terms hereof through the date of termination, and all such amounts shall become immediately due and payable, and such liability shall continue until discharged, notwithstanding termination of this Agreement. In the event such a termination should occur prior to completion of a phase of the Lessee's services for which a fixed fee or lump sum has been established, the payment due the Lessee for its partial performance shall be computed on the basis of a percentage of completion of such services, plus any reimbursed reimbursable expenses and fees incurred by Consultants for which the Lessee is responsible.

9.02 Owner shall, at its cost and expense, secure all licenses, permits and approvals necessary for the completion of the Project, including but not limited to necessary Building, Occupancy, Health and Utility permits and all necessary approvals or permits from governmental authorities to clear imported items through customs.

- 9.03 The Lessee will not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programmes in connection with the physical construction of the Project, or for failure of any contractor to carry out any portion of the physical construction of the Project. Owner shall be responsible for the payment of all applications, invoices and requisitions of contractors, vendors and suppliers engaged to perform the Work or to provide materials for the Project.
- 9.04 Neither party may assign or transfer this Agreement nor its rights or obligations hereunder without the prior written consent of the other parties.
- 9.05 All drawings, plans, specifications and other documents prepared by the Lessee for the Project pursuant to this Agreement shall remain the property of the Lessee whether or not the Project is completed. Owner shall be provided with a sufficient number of copies to complete the Work. Owner agrees that they will not be used by the Owner on any other project or for purposes other than for this specific Project without first obtaining the Lessee's written consent. All drawings, plans, specifications and other documents prepared by the Lessee or Owner for the Project pursuant to this Agreement shall be in English or an English translation shall be provided. The provisions of this Section 9.05 shall survive the expiration or termination of this Agreement.
- 9.06 Throughout the term of this Agreement unless otherwise specified, Owner shall maintain, either on its own or through its contractors, the following insurance at its sole expense:
- Property All Risks – Contractor's All Risks
 - Public Liability
 - Employer's Liability – Workman's Compensation
- 9.07 The insurance under Sections 9.06 shall name Gorstew Ltd, the Lessee, and their employees and agents as additional insureds for any losses or claims arising out of or resulting from this Agreement, Such insurance shall be endorsed to provide that the coverages will be primary and that any insurance carried by the Lessee shall be excess. Prior to commencement of work, the Owner shall furnish the Lessee with certificates of insurance evidencing the required coverages herein and any renewals thereafter. Such insurance shall not be cancelled or materially changed without thirty (30) days advance written notice to the Lessee.

Owner hereby waives its right of recovery against Gorstew Ltd and its employees and agents for any physical loss or damage to the Hotel, or to any materials, equipment, and supplies incorporated therein, however caused. It is the intent of this Agreement that Owner shall rely on his own builder's risk and property insurance policies.

Owner shall maintain or cause to be maintained a policy of Contractor's All Risks insurance covering the Hotel and all other improvements to be constructed as part of the Project with coverage in the amount of full replacement value thereof. To the fullest extent possible, Owner shall make all proceeds of the builder's risk insurance available to its contractors to rebuild or repair the Hotel in the event of an insurable casualty.

- 9.08 To the fullest extent permitted by the law, Owner shall indemnify and hold harmless Gorstew Ltd and its agents and employees from and against all claims, damages, losses and expenses (including but not limited to attorney's fees) arising out of or resulting from (i) the Project brought by third parties except when such claim, damage, loss or expense is a result of the negligence of the Lessee and its agents or employees, or (ii) the discovery or introduction of Hazardous Materials in the Hotel or Hotel site.
- 9.09 Time is of the essence hereof. Neither party shall be responsible, however, for failure or delay in performing any obligation hereunder to the extent such failure or delay results from any Extraordinary Event (other than the failure to make payments hereunder and except as otherwise specifically provided in sections 8.02 (B)(2) and 8.03 (B)(3)).
- 9.10 All drawings produced by either Owner or the Lessee hereunder (or by any outside consultants) shall be of a quality sufficient to reproduce completely.
- 9.11 This Agreement is executed pursuant to, and shall be construed under and governed by, the laws of Jamaica. The parties submit to the non-exclusive jurisdiction of the courts of Jamaica but the Agreement may be enforced in any court of competent jurisdiction.
- 9.12 If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid and unenforceable, the remainder of this Agreement and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. Any invalid or unenforceable provision shall be replaced with the provision which is valid and enforceable and most nearly reflects the original intent of the invalid and unenforceable provision.
- 9.13 All notices, requests, demands, statements and other communication required or permitted to be given under the terms of this Agreement shall be in writing and delivered by hand against receipt, sent by certified or registered mail (postage prepaid and return receipt requested), carried by overnight/international courier service, or transmitted by telefax to the respective party at the following addresses :

To : OWNER

ACKENDOWN NEWTOWN DEVELOPMENT COMPANY LIMITED
 c/o Urban Development Corporation
 12 Ocean Boulevard
 Kingston.

Attention :
 Telephone # :
 Fax # :

With copies to :

(Owner's Construction Lender, Owner's Long-Term Lender and/or attorney)

To : LESSEE

GORSTEW LIMITED
35, Half-Way-Tree Road
Kingston 5.

Attention : Mr, Patrick Lynch
Telephone # : 926-3370
Fax # : 920-0728

With copies to :

Or at such other address as from time to time may be designated by notice from the respective party to the other party. Any such notice or communication shall be deemed to have been given at the date and time of : (i) receipt of first refusal or delivery, if sent via certified or registered mail or delivered by hand; (ii) posting thereof, if sent via overnight/international courier service; o (iii) either the date sent (if sent during the receiving party's normal business hours) or next succeeding date on which the receiving party in normally open for business, if sent by telefax.

- 9.14 The matters set forth in this Agreement are strictly confidential and, except as otherwise required by law or permitted by the Agreement, each party will make every effort to ensure that the information contained in this Agreement or received pursuant thereto is not disclosed to any outside persons or entities (including the press) without the prior consent of the other party, such consent not to be unreasonably withheld.
- 9.15 The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any option, right or remedy contained in this Agreement shall not constitute a waiver or a relinquishment for the future of such provision, option, right or remedy. No waiver by either party of any provisions of this Agreement shall be deemed to have been made unless expressed in writing and signed by such party.
- 9.16 This Agreement may be executed in two or more counterparts, each of which shall take effect as an original, but all of which shall evidence the same agreement.

SCHEDULE A

OWNER'S RESPONSIBILITIES

1. GENERAL RESPONSIBILITIES

The Owner shall:

- A. Designate, in writing, an Owner Representative through whom all communications between Lessee and Owner relating to this Agreement will be channeled.
- B. Prepare, maintain and update the project Schedule for all Project activities (including dates for design meetings with and submissions to the Lessee, and all construction activities), which, when approved by Owner and Lessee, shall be signed and dated by both parties, and incorporated by reference into this Agreement as Exhibit B; notify the Lessee promptly if scheduled dates for these activities will not be met or when updates to such project Schedule are made.
- C. Prepare and submit to the Lessee for review and comment a Project Budget.
- D. Participate in and cause Consultants, as required, to participate in each meeting and formal presentation as specified in the project Schedule at sites to be mutually agreed upon by Owner and Lessee.
- E. Effect no changes, modifications or revisions to any approved document without the prior written consent of the Lessee..
- F. Make available on site, at no cost to the Lessee, inter alia, local office facilities, including, without limitation, telephone, telefax, courier, mailing, utilities, secretarial assistance for use by representatives of the Lessee while performing services related to this Agreement;
- G. Use its best efforts to assist the Lessee to obtain any and all necessary visas and work permits for any its personnel if the presence of such personnel required in Jamaica is deemed necessary by the Lessee for the performance of its services under this Agreement; and
- G. Ensure that the Hotel will have, on the Opening Date, spare parts pursuant to a Spare Parts List, which shall be signed and dated by both parties and incorporated into this Agreement as Exhibit H.

2. DESIGN RESPONSIBILITIES.

The Owner shall manage all aspects of the design of the Project. In performing these responsibilities they shall:

- A. Select and engage the Architect and Interior Designer from a list of qualified firms previously approved by the Lessee.
- B. Prepare, cause to be prepared, and submit Design Documents, including Interior Design Documents, and documents for formal presentations to the Lessee for approval in accordance with Exhibit K and the Project Schedule; documents for formal presentations shall be submitted to the Lessee no less than ten (10) business days prior to the scheduled formal presentation;
- C. Incorporate the Lessee's comments from each submission and formal presentation into subsequent Design Documents and resubmit for the Lessee's approval; once approved by the Lessee, each such Design Document submitted in accordance with Exhibit K shall be incorporated into this Agreement by reference and collectively as Exhibit C;
- D. Incorporate the results of the design services provided by the Lessee pursuant to Schedule B into the Design Documents.

3. CONSTRUCTION RESPONSIBILITIES.

The Owner shall manage all aspects of the construction of the Project. In performing these responsibilities they shall:

- A. Manage the work of contractors engaged in the construction Project;
- B. Prior to executing the Work, provide to the Lessee, for its review and comment, contractor(s) Submittals for the Project, as listed in Exhibit G;
- C. Assure that no Work shall be performed prior to the approval by the Lessee of the Construction Documents for the portion of Work being performed;
- D. Provide quarterly cost forecasts to the Lessee comparing forecasted Project costs to the Project Budget;
- E. Reject non-conforming work cited by the Lessee and order its correction or replacement;

- F. Deliver one complete set of warranties, guarantees, operating manuals, and 'as-built' drawings and specifications to the Lessee on completion;
- G. Prepare or cause to be prepared sample guestroom(s) in the following phases, with each phase being subject to the approval of the Lessee :
- (1) Erect the partition system and install the rough-ins which shall be observed for compliance with the Construction Documents, including positioning of surface devices and which when approved will be the arrangement to be followed throughout the Project;
 - (2) Apply the finishes which shall be observed for compliance with the Construction Documents and which, when approved, shall be the standard of quality to be followed throughout the Project;
 - (3) Install Decorative Items and other furnishings (such as safes and mini-bars) to complete the guestroom which will be observed and arranged for proper effect and fit and which, when approved, shall be the standard arrangement to be followed throughout the Project;

No work shall proceed in the guestroom areas until the Lessee has approved the respective phases of the sample room(s);

- H. Install and ensure that the Hotel will have, on the Opening Date, all Decorative Items, Trade Equipment, Operating Supplies (to be procured by the Lessee) and other equipment necessary to operate the Hotel as specified in the Approved Design Documents;
- I. At the commencement of and during construction, provide and install signage for Project identification in accordance with the Lessee's requirements; and
- J. Provide complete and final cleaning of all spaces and surfaces, including, without limitation, kitchen, kitchen equipment and interior and exterior of all glass surfaces, leaving the Hotel in a neat, clean, and orderly condition, suitable and ready for its intended use and occupancy.

4. ENVIRONMENTAL RESPONSIBILITIES

The Owner shall:

- A. Retain the Environmental Consultant to investigate the Hotel site to (i) determine compliance with Environmental regulations and (ii) prepare a written report containing the results of such investigations in substantial conformity with the specifications set forth in Exhibit E;
- B. Submit a copy of the environmental report prepared by the Environmental Consultant to the Lessee.

SCHEDULE B

LESSEE'S RESPONSIBILITIES

1. GENERAL RESPONSIBILITIES

The Lessee shall :

- A. Assign a Lessee-Representative to act as a point of contact for and provide assistance to the Owner for the services provided herein;
- B. Provide, communicate and interpret Standards for the Owner and Owner's Consultants during all phases of the Project.
- C. Attend design meetings, formal presentations and make periodic observations of the Work in accordance with the Project Schedule.
- D. Review Owner-prepared Project Schedule for completeness and reasonableness, assist Owner to revise such Project Schedule and approve and abide by same; review and approve any subsequent revisions to the Project Schedule;
- E. Review and comment on the Project Budget submitted by the Owner; and
- F. Review the environmental report prepared by Owner's Environmental Consultant.

2. DESIGN REVIEW

The Lessee will provide the following design review services to verify that the Design Documents prepared by the Owner and the Owner's Consultants are in substantial compliance with the Standards and to assist the owner in determining that the subsequent construction is in substantial compliance with the Standards and Design Documents. The Lessee will also review the general aesthetics of the proposed design for its acceptability. In providing these design review services, the Lessee shall;

- A. Review and approve the Owner's selection of the Architect and Interior Designer;
- B. Provide operational and technical assistance to Owner in development of the Design Brief for the Project.

- C. Prior to formal presentations conducted by Owner's Consultants, review and comment on the documents prepared and submitted to it, in accordance with Exhibit K, for these formal presentations;
- D. Review and comment on the Design Documents, including Interior Design Documents, submitted by Owner at the phases of design listed in Exhibit K and in accordance with the Project Schedule, completing each review within fifteen (15) days of their receipt by the Lessee, such review shall be solely for conformance with Standards, the Design Brief and the general aesthetics of the design. Any items disapproved will be returned with written explanation detailing the reason(s) for such disapproval;
- E. Upon approval of the submitted Design Documents by Owner and Lessee, coordinate their signing, sign as "approved" and date and incorporate them into this Agreement as Exhibit C; and
- F. Review the other reports and studies provided by Owner's Consultants required for the design of the Project as listed in Exhibit K.

3. DESIGN SERVICES

The Lessee will provide the following design services for certain areas and systems within the Hotel. The results thereof shall be incorporated into the Design Documents by the Owner's Consultants. In providing these services, the Lessee shall:

- A. Provide Food and Beverage Concepts and recommend conceptual layouts for administrative offices and Back-of-House areas;
- B. Conduct risk assessment to determine the types and extent of Security Systems required to meet the Lessee's standards; provide on Background Drawings the location of security devices and provide specifications.
- C. Provide specifications, equipment schedules, diagrams, drawings and other data required for the Lessee to furnish and install the Hotel Systems. The Owner is to provide conduit, wire, and power requirements; and
- D. Provide guidelines for telecommunications conduit sizing and for cable distribution, power and space requirements for all equipment.

4. OPERATING SUPPLIES

The Lessee shall be responsible for the procurement of Operating Supplies. The Owner will provide assistance for their warehousing and on site storage and assist in Customs Clearance through the ports of Jamaica.

5. CONSTRUCTION REVIEW SERVICES

During construction the Lessee shall assist the Owner in determining that the Hotel is being constructed in accordance with the approved Design Documents. In providing these construction review services, the Lessee shall:

- A. Review and comment on Submittals submitted by Owner or Owner's contractors in accordance with Exhibit G for compliance with the Construction Documents within fifteen (15) business days of their receipt; and
- B. Conduct a series of general (not exhaustive) observations during the construction of the Project and provide a written report of each visit to the Owner.

EXHIBIT A

**BEACHES WHITEHOUSE
Westmoreland. Jamaica.**

TECHNICAL SERVICES AGREEMENT

PROJECT BUDGET

[To be incorporated into the Agreement once prepared and approved by both parties]

A Project Budget is to be forwarded by the Owner, or the UDC representing the Owner, to Gorstew Ltd for their approval.

EXHIBIT B

**BEACHES WHITEHOUSE
Westmoreland. Jamaica.**

TECHNICAL SERVICES AGREEMENT

PROJECT SCHEDULE

[To be incorporated into the Agreement once prepared and approved by both parties]

A Project Schedule is to be forwarded by the Owner, or the UDC representing the Owner, to Gorstew Ltd for their approval.

EXHIBIT C

BEACHES WHITEHOUSE Westmoreland. Jamaica.

TECHNICAL SERVICES AGREEMENT

APPROVED DESIGN DOCUMENTS

[As Design Documents listed in Exhibit K are approved they will be dated, signed and incorporated into the Agreement under Exhibit C]

ARCHITECTURAL DRAWINGS – SWIMMING POOL AND DECK FACILITIES

(All dated March 1, 2002)

- A-001 : CENTRAL POOL PLAN
- A-002 : CENTRAL POOL SWIM-UP BAR
- A-003 : CENTRAL POOL DETAILS
- A-004 : ITALIAN ROOM BLOCK 'I' SPA PLAN & DETAILS
- A-005 : DUTCH ROOM BLOCK 'D' POOL PLAN
- A-006 : DUTCH ROOM BLOCK 'D' POOL DETAILS
- A-007 : FRENCH ROOM BLOCK 'F' POOL PLAN
- A-008 : FRENCH ROOM BLOCK 'F' POOL – SWIM UP BAR & PERGOLA
- A-009 : FRENCH ROOM BLOCK 'F' – POOL DETAILS
- A-010 : FRENCH ROOM BLOCK 'F' POOL – GRILLE PLAN
- A-011 : FRENCH ROOM BLOCK 'F' POOL – GRILLE ELEVATIONS
- A-012 : FRENCH ROOM BLOCK 'F' POOL – GRILLE SECTIONS
- A-013 : DOOR & WINDOW SCHEDULE / DETAILS

ARCHITECTURAL DRAWINGS - GUESTROOMS

(All dated December 12, 2001.)

- A-211 : ROOM BLOCK 'I' – FIRST FLOOR
- A-212 : ROOM BLOCK 'I' – SECOND FLOOR
- A-213 : ROOM BLOCK 'I' – THIRD FLOOR
- A-214 : ROOM BLOCK 'I' – FOURTH FLOOR
- A-215 : ROOM BLOCK 'I' – ROOF PLAN
- A-221 to 225 : ROOM BLOCK 'I' – ELEVATIONS
- A-231 to 232 : ROOM BLOCK 'I' – SECTIONS
- A-311 : ROOM BLOCK 'D' – FIRST FLOOR
- A-312 : ROOM BLOCK 'D' – SECOND FLOOR
- A-313 : ROOM BLOCK 'D' – THIRD FLOOR
- A-314 : ROOM BLOCK 'D' – FOURTH FLOOR
- A-315 : ROOM BLOCK 'D' – ROOF PLAN
- A-321 to 325 : ROOM BLOCK 'D' – ELEVATIONS
- A-332: ROOM BLOCK 'D' – SECTIONS

A-411 : ROOM BLOCK 'F' – FIRST FLOOR
A-412 : ROOM BLOCK 'F' – SECOND FLOOR
A-413 : ROOM BLOCK 'F' – THIRD FLOOR
A-414 : ROOM BLOCK 'F' – FOURTH FLOOR
A-415 : ROOM BLOCK 'F' – ROOF PLAN
A-421 to 425 : ROOM BLOCK 'F' – ELEVATIONS
A-431 : ROOM BLOCK 'F' – SECTIONS
A-511 : ROOM BLOCK 'I' CENTRAL CORE – GROUND TO ROOF PLANS
A-512 : ROOM BLOCK 'D' CENTRAL CORE – GROUND TO ROOF PLANS
A-513 : ROOM BLOCK 'F' CENTRAL CORE – GROUND TO ROOF PLANS
A-514 : SECTIONS THROUGH CORES ROOM BLOCKS 'I', 'D' & 'F'
A-515 : CORE DETAILS / ELECTRICAL & WATER HEATER ROOMS
A-521 : STANDARD ROOMS – ENLARGEMENTS
A-522 : DELUXE & ONE BEDROOM SUITES – ENLARGEMENTS
A-531 : ROOM BLOCK 'I' – MAIDS ROOMS
A-532 : ROOM BLOCK 'D' – MAIDS ROOMS
A-533 : ROOM BLOCK 'F' – MAIDS ROOMS
A-534 : ROOM SERVICE ROOMS
A-535 : ROOM BLOCK 'I' – SECTIONS THROUGH MAIDS ROOMS
A-536 : ROOM BLOCKS 'D' & 'F' – SECTIONS THROUGH MAIDS ROOMS
A-541 ; ROOM BLOCKS 'I', 'D' & 'F' – STAIR ENLARGEMENTS
A-542 : ROOM BLOCKS 'I' & 'D' – SECTIONS THROUGH STAIRS
A-543 ; ROOM BLOCKS 'I', 'D' & 'F' – STAIR / GANGWAY SECTIONS
A-551 : DOOR & WINDOW SCHEDULES
A-552 : RESORTSIDE TUNNELFORM OPENING LEGENDS
A-553 : DOOR DETAILS
A-554 : WINDOW DETAILS, FAN COIL DETAILS, MISC. DETAILS
A-561 : EAVE, PARAPET & FASCIA DETAILS
A-562 : PARAPET & OTHER DETAILS
A-563 : COLUMN DETAILS
A-564 : ROOF FEATURE & DORMER DETAILS
A-565 to 567 : DETAILS
A-571 : RAILING DETAILS

ARCHITECTURAL DRAWINGS – CENTRAL FACILITIES

(All dated December 12, 2001.)

A-601 to 602 : GROUND FLOOR PLANS
A-603 to 604 : A/C ROOM LEVEL PLANS
A-605 to 606 : ROOF PLANS
A-607 to 608 : ELEVATIONS
A-609 to 615 : SECTIONS
A-616 to 617 : STAIR PLANS & SECTIONS
A-618 to 619 : DETAILS
A-620 : DOOR SCHEDULE
A-621 : WINDOW SCHEDULE
A-622 : DOOR DETAILS
A-623 : WINDOW DETAILS

ARCHITECTURAL DRAWINGS – RETAIL AREA

(All dated December 12, 2001.)

A-801 : FLOOR PLAN
A-802 : ROOF PLAN
A-803 : ELEVATIONS
A-804 to 805 : SECTIONS
A-806 : DETAILS
A-807 : DOOR & WINDOW SCHEDULES
A-808 : DOOR & WINDOW DETAILS

ARCHITECTURAL DRAWINGS – SPA & RECREATION FACILITIES

(All dated January 31, 2002.)

A-901 : FLOOR PLAN
A-902 : FLOOR PLAN – DETAILS
A-903 : RECREATION FACILITY – FLOOR PLAN
A-904 : SPA FLOOR PLAN
A-905 : RECREATION FACILITY – FLOOR PLAN
A-906 : SPA – ELEVATIONS
A-907 : SPA - SECTIONS
A-908: SPA & RECREATION FACILITIES - ELEVATIONS
A-909 : SPA SECTIONS
A-910 : SPA & RECREATION FACILITIES - SECTIONS
A-911 to 912 : SPA & RECREATION FACILITIES – WALL SECTIONS
A-913 : DOOR & WINDOW SCHEDULES
A-914 : DOOR & WINDOW DETAILS
A-915 : DETAILS THROUGH STEAM ROOMS & SAUNAS

ARCHITECTURAL – PRELIMINARY SITE PLAN

(Revised March 1, 2002)

INTERIOR DESIGN DRAWINGS – GUESTROOMS

(all dated January 21, 2002)

ID-201 to 202 : FURNITURE PLANS - STANDARD ROOMS
ID-203 : FURNITURE PLANS – SUITES AND ONE BEDROOMS
ID-204 to 205 : ELECTRICAL FLOOR PLANS - STANDARD ROOMS
ID-206 : ELECTRICAL FLOOR PLAN – SUITES AND ONE-BEDROOMS
ID-207 to 210 : ELECTRICAL ELEVATIONS
ID-211 : ROOM BLOCK 'I' – CORRIDOR LIGHTING PLAN – FIRST FLOOR
ID-212 : ROOM BLOCK 'I' – CORRIDOR LIGHTING PLAN – SECOND FLOOR
ID-213 : ROOM BLOCK 'I' – CORRIDOR LIGHTING PLAN – THIRD FLOOR
ID-214 : ROOM BLOCK 'I' – CORRIDOR LIGHTING PLAN – FOURTH FLOOR
ID-215 : ROOM BLOCK 'I' – ROOM TYPES – FIRST FLOOR
ID-216 : ROOM BLOCK 'I' – ROOM TYPES – SECOND FLOOR
ID-217 : ROOM BLOCK 'I' – ROOM TYPES – THIRD FLOOR
ID-218 ; ROOM BLOCK 'I' – ROOM TYPES – FOURTH FLOOR
ID-311 : ROOM BLOCK 'D' – CORRIDOR LIGHTING PLAN – FIRST FLOOR
ID-312 : ROOM BLOCK 'D' – CORRIDOR LIGHTING PLAN – SECOND FLOOR

ID-313 : ROOM BLOCK 'D' – CORRIDOR LIGHTING PLAN – THIRD FLOOR
ID-314 : ROOM BLOCK 'D' – CORRIDOR LIGHTING PLAN – FOURTH FLOOR
ID-315 : ROOM BLOCK 'D' – ROOM TYPES – FIRST FLOOR
ID-316 : ROOM BLOCK 'D' – ROOM TYPES – SECOND FLOOR
ID-317 : ROOM BLOCK 'D' – ROOM TYPES – THIRD FLOOR
ID-319 ; ROOM BLOCK 'D' – ROOM TYPES – FOURTH FLOOR (to be renumbered to A-318)
ID-411 : ROOM BLOCK 'F' – CORRIDOR LIGHTING PLAN – FIRST FLOOR
ID-412 : ROOM BLOCK 'F' – CORRIDOR LIGHTING PLAN – SECOND FLOOR
ID-413 : ROOM BLOCK 'F' – CORRIDOR LIGHTING PLAN – THIRD FLOOR
ID-414 : ROOM BLOCK 'F' – CORRIDOR LIGHTING PLAN – FOURTH FLOOR
ID-415 : ROOM BLOCK 'F' – ROOM TYPES – FIRST FLOOR
ID-416 : ROOM BLOCK 'F' – ROOM TYPES – SECOND FLOOR
ID-417 : ROOM BLOCK 'F' – ROOM TYPES – THIRD FLOOR
ID-418 ; ROOM BLOCK 'F' – ROOM TYPES – FOURTH FLOOR

LANDSCAPING DRAWINGS

(all dated February 11, 2002)

OL-1 : OVERALL SITE CONCEPTUAL PLANTING PLAN (scale 1:1000)
L1 : OVERALL SITE CONCEPTUAL PLANTING PLAN (not to scale) – LEGEND
L2 to L21 : CONCEPTUAL PLANTING PLANS

ELECTRICAL DRAWINGS

(dated January & February 2002)

E-211 to 214 : ROOM BLOCK 'I' - ELECTRICAL LAYOUTS
E-521 to 523 : STANDARD ROOMS – ELECTRICAL LAYOUTS
E-524 to 525 : SUITES AND ONE BEDROOMS – ELECTRICAL LAYOUTS
E-531 : ROOM BLOCK 'I' – MAIDS ROOMS – ELECTRICAL LAYOUTS

ELECTRICAL DRAWINGS

(dated March 15, 2002)

E-411 to 414 : PART ROOM BLOCK 'F' - ELECTRICAL LAYOUTS

MECHANICAL DRAWINGS

(dated February 7 & 25, 2002)

M-211A, 212A, 213 & 214 : ROOM BLOCK 'I' – PLUMBING LAYOUTS
M-511 to 513: ROOM BLOCKS - PLUMBING ISOMETRICS
M-514 : ROOM BLOCKS – PLUMBING DETAILS
M-521 to 523 : STANDARDS ROOMS – PLUMBING LAYOUTS
M-524 to 525 : SUITES & ONE BEDROOMS – PLUMBING LAYOUTS
M-526 : ROOMS – AIR CONDITIONING LAYOUTS
M-531 : ROOM BLOCK 'I' MAIDS ROOMS – PLUMBING LAYOUTS

MECHANICAL DRAWINGS

(dated March 15, 2002)

M-411 to 414 : PART ROOM BLOCK 'F' – PLUMBING LAYOUTS

EXHIBIT D

**BEACHES WHITEHOUSE
Westmoreland, Jamaica.**

TECHNICAL SERVICES AGREEMENT

DESIGN BRIEF

[To be incorporated into the Agreement once prepared and approved by both parties]

The approved Design Brief is represented by the Schematic architectural drawings prepared by Sant Associates, architects, and included in a brochure entitled 'Beaches Whitehouse' dated May 2000 submitted to the Owner, the UDC and Gorstew Ltd

EXHIBIT E

BEACHES WHITEHOUSE Westmoreland, Jamaica.

TECHNICAL SERVICES AGREEMENT

ENVIRONMENTAL ASSESSMENT SPECIFICATIONS

The Environmental Consultant shall conduct an Environmental Impact Assessment including the following scope:

The purpose of the Environmental Impact Assessment is to obtain a professional judgement on environmental problems the Lessee may encounter operating the Hotel. The scope of work for this assessment includes the following requirements:

1. A site reconnaissance providing a physical description of the Site and relevant environmental characteristics with special attention for signs of mismanagement.
2. An investigation of historic land use involving the Site.
3. Contact all applicable environmental and health agencies to review their files concerning the Site and surrounding areas.
3. Visual examination of adjoining properties to determine their uses.
4. Prepare a brief, written report of the findings including recommendations for additional investigations, if required.

EXHIBIT F

BEACHES WHITEHOUSE Westmoreland, Jamaica.

TECHNICAL SERVICES AGREEMENT

PAYMENT SCHEDULE

<u>Payment Number</u>	<u>Date to be Invoiced</u>	<u>Date Due</u>	<u>Amount Due</u>
Retainer	Aug 10-01	Dec 31-01	US\$47,500.00
1	Nov 1-01	Nov 30-01	US\$18,307.29
2	Dec 1-01	Dec 30-01	US\$ 8,807.29
3	Jan 1-02	Jan 31-02	US\$ 8,807.29
4	Feb 1-02	Feb 28-02	US\$ 8,807.29
5	Mar 1-02	Mar 31-02	US\$ 8,807.29
6	Apr 1-02	Apr 30-02	US\$ 8,807.29
7	May 1-02	May 31-02	US\$18,807.29
8	June 1-02	June 30-02	US\$18,807.29
9	July 1-02	July 31-02	US\$18,807.29
10	Aug 1-02	Aug 31-02	US\$18,807.29
11	Sep 1-02	Sep 30-02	US\$18,807.29
12	Oct 1-02	Oct 31-02	US\$18,807.29
13	Nov 1-02	Nov 30-02	US\$18,807.29
14	Dec 1-02	Dec 31-02	US\$18,807.29
15	Jan 1-03	Jan 31-03	US\$18,807.29
16	Feb 1-03	Feb 28-03	US\$18,807.29
17	Mar 1-03	Mar 31-03	US\$18,807.29
18	Apr 1-03	Apr 30-03	US\$18,807.29
19	May 1-03	May 31-03	US\$18,807.29
20	June 1-03	June 30-03	US\$18,807.29
21	July 1-03	July 31-03	US\$18,807.29
22	Aug 1-03	Aug 31-03	US\$18,807.29
23	Sep 1-03	Sep 30-03	US\$18,807.29
24	Oct 1-03	Oct 31-03	US\$18,807.29

Payment no. 24 is dependent on the issuance of the Certificate of Substantial Completion

EXHIBIT G

BEACHES WHITEHOUSE Westmoreland, Jamaica.

TECHNICAL SERVICES AGREEMENT

SUBMITTAL LIST

[The following submittals are to be provided to the Lessee in the form noted by the specific submittal]

KEY

- 1 - Sample
- 2 - Shop Drawing
- 3 - Manufacturer's Literature

1 / 2 / 3

- | | |
|-----------|---|
| - / - / x | <u>DIVISION 2</u>
Speciality paving materials (including tennis courts) |
| x / x / - | <u>DIVISION 5</u>
Hand rails and railings |
| - / x / - | Wire mesh partitions |
| - / x / - | Overhead glass racks |
| x / x / - | Decorative metal work (bar rail, wall trim, grills, etc.) |
| x / x / - | <u>DIVISION 6</u>
Millwork, paneling & trim |
| x / x / - | Plastic laminates |
| - / - / x | Wood species |
| - / - / x | <u>DIVISION 7</u>
Roofing manufacturer and system |
| - / - / x | Skylights |
| x / x / x | Exterior finish materials & colours |

KEY

- 1 - Sample
- 2 - Shop Drawing
- 3 - Manufacturer's Literature

1/2/3

DIVISION 8

- / x / - Steel frames & doors
- x / x / - Aluminium storefronts, doors & frames
- / - / x Glass
- / x / x Hardware
- x / - / x Latch set sample
- x / x / - Wood doors
- / - / x Rolling doors, shutters & grills
- / - / x Guestroom closet doors

DIVISION 9

- x / - / x Acoustical tile & suspension system
- x / x / x All finish material (Interior design installation drawings, specifications & control sheets & book)

DIVISION 10

- x / - / x Architectural louvres
- / - / x Projection screens
- / - / x Toilet partitions
- / - / x Fire extinguishers & cabinets
- / - / x Shelving
- / - / x Lockers
- x / x / x Folding panel partitions
- / x / - Guestroom closet rod & shelf
- / - / x Expansion joint cover
- / x / - Building signs
- x / x / - Interior graphics
- x / x / x Lavatory countertops
- / - / x Public telephone stations

KEY

- 1 - Sample
- 2 - Shop Drawing
- 3 - Manufacturer's Literature

1/2/3

DIVISION 11

- / x / x Cashier equipment (safes, safety deposit boxes, etc.)
- / x / x Front desk equipment (mail & key rack, room rack, key drawer, etc.)

DIVISION 12

- x / x / x All furniture, fabric & upholstery (samples of fabric & sample of finish of frame)

DIVISION 13

- / x / x Swimming pool
- / x / x Hydrotherapy pool
- / x / x Saunas
- / x / x Steam rooms
- / x / x Refrigerated

DIVISION 14

- x / x / - Elevator cab interiors
- / - / x Elevator equipment
- / - / x Trash & linen chutes

DIVISION 15

- / - / x Boilers
- / - / x Chillers/starters
- / - / x Cooling tower
- / - / x Pumps
- / - / x Air handlers & terminals
- / - / x Fans
- / - / x Fan coils
- x / - / x Registers, grills, diffusers
- / - / x Insulation/jackets
- / - / x Pipe
- / - / x Thermostats
- x / - / x Plumbing fixtures/trim
- / - / x Pumps & accessories
- / - / x Hot water heaters

KEY

- 1 - Sample
- 2 - Shop Drawing
- 3 - Manufacturer's Literature

1/2/3

DIVISION 15 (Cont)

- / - / x Space heaters
- / - / x Control Panels
- / - / x Sprinkler heads
- / - / x Fire pump & accessories
- / - / x Water coolers
- / x / x Temperature control diagrams with sequence of operations
- / - / x Energy management systems

DIVISION 16

- / - / x Transformers
- / - / x Switchgear
- / - / x Distribution boards
- / - / x Panelboards
- / - / x Motor Control Centres
- / - / x Fire Pump Controller
- / - / x Energy Generator and Accessories
- / - / x Automatic Transfer Switch
- / - / x Dimmers & Enclosures
- / - / x Cable/Wire/Conduit/Buss Bar
- / - / x Receptacles/Outlets/Plates
- / - / x Light Fixtures and Fire Accessories
- / - / x Exit lights/Strobes
- / - / x Smoke Detectors
- / - / x Starters/Circuit Breakers
- / x / x Fire Alarm Operational Diagrams
- / x / x Low Voltage Lightning System

EXHIBIT H

BEACHES WHITEHOUSE Westmoreland, Jamaica.

TECHNICAL SERVICES AGREEMENT

SPARE PARTS LIST

These items are to be provided to the Lessee by Owner at Owner's cost and expense before the Turnover Date. The quantities listed are the minimum acceptable. All quantities are to be rounded up to the next whole number.

<u>ITEM</u>	<u>QUANTITY</u>	<u>%</u>
Typical Guestroom Lockset	1 no. per 100 guestrooms	1.0
Sanitary Fixtures & Fittings: baths, basins, WC's, faucets, mixers TPH's, towel rails etc.	1 no. per 100 guestrooms	1.0
Typical Guestroom TV Sets	1 no. per 80 guestrooms	1.25
Guestroom Telephone Information Plates	5 no. per 100 guestrooms	5.0
Typical Executive Floor Guestroom Bedspreads	5 no. per 100 of each type of room (King or Double/Double)	5.0
Fire Station Pull Boxes	1 no. of each type	N/A

Provide spare parts inventory for all HVAC and mechanical equipment as recommended by the manufacturers of the equipment to be installed in accordance with the approved plans and specifications.

Also, any remaining clean and undamaged Decorative Items or construction materials, such as carpet, furniture, artwork, vinyl wall-coverings, ceiling tiles, wall tiles, floor tiles, etc. shall be turned over to the Lessee on completion of the Hotel to be used in the Hotel for repair and maintenance.

EXHIBIT J

**BEACHES WHITEHOUSE
Westmoreland. Jamaica.**

TECHNICAL SERVICES AGREEMENT

OPERATING SUPPLIES

[To be incorporated into the Agreement once prepared and agreed by both parties]

EXHIBIT K

BEACHES WHITEHOUSE Westmoreland, Jamaica.

TECHNICAL SERVICES AGREEMENT

DOCUMENT AND PRESENTATION SUBMISSIONS

SUBMISSION 1

CONCEPTUAL DOCUMENTS

A. SITE DRAWINGS (AT 1" = 30' OR 1 : 400 Scale) SHOWING:

1. Property Boundaries;
2. Existing topography;
3. Building location & orientation, including spot elevations;
4. Pool and recreation areas, including spot elevations;
5. Parking, including spot elevations.

B. ARCHITECTURAL DRAWINGS (at 1/16" = 1' or 1 : 200 Scale unless noted) SHOWING:

1. Floor plans identifying and locating each major building area, such as: guestroom and guestroom support, conference rooms and pre-function areas, laundry and food facilities areas, MEP areas, etc;
2. Guestroom floors;
3. Typical guestroom unit plan, including furniture layout, at a scale of 1/4" = 1' or 1:50.
4. Exterior building elevations
5. Building cross sections

C. LANDSCAPE DRAWINGS SHOWING: Conceptual landscape plan.

D REPORTS AND STUDIES SHOWING :

1. Design Brief, as currently proposed.
2. Space Programme, as currently designed;
3. Project Budget estimate;
4. Site information checklist
5. Food & Beverage concepts
6. Laundry study & concept;
7. Sun study for building orientation, pool location and solar impact;
8. Signage.

E. MEP Drawings: None

NOTE : These documents are to be developed solely for conceptual submission and approval, and are not to be utilized as early stage working drawings.

SUBMISSION NUMBER 2

CONCEPTUAL FORMAL PRESENTATION DOCUMENTS

- A. (*) Design Brief;
- B. Ground level photographs of the site;
- C. Aerial photographs of the site;
- D. Area location maps showing highway access and egress, major surrounding developments, airports and other significant and/or notable features;
- E. (*) Coloured site plan showing property boundaries, building location and orientation (including spot elevations), pool and recreation areas, and parking;
- F. (*) Coloured floor plans;
- G. (*) Coloured typical guestroom units;
- H. Coloured renderings ;
- I. Materials sample board for exterior materials/finish;
- J. (*) Exterior building elevations at 1/16" = 1' or 1 : 200 scale;
- K. Building model to a minimum of 1" = 30' or 1 : 400 scale (to be agreed by Owner & Lessee)

NOTE : Items noted thus (*) may be as prepared for conceptual submissions.

SUBMISSION NUMBER 3

SCHEMATIC DOCUMENTS

A. SITE DRAWINGS (At 1" = 30' or 1 : 400 scale) SHOWING :

1. Property Boundaries;
2. Existing topography;
3. Building locations & orientation;
4. Pool, recreation and parking areas, including spot elevations;
5. Anticipated retaining walls and other special features, such as cooling towers and transformers, including spot elevations;
6. Schematic storm drainage plan;
7. Locations of utility taps and routing to service connections, including spot elevations;
8. Main sign locations.

B. ARCHITECTURAL DRAWINGS (at 1/8" = 1' or 1 : 100 scale unless noted) SHOWING :

1. Public areas, including structural grid and locations of columns (*);
2. Guestroom floors including structural grid, locations of columns (*);
3. Back-of-House and service areas, including structural grid and locations of columns (*);
4. Exterior building elevations at 1/16" = 1' or 1:200 scale;
5. Building cross sections (*) at 1/16" = 1' or 1:200 scale;
6. Roof plan, with sloped sections, skylights and other unusual features identified, at a scale of 1/16" = 1' or 1:200 scale;
7. Floor plan of each suite type and guestroom type with furniture layout at 1/4" = 1' or 1:50 scale;
8. Details showing that acoustical criteria are met;
9. Schematic details of all special construction;
10. Fire rating of room-to-room and floor-to floor condition;
11. Egress analysis.

Documents indicated thus (*) are to include major duct runs, pipe chases and electrical raceways.

C. LANDSCAPE DRAWINGS SHOWING: Schematic landscape plan, at 1" = 30' or 1:400 scale, and plant list.

D. REPORTS AND STUDIES SHOWING :

1. Design Brief as currently designed;
2. Space Programme as currently designed;
3. Updated Site/Zoning/Code Investigation Checklist;
4. Updated Project Budget;
5. Utility studies;
6. Energy study;
7. Vertical transportation study, including plans sections & recommendations, prepared by a qualified consultant;
8. Acoustical study;
9. Code compliance review, such as fire and smoke detection and alarm, smoke evacuation, egress, etc.;
10. Outline (performance) specifications;
11. A narrative account summarizing the type of mechanical system, its operation, and fuel selection.

E. OTHERS :

1. Layouts of Trade Equipment identifying all required functions.

F. MEP DRAWINGS SHOWING :

1. Block loads and calculations, and capacities of major equipment;
2. Major duct runs, mechanical chases and electrical raceways;
3. Life safety systems concepts, including smoke evacuation and fire suppression;
4. Site and building lighting at 1" = 30' or 1:400 scale.

NOTE : Schematic documents shall be developed solely for submission, and shall not be utilized as working drawings.

SUBMISSION NUMBER 4

SCHEMATIC FORMAL PRESENTATION DOCUMENTS

- A. (*) Design Brief summary;
- B. (*) Ground level photographs of the site;
- C. (*) Aerial photographs of the site;
- D. (*) Location maps showing highway access and egress, major surrounding developments, airports and other significant and/or notable features;
- E. (*) Coloured site plan showing property boundaries, building location and orientation (including spot elevations), pool and recreation areas, and parking;
- F. (*) Coloured floor plans;
- G. (*) Coloured typical guestroom units;
- H. Coloured renderings ;
- I. Materials sample board for exterior materials ;
- J. (*) Exterior building elevations at $1/16'' = 1'$ or $1 : 200$ scale;

NOTE _____ Items marked (*) may be those prepared for schematic submissions.

SUBMISSION NUMBER 5

PRELIMINARY INTERIOR DESIGN DOCUMENTS

- A. Coloured ARCHITECTURAL DRAWINGS (scales as noted, showing seating plans, interior wall elevations, reflected ceiling plans, general and decorative lighting, and perspectives where appropriate) FOR THE FOLLOWING AREAS :
 - 1. Public areas, to a scale of $1/8'' = 1'$ or $1:100$ scale;
 - 2. Food & beverage facilities, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 3. Main lobby, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 4. Conference, meeting rooms and pre-function area , to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 5. Typical guestroom, suites and concierge lounge, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 6. Guestroom corridors, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 7. Swimming pool, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 8. Administrative areas, to a scale of $1/4'' = 1'$ or $1:50$ scale;
 - 9. Entire outdoor pool deck area, to a scale of $1/8'' = 1'$ or $1:100$ scale;
 - 10. Exterior terrace dining, to a scale of $1/4'' = 1'$ or $1:50$ scale.

B. REPORTS AND STUDIES SHOWING:

1. Design Brief with current as-designed data.

C. OTHERS :

1. Material sample boards for Items A.1 through A.8 above;
2. Signage concept;
3. Photographs or sketches of decorative light fixtures and major furnishings.

SUBMISSION NUMBER 6

INTERIOR DESIGN FORMAL PRESENTATION DOCUMENTS

All those previously submitted in Submission Number 5 as amended following the Lessee's review and comments.

SUBMISSION NUMBER 7

PRELIMINARY TRADE EQUIPMENT DOCUMENTS

A. KITCHEN DRAWINGS SHOWING :

1. Details and tentative locations of all utility connections and floor drains on a utility spot plan;
2. A list of selected equipment with location and arrangement;
3. Confirmation of waste, ventilation and gross utility requirements.

SUBMISSION NUMBER 8

DESIGN DEVELOPMENT DOCUMENTS

Required to be submitted for review and comments when completed to the extent described below:

A. SITE DRAWINGS (at scale 1" = 30' or 1:400 scale) SHOWING :

1. Property boundaries;
2. Existing topography;
3. Final building, pool, recreation and parking area locations;
4. Final contours and spot elevations;
5. Final locations, elevations and configurations of site retaining walls and other special features, such as cooling towers and transformers;
6. Final storm drainage and water distribution plans;
7. Final locations of utility taps, routes and service connections;
8. Final major signage locations;
9. Location and extent of all site demolition work;
10. Final easements and rights-of-ways;
11. Preliminary sedimentation and erosion control plans.

B. ARCHITECTURAL DRAWINGS (at 1/8" = 1' or 1:100 scale unless noted) SHOWING :

1. Floor plans of guestroom, public, back-of-house and service areas including room names and numbers, structural grid and column locations (*);
2. Current exterior building elevations including top of parapet elevations, exterior wall finishes, signage and expansion joints at 1/16" = 1' or 1:200 scale;
3. Current building cross sections at 1/16" = 1' or 1:200 scale;
4. Current roof plan with MEP equipment locations, roof drains, skylights and other features identified, at 1/16" = 1' or 1:200 scale;
5. Building expansion joint locations;
6. Floor plan of each suite and guestroom type, with furniture layout at 1/4" = 1' or 1:50 scale;
7. Preliminary reflected ceiling plans and material selections;
8. Preliminary interior elevations, at 1/4" = 1' or 1:50 scale;
9. Partition schedule, including details showing that acoustical criteria are met;
10. Door schedules;

11. Preliminary window schedule and configurations, including glazing selections;
12. Preliminary finish schedule, prepared in generic terms;
13. Title blocks with sheet number, title, scale and date.

C. LANDSCAPE DRAWINGS (at 1" = 30' or 1:400 scale) SHOWING:

1. Schematic landscape plan with major plant bed locations and identifications;
2. Preliminary list of plant material and sizes.

D. REPORTS AND STUDIES SHOWING:

1. Design Brief as currently designed;
2. Space Programme as currently designed;
3. Updated Site/Zoning/Code Investigation Checklist;
4. Updated Project Budget;
5. Final utility, energy, vertical transportation and acoustical studies;
6. Final code compliance review, such as fire and smoke detection and alarm, smoke evacuation, egress, etc.
7. Final outline (performance) specifications;
8. A final narrative account summarizing the type of mechanical system, its operation, and fuel selection;
9. Compliance with Underwriter's Laboratories (UL) requirements for all building components and assemblies.

E. MECHANICAL DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Locations and preliminary loads of HVAC units;
2. Major duct runs and mechanical chase locations and sizes;
3. Preliminary layouts, zoning and operating characteristics of life safety system, including smoke evacuation, fire suppression (sprinklers), detection systems and alarms, and a narrative of the operational theory;
4. Complete legend;
5. Preliminary notes.

F. ELECTRICAL DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Preliminary load calculations;
2. Partial riser diagrams and schedules;
3. Major electrical raceways;
4. Preliminary site and building lighting;
5. Preliminary MATV (master antennae television distribution system, fire alarm risers and motor control center schedule;
6. Complete legend and preliminary notes.

G. PLUMBING DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Locations and sizes of all floor troughs and drains;
2. Locations and sizes of all roof drains;
3. Preliminary sizes and locations of mains hot water supply and return, cold water supply, storm, sanitary and vent lines;
4. Complete legend and preliminary notes.

H. SPECIALITY DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Conceptual layouts of equipment and equipment rooms for telecommunications and security;
2. Schematic layout, schedule and utility requirements for food and service equipment;
3. Footprint of pool, pool deck, spa and pool equipment room.

I. INTERIOR DESIGN DRAWINGS SHOWING:

1. Information included in the Interior Design Formal Presentation.

Documents marked (*) are to include major duct runs, pipe chases and electrical raceways.

SUBMISSION NUMBER 9

CONSTRUCTION DOCUMENTS

Required to be submitted for review and comments when they are completed to the extent described below:

A. SITE DRAWINGS (at scale 1" = 30' or 1:400 scale) SHOWING:

1. Progress (detailed) prints which include items 1 through 10 in the Design Development Documents;
2. Substantially complete sedimentation and erosion control plans;
3. Preliminary limits of work, showing clearing and select clearing;
4. Preliminary building location control plan;

B. ARCHITECTURAL DRAWINGS (at 1/8" = 1' or 1:100 scale unless noted) SHOWING:

1. Progress (detailed) prints which include items 1 through 10 in the Design Development Documents;
2. Updated reflected ceiling plans with layouts, material selections, bulkheads, coffers, changes in ceiling heights, and some details;
3. Updated interior elevations, including details and material notations;
4. Updated partition schedule with preliminary details;
5. Updated door schedules including threshold details;
6. Updated window schedule and configurations including glazing selections and other details;
7. Updated finish schedule, prepared in specific terms with preliminary finish material selections;
8. Preliminary hardware schedule;
9. Preliminary millwork and casework plans, details and elevations;
10. Preliminary stair, elevator, exhaust and pipe shaft details;
11. Complete title blocks.

C. LANDSCAPE DRAWINGS (at 1" = 30' or 1:400 scale) SHOWING:

1. Updated landscape plan with all plant beds located and identified, including vegetation to be saved;
2. Updated list of plant materials and sizes;
3. Preliminary staking, planting and drainage details;
4. Preliminary irrigation plan, showing zones, controls and a narrative of operation.

D. REPORTS AND STUDIES SHOWING:

1. Design Brief as currently designed;
2. Space Programme as currently designed;
3. Updated Site/Zoning/Code Investigation Checklist;
4. Updated Project Budget;
5. Complete and final specifications for Divisions 1 through 8, and 12 through 16 (American Institute of Architects Specifications);
6. Preliminary specifications for Divisions 9, 10 and 11;
7. Items 4 through 10 in the Design Development Documents;
8. Compliance with Underwriter's Laboratories requirements for all building components and assemblies.

E. MECHANICAL DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Final locations and development loads of HVAC units;
2. All duct runs and mechanical chase locations and sizes;
3. Substantially complete layouts, zoning and operating characteristics of life safety system, including smoke evacuation, fire suppression (sprinklers), detection systems and alarms;
4. Complete legend and notes.

F. ELECTRICAL DRAWINGS (on Background Drawings provided by the Architect) SHOWING:

1. Substantially complete load calculations;
2. Riser diagrams and schedules;
3. All electrical raceways;
4. Site and building lighting;
5. MATV, fire alarm riser and motor control center schedule;
6. Preliminary feeder and riser diagrams and equipment specifications;
7. Schematic conduit layout for security, telecommunications, property management and point-of-sale systems;
8. Preliminary dimmer schedule;
9. Preliminary panel schedules;
10. Preliminary panel schedules;
11. Schematic design for emergency generator, showing connected load;
12. Complete legend and notes.

G. PLUMBING DRAWINGS (on Background Drawings provided by the Architect)
SHOWING:

1. Locations and sizes of all floor troughs and drains;
2. Locations and sizes of all roof drains;
3. Preliminary hot water supply and return, cold water supply, storm, sanitary and vent line sizes and locations;
4. Complete legend and preliminary notes;
5. Conceptual graphics design.

SUBMISSION NUMBER 10

SUBSTANTIALLY COMPLETED CONSTRUCTION DOCUMENTS

All substantially complete Design Documents, when approved by Owner and the Lessee are incorporated into this Agreement as Exhibit C – Approved Design Documents: Below is a listing of those Design Documents:

- A. All Trade Equipment Design Documents which consist of:
 1. Layouts and arrangements of all selected equipment drawn to a scale of $\frac{1}{4}'' = 1'$ or (1:50);
 2. Necessary elevation and details;
 3. Sizes and approximate locations of all utility connections and floor sinks, troughs and drains (final and exact locations to be determined in conjunction with vendors submittals);
 4. Complete equipment list with specifications and utility requirements.

- B. All Interior Design Documents which consist of;
 1. All final versions of the documents listed in Submission 5 and 6 as amended after the Lessee's review on the formal presentation;
 2. Furnishing plans
 3. Interior architectural guideline documents describing the decorative applied architectural details of the interior of the Hotel, such as mouldings and built-in cabinetwork;
 4. Control Books (two (2) copies);

- C. All other Construction Documents which consist of the final versions of all Design Documents and studies requested in prior submissions which have incorporated all of the Lessee's comments.

NOTE : Revisions resulting from final coordination or code reviews shall be resubmitted for file and record purposes.

CARIBBEAN CONSTRUCTION COMPANY

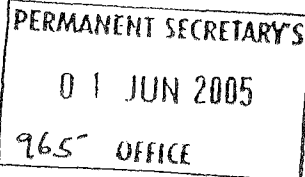


Member of the Incorporated Master Builders Association of Jamaica

Our Ref: DJM/SF/A2303/jjw

31st May 2005

Office of the Prime Minister,
1 Devon Road,
Kingston 6.



Caribbean Construction Co Ltd
P O Box 57, Kingston, Jamaica
Tel: 928-6221-3
Fax: 928-6224

Head office: Harbour Head Kingston 17

www.kier.co.uk PRIME MINISTER

MAY 31 2005

1638/05

Attention: The Right Honorable P J Patterson

Dear Sir,

Re: Ministry Paper # 33/05 - Ackendown Newtown Development Co. Ltd.

I was very disturbed to read a recent transcript of an interview, attributed to have been given by your esteemed office to Radio Jamaica, which contained certain incorrect statements with regards to Caribbean Construction Company Limited's operations in Jamaica and in connection with the Whitehouse Hotel Development undertaken by Ackendown Newtown Development Co. Ltd.

For the avoidance of doubt I would set the record straight on the following:-

1. Caribbean Construction Co. Ltd. was never approached by Ackendown Newtown Development Co. Ltd, with regard to further involvement in the project and as such did not have the opportunity to decline consideration.
2. Caribbean Construction Co. Ltd. has been established in Jamaica for more than fifty years and was recently awarded a citation of excellence by the Incorporated Master Builder's Association of Jamaica. At no time have we considered "pulling out of Jamaica." Despite the difficult trading conditions that have prevailed over the past few years we are still here and together with our associate Kier Group Companies, Kier Construction and Kier International Ltd, we hope to continue trading in Jamaica for many years to come.

I thank you for your attention and trust that the above clarifies the facts with regard to this matter.

Yours faithfully

For Caribbean Construction Company Limited

David J Myers
Managing Director

CARIBBEAN CONSTRUCTION COMPANY



Member of the Incorporated Master Builders Association of Jamaica

Caribbean Construction Co Ltd
P O Box 57, Kingston, Jamaica
Tel: 928-6221-3
Fax: 928-6224

Our Ref: DJM/NMcK/A2635/jjw

Head office: Harbour Head Kingston 17

28th June 2006

www.kier.co.uk

Sandals Whitehouse Audit Team
c/o Desmond Hayle & Associates Limited
11 Latham Avenue
Kingston 6

RECEIVED JUL - 3 2006

Attention of Mr Desmond S Hayle

Dear Sir

Re: Sandals Whitehouse

I refer to your letter dated 19th June 2006.

Caribbean Construction Company Limited were contracted to carry out enabling works for the proposed Beaches Whitehouse, Westmoreland Hotel Project. The client was the Whitehouse Development Company Limited and project management services were provided on behalf of the client by Royalty Resorts Limited / Mortimer & Associates Limited.

Answers to your specific questions are as follows:-

- 1a. Caribbean Construction Company worked on the proposed project between August 1998 and December 1998. Work ceased before the enabling works were completed following receipt of an order to stop work issued by the Project Managers on 5th January 1999.
- 1b. The works undertaken were:-
 - Site clearance
 - Main Access Road
 - Construction of Earth Drains
 - Construction of Dykes.

/.....

28th June 2006
Page 2
Mr Desmond S Hayle

- 1c. The total value of the work according to the Bills of Quantities was J\$56,469,666.12, the actual value of the work done upto the stop work order was issued J\$30,408,139.86.
2. Caribbean Construction Company was not asked to participate in the project after it's redesign in May 2000.
3. Caribbean Construction Company could have been available and did have the capability to undertake the project.
4. Caribbean Construction Company is part of the Kier Group and has considerable experience in the use of tunnel form construction both in Jamaica and elsewhere in the Caribbean. The most recent tunnel form project completed in Jamaica by Kier Group was the Couples Hotel in Negril.

Yours faithfully
for Caribbean Construction Company Limited



David J Myers
Managing Director



APPLIANCE TRADERS LIMITED

HEAD OFFICE: 35 HALF WAY TREE ROAD, P.O. BOX 308, KINGSTON 5, JAMAICA, W.I. (876) 926-3370-5 (876) 926-2088 FAX: (876) 926-2090
BRANCHES: MALL PLAZA, SHOP 10C, 20 CONSTANT SPRING ROAD, KINGSTON 10. (876) 968-5183-4. FAX: (876) 968-8420
IRONSHORE INDUSTRIAL ESTATE P.O. BOX 100, MONTEGO BAY, JAMAICA, W.I. (876) 953-9860-66 (876) 953-2397 FAX: (876) 953-3941
7 NEWLIN STREET, P.O. BOX 288, OCHO RIOS • JAMAICA, W.I. • (876) 974-2375 • 974-2038 974-9373 • Fax: (876) 974-5391

DIRECTORS: HON. G.A. STEWART, O.J., C.D., Hon. L.L.D., (Chairman), CHRISTOPHER ZACCA (Deputy Chairman)
EDWARD KHOURY (Managing), ROGER BUTLER, PATRICK LYNCH, LAURENCE McDONALD, JEFFREY PYNE

May 27, 2004

Q-0341/04/SC/KD

Ackendown Newtown Development Co. Ltd.
C/o Nevalco Consultants Limited
19 Norwood Avenue,
Kingston 5

Attention: Mr. Alston Stewart



Dear Sirs:

RE: SANDALS WHITEHOUSE - QUOTATION FOR THE SUPPLY AND INSTALLATION OF FOOD SERVICE, LAUNDRY AND HOT WATER EQUIPMENT – REVISION 3

As per your request of May 10, 2004, we are pleased to provide our revised quotation (Revision 3) for the captioned as follows (duty free and zero rated). Please see attached:

- 01) Priced equipment list for a total of **US\$3,317,568.95** for the supply and installation of the captioned; and
- 02) Warranty statement revised January 28, 2002 for various equipment

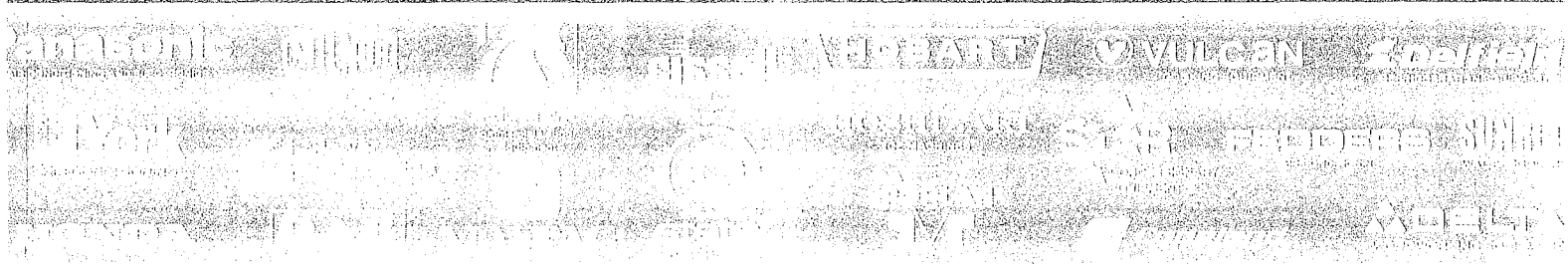
which form part of this quotation. Please note that per our contract for consulting services, if this quotation is accepted, the fees and expenses of our existing contract will be rebated toward this quotation. Fees and expenses paid to date are **US\$59,877.08** which would bring the net cost of this quotation to **US\$3,257,691.87**.

NB: All prices are current. This quotation is valid until June 18, 2004 with the exception of steel products and bunker fuel which is likely to fluctuate before then. These costs are listed on our attached basic price list.

DELIVERY OF EQUIPMENT:

10 – 16 weeks from approval of procurement and installation schedule (see notes), plus time to clear duty free and zero-rated.

....2/



**SANDALS WHITEHOUSE AUDIT TEAM
C/O Desmond Hayle & Associates Limited
11 Latham Avenue
Kingston 6**

January 19, 2006

Dr. the Hon. Vincent Lawrence, O.J.
Chairman
Ackendown Newtown Development Company Limited
c/o Urban Development Corporation
12 Ocean Boulevard
Kingston

Dear Dr. Lawrence

On October 25, 2005, the House of Representatives unanimously approved the following Resolution:

“Be it resolved that this Honourable House call upon the Most Honourable Prime Minister to engage the services of a team of independent building consultants and quantity surveyors to undertake a thorough forensic audit of the Sandals Whitehouse project from inception to completion, and to report their findings to Parliament.

And be it further resolved that the findings of this audit be transmitted to the Public Accounts Committee for its consideration”.

Consequently I have been appointed Chairman of this Audit Committee by the Honourable Prime Minister. The other members of the team are –
Mr. Robert Wan, Mr. Calvin Roach, Ms. Grace Ashley and Dr. Allan G. Kirton.

In order to expedite this audit, we are requesting that you provide us as soon as possible with the following by Friday, January 27, 2006. This does not preclude your sending to the Committee earlier, any documents that are readily available:

- 1 The Joint Venture Agreement and all other pertinent agreements
- 2 Agreements with consultants and the methods of appointment

- 3 Copies of all Contract Documents
 - a. Bills of Quantities
 - b. Contract Drawings
 - c. Recommendations and awards of contracts
 - d. Quotation from suppliers
- 4 Copies of claims from all contractors and suppliers
- 5 Recommendations for payments against these claims – from QS and or consultants
- 6 Copies of all variations, change orders, site instructions
- 7 Minutes of Site Meetings
- 8 Schedule of payments to consultants
- 9 Copies of Final Accounts
- 10 Copies of practical completion certificates and defect list
- 11 Copies of completion certificates and as-built drawings
- 12 Copies of extension of time claims and extension time awarded
- 13 Any documentations regarding Liquidated damages
- 14 Approvals from all Statutory Agencies
- 15 Copies of all test results e.g. soils, concrete cube test
- 16 Any other information or documents that would facilitate a timely completion of this Audit.

Your kind and prompt cooperation would be appreciated.

Yours sincerely


Desmond Hayle
Chairman Sandals Whitehouse Audit Committee

- c. Chairman – UDC
Chairman - NIBJ.
Chairman-Gorstew



THE PLANNING INSTITUTE OF JAMAICA

10-16 Grenada Way, Kingston 5, Jamaica, W.I.
 P.O. Box 634, E-mail: doccen@mail.colis.com
 Telephone: (876)-906-4463-64, 906-4468-72, Facsimile: (876)-906-5011



May 1, 2006

RECD. 12 MAY/06

Mr. Allan Kirton, C.D.
 Secretary/Member
 Sandals Whitehouse Audit Team
 c/o Desmond Hayle & Associates Limited
 11 Latham Avenue
 Kingston 6.

Dear Mr. Kirton:

I refer to your letter dated March 9, 2006 addressed to Dr. Wesley Hughes, Director General of the Planning Institute of Jamaica (PIOJ) requesting the PIOJ's assistance in reviewing the impact of external influences on the Sandals Whitehouse project.

Please find attached information on some key economic indicators for the years 2001-2005.

We trust that you will find this information useful as your Team undertakes the forensic audit of the project.

Please do not hesitate to contact us for clarification of any aspect of the information presented.

Yours sincerely,

Angella Taylor Spence
 Angella Taylor Spence (Mrs.)
 Economic Planning & Research
 for Director General

Changes in Key Economic Indicators 2001 - 2005

Inflation - Between 2001 and 2002 general price movements were contained within the single digit levels that the government targeted for the medium term. However, for 2003 – 2005 the inflation rate remained at double digit levels but reflected a declining trend each consecutive year. The higher levels of inflation in the three year period were triggered by the escalation in the price of oil on the world market particularly since the Iraq war in 2003. In addition, domestic importation of refined fuel instead of crude oil increased owing to the closure of the Petrojam refinery for an extended period to facilitate repairs and maintenance. Weather related disruptions such as the Hurricane Ivan in 2004 which devastated agriculture production forcing the importation of food was also a contributory factor.

Table 1

Inflation Rate 2001 - 2005					
Quarterly Rates					
Year	I	II	III	IV	Annual
2001	1.7	2.9	2.7	1.2	8.8
2002	0.6	1.7	2.4	2.5	7.3
2003	0.4	6.0	4.6	3.4	14.1
2004	1.9	1.9	2.9	6.4	13.7
2005	1.4	5.7	4.3	0.9	12.9

Source: STATIN

Tables 1a, 1b and 1c reflect inflation rates for subcomponents of the total. In Table 1a, the grouping Other Housing Expenses includes: lumber, cement, steel, paint, general household help, light, water & or sewage, telephone and dry cleaning. In Table 1b, the Transportation category reflects changes in expenses such as bus fare, taxi fare, air fare, motor cars, petroleum, oil and tyres.

Table 1a

Other Housing Expenses - Inflation Rate 2001 - 2005					
	I	II	III	IV	Annual
2001	1.8	2	1.5	-1.1	4.2
2002	7.9	4.2	1.8	0.7	16.6
2003	5.6	1.5	3.9	4.7	16.7
2004	6.4	-0.5	5.3	5.2	17.2
2005	4.0	4.6	5.3	0.5	15.3

Table 1b

Transportation - Inflation Rate 2001-2005					
	I	II	III	IV	Annual
2001	2.6	0.3	15.8	8.0	16.0
2002	2.1	1.1	-0.2	-0.7	8.2
2003	2.6	0.3	15.8	8.0	28.6
2004	1.0	1.6	-0.2	1.4	17.2
2005	0.4	1.9	25.0	-0.5	15.3

Source: STATIN

Table 1c

	KMA						Other Towns	Rural Areas
Petroleum	Inflation Rate 2001- 2005						Annual	Annual
		I	II	III	IV	Annual	2001	7.2
	2001	0.5	3.3	0.0	1.3	5.1	2001	0.6
	2002	-	4.7	2.0	5.4	-15.6	2002	-9.9
	2003	24.5	0.2	5.5	3.6	26.9	2003	26.2
	2004	11.2	14.4	2.0	4.8	36.0	2004	31.1
	2005	6.5	14.2	14.6	2.0	42.2	2005	30.3
Steel	Inflation Rate 2001- 2005						Annual	Annual
		I	II	III	IV	Annual	2001	1.3
	2001	3.5	6.8	0.0	1.6	12.2	2001	1.8
	2002	0.9	2.4	1.5	0.6	5.5	2002	6.7
	2003	24.2	13.8	11.7	1.8	60.7	2003	77.0
	2004	42.2	11.4	2.7	2.8	67.3	2004	63.1
	2005	-1.0	0.9	0.0	0.0	-0.2	2005	0.9
Cement	Inflation Rate 2001- 2005						Annual	Annual
		I	II	III	IV	Annual	2001	6.8
	2001	0.1	0.1	7.6	3.0	11.0	2001	8.1
	2002	1.7	1.5	0.2	0.0	3.5	2002	4.2
	2003	9.3	6.9	1.9	4.1	14.1	2003	18.1
	2004	1.5	0.2	2.3	0.0	4.0	2004	5.1
	2005	-2.6	1.3	2.9	0.4	2.1	2005	4.3

Source: STATIN

Exchange Rate - Between January 2001 and December 2005, the exchange rate between the Jamaican and the United States currencies moved from an average nominal monthly rate of US\$1.00 per \$45.70 to US\$1.00 per \$62.60 (Table 2). The movement over the five year period represented a depreciation of approximately 37.0 per cent.

Movements in the exchange rate between the United States Dollar vis a viz the Euro and the British Pound are reflected in Table 2a.

Table 2

Average Nominal Exchange Rate Movements (US\$/J\$), 2001 - 2005						
	End of Quarter				Annual	Dep.
	I	II	III	IV		
2001	45.70	45.77	45.86	47.36	46.19	
2002	47.34	48.43	49.08	50.18	48.73	5.5
2003	54.78	59.11	59.57	60.61	58.24	19.5
2004	61.02	61.12	61.97	61.85	61.39	5.4
2005	61.68	61.69	62.56	64.67	62.60	2.0

Source: Bank of Jamaica

Table 2a.

Average Nominal Exchange Rate Movements (US\$/Euro/Sterling), 2001 - 2005					
	US\$				
	2001	2002	2003	2004	2005
Euro	0.896	0.944	1.131	1.243	1.249
Pound Sterling	1.440	1.501	1.634	1.832	1.815

Source: Bank of Jamaica

During 2000 – 2004 there were revisions to the Minimum Wage rates as indicated in Table 3. There were also revisions to the wage rates applicable to skilled groups of workers including the Construction worker category (Table 4).

TABLE 3

Annual Minimum Wage Rates, 2000 - 2005						
	2000	2001	2002	2003	2004	2005
Minimum Wage (\$)	62,400.0	62,400.0	93,600.0	104,000.0	104,000.0	124,800
Minimum Wage for Industrial Security Guards (\$)	105,040.0	105,040.0	147,056.0	166,400.0	166,400.0	187,200

Source: Ministry of Labour and Social Security

Table 4

Average Weekly Wage Rates by Industry Grouping (\$)									
	2000	2001	% Change	2002	% Change	2003	% Change	2004	% Change
Average Weekly Wage									
All Sectors	7587	8237	8.6	8895	8.0	9115	2.5	9729	6.7
Total Mining	18738	19736	5.3	18287	-7.3	20230	10.6	21365	5.6
Total Manufacturing	5595	6149	9.9	6463	5.1	7516	16.3	8270	10.0
Total Electricity, Gas and Water	11985	12983	8.3	13358	2.9	14429	8.0	15654	8.5
Construction	5431	5067	-6.7	5383	6.2	8281	53.8	9902	19.6
Total Trade, Hotels and Restaurants	4985	5626	12.9	6521	15.9	7428	13.9	7922	6.7
Total Transport, Storage & Communications	10403	11843	13.8	12234	3.3	11759	-3.9	11725	-0.3
Total Financing, Insurance, Real Estate and Business Services	10051	10455	4.0	11066	5.8	11750	6.2	12198	3.8
Community, Social and Personal Services (Excluding Private Educational Services)	4516	5356	18.6	5576	4.1	6321	13.4	8105	28.2

Source: STATIN

A 1



MCDONALD GROUP INTERNATIONAL, INC.

CA-7580

GEORGE J. McDONALD, P.E.
WATER, WASTEWATER & ENVIRONMENTAL ENGINEERING

9030 S. BATTANT PATH INVERNESS FLORIDA 34452
TOLL FREE US NATIONWIDE (888) 882-2384
FAX (352) 837-2879 VOICE (352) 837-1852
E-MAIL: gmcdonald@mcDonaldgroup.com
WEB SITE: www.mcdonaldgroup.com

May 22, 2001

Andre McDonald
Plantation Projects Office
Ocho Rios Jamaica

FAX to 876-795-4993 5 pages

Subject **Wastewater Treatment Plant for Beaches - Whitehouse**
Engineered Drawings for Proposed Wastewater Plant

Dear Mr. McDonald;

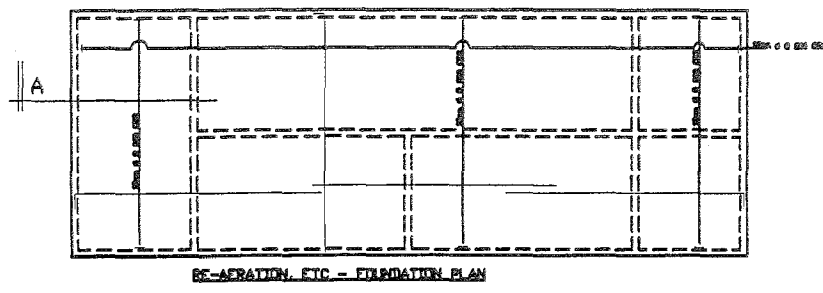
Mr. Ray Caldwell, your wastewater consultant, recently requested I prepare a proposal for your consideration for the production of engineering drawings for the new wastewater plant proposed for the Whitehouse - Beaches resort. As you may know, I have been assisting Mr. Caldwell with engineering consultation services on a number of Sandals wastewater projects, and have been fortunate for the opportunity thereby to have visited a number of wastewater plants operated by Sandals in Jamaica, Bahamas and Turks and Caicos.

Mr. Caldwell has shared with me some of his background reports on this particular project, along with some concept sketches and a preliminary CAD layout. I understand this project will be based around a standard SRI design and construction concept, using round field erected bolted steel tankage for all wastewater process tankage, a rotating mechanical sludge collector in the settling tank, and diffused aeration for developing the aerobic biological process.

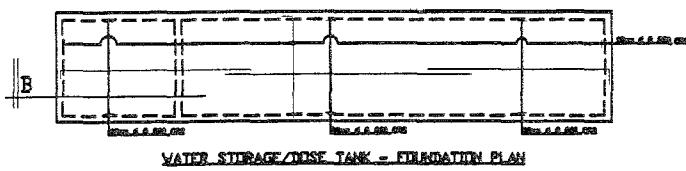
In the past, many of these SRI wastewater plant upgrades have been carried out using elementary methods for sizing components and connecting piping. Manufacturer cut sheets have been relied on for detailing equipment installation along with concept sketches.

I understand what you desire for this project is to have a little more comprehensive documentation in the way of engineering drawings going into the project. This serves a number of purposes. All components from tankage, to piping to mechanical equipment, can be sized in conformance to an overall process plan and hydraulic loading. Equipment and tankage layout can be readily viewed in scaled plan and profile prior to construction to verify site requirements and clearances. A set of drawings allows possible contractors interested in responding to a tender for construction services a consistent basis of proposal. The drawings aid in material takeoffs and in overall sequencing and control of the work. Last but not least in importance, they form the basis of a set of reference drawings needed for operations and maintenance and future modifications, if any.

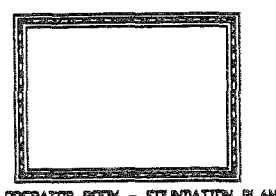
A set of engineered drawings for a wastewater plant can be prepared to various levels of detail depending on your requirements. At a *minimum*, the drawings need to indicate overall tankage geometry, show the direction of process flows, tankage volumes and piping sizes, and details how the plant functions hydraulically.



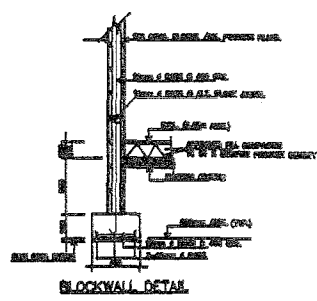
RE-AERATION, ETC. - FOUNDATION PLAN



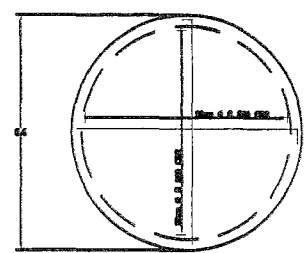
WATER STORAGE/DISE TANK - FOUNDATION PLAN



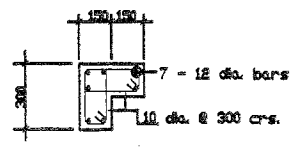
OPERATOR ROOM - FOUNDATION PLAN



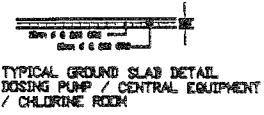
BLOCKWALL DETAIL



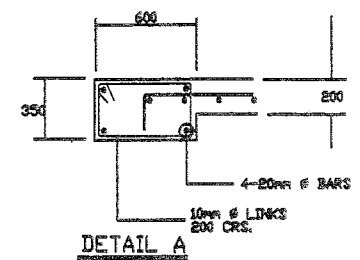
CLARIFIER - FOUNDATION PLAN



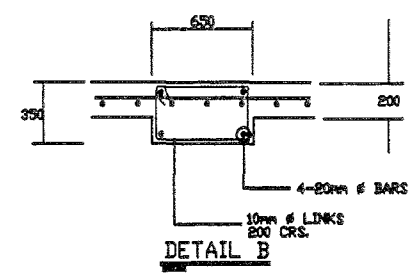
STIFFENER DETAIL



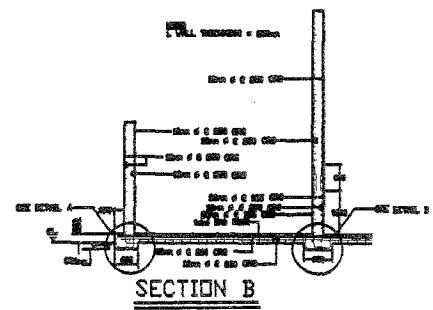
TYPICAL GROUND SLAB DETAIL
DOSING PUMP / CENTRAL EQUIPMENT
/ CHLORINE ROOM



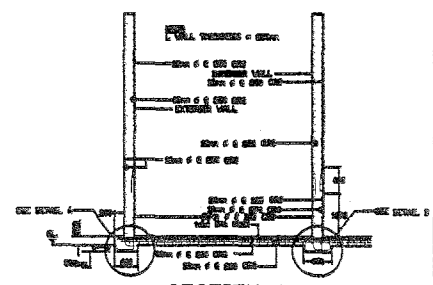
DETAIL A



DETAIL B



SECTION B



SECTION A

Revisions	
ENGINEERS :	JENTECH CONSULTANTS LTD. 144, Hope Road, Kingston, Jamaica
ARCHITECTS :	URBAN DEVELOPMENT CORP. 12 Ocean Boulevard, Kingston, Jamaica IN ASSOCIATION WITH :
CLIENT :	Ackdown Newtown Development Co. Ltd.
PROJECT :	SITE SEWAGE PLANT DETAILS
Date	08/05/2004
Scale	AS SHOWN
Drawing	S-032

APPENDIX 3LIST OF DRAWINGS USED IN THE PREPARATION
OF THE BILLS OF QUANTITIES

<u>SHEET NO.</u>	<u>SHEET TITLE</u>	<u>DATE</u>
A 010	Room Block D	11-06-01
A 020	Room Block I	11-06-01
A 030	Room Block F	11-06-01
A 040	Room Blocks Core Enlargements	11-06-01
A 050	Room Blocks Room Type Enlargements	12-06-01
A 060	Room blocks Maids Room Enlargements	11-06-01
A 070	Room Blocks Stair Enlargements	11-06-01
A 080	Room Blocks Elevation Study Block D	12-06-01
A 081	Room Blocks Elevation Study Block D	12-06-01
SP-1	Overall Site	20-06-01
SP-2	Site Plan	20-06-01

Schedule of payments to Capital Option Limited

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	Certificate Recommendation <u>no. 2</u> Total fees and <u>GCT (J\$)</u>	<u>Difference</u>
3/22/2002	57926	264,375.00		Re invoice # 188		
3/22/2002	57926	211,500.00		Re invoice # 222		
3/28/2002	57927	94,000.00		Re invoice # 220		
5/8/2002	57934	235,000.00	5,000.00	Re invoice # 230		
12/5/2002	16122	<u>229,125.00</u>		Cert. # 2		
		<u>1,034,000.00</u>			<u>1,034,000.00</u>	0.00

Schedule of payments to A.R.T. Inc

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	Certificate Recommendation <u>no. 2</u> Total fees and <u>GCT (US\$)</u>	<u>Difference</u>
8/31/2003	C# 900018	72,325.33	1,229.55	Cert. 1		
12/31/2003	C# 900036	95,391.22	<u>1,581.00</u>	Cert. 2		
			<u>2,810.55</u>		<u>2,810.95</u>	(0.40)

Schedule of payments to Appliance Traders

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	Certificate Recommendation no. 3 <u>Total fees & GCT (J\$)</u>	<u>Difference</u>
10/15/2002	16114	552,060.00		Cert. # 1		
2/10/2003	16140	1,415,160.00		Cert. # 2 re: Design Consulting		
8/20/2003	16188	<u>1,268,955.00</u>		Cert. # 3 re: Design Consulting		
		<u>3,236,175.00</u>				
Add: <u>Reimbursable</u>						
8/20/2003	C #16183	<u>209,853.00</u>		Cert. #3		
		<u>3,446,028.00</u>			<u>3,446,028.00</u>	0.00

Schedule of payments to Alfred Sharpe

				Certificate Recommendation no. 23		
<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	<u>Total fees and GCT (J\$)</u>	<u>Difference</u>
9/25/2003	16197	170,000.00		Cert. 1		
9/25/2003	16197	170,000.00		Cert. 2		
10/24/2003	16209	170,000.00		Cert. 3		
11/26/2003	16215	170,000.00		Cert. 4		
12/9/2003	16221	170,000.00		Cert. 5		
12/23/2003	16225	170,000.00		Cert. 6		
2/12/2004	16238	170,000.00		Cert. 7		
3/17/2004	16248	170,000.00		Cert. 8		
3/31/2004		170,000.00		Year end accrual - Certificate # 9		
4/29/2004	16263	170,000.00	2,805.74	Cert. 10		
5/1/2004	16272	170,000.00	2,802.97	Cert. 11		
6/24/2004	16278	170,000.00	2,781.41	Cert. 12		
7/29/2004	16290	170,000.00	2,757.05	Cert. 13		
9/1/2004	16297	170,000.00	2,746.37	Cert. 14		
9/29/2004	16309	170,000.00	2,745.48	Cert. 15		
11/2/2004	16323	170,000.00	2,745.03	Cert. 16		
11/30/2004	16342	170,000.00	2,743.26	Cert. 17		
12/15/2004	16351	170,000.00	2,742.82	Cert. 18		
1/27/2005	16379	170,000.00	2,750.81	Cert. 19		
2/25/2005	16409	170,000.00	2,745.47	Cert. 20		
3/21/2005	16433	170,000.00	2,760.19	Cert. 21		
4/5/2005	23	170,000.00	2,756.16	Cert. 22		
5/25/2005		<u>170,000.00</u>	<u>2,755.27</u>	Cert. 23		
		<u>3,910,000.00</u>			<u>3,910,000.00</u>	0.00

Schedule of payments to Rivi Gardner

Certificate
Recommendation
no. 22
Total fees and
GCT (J\$) Difference

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>
12 October, 2002	16123	2,700,000.00		Certificate no. 1
04 March, 2003	16144	900,000.00		Certificate no. 2
10 April, 2003	16155	450,000.00		Certificate no. 3
28 April, 2003	16160	450,000.00		Certificate no. 4
30 May, 2003	16170	450,000.00		Certificate no. 5
02 July, 2003	16176	450,000.00		Certificate no. 6
05 August, 2003	16183	450,000.00		Certificate no. 7
28 August, 2003	16189	450,000.00		Certificate no. 8
25 September, 2003	16198	450,000.00		Certificate no. 9
24 October, 2003	16208	450,000.00		Certificate no. 10
02 December, 2003	16219	450,000.00		Certificate no.11
23 December, 2003	16227	200,000.00		Certificate no.12
14 June, 2004	16276	1,500,000.00	24,513.81	Certificate no.16
26 July, 2004	16287	500,000.00	8,116.88	Certificate no.17
01 September, 2004	16298	250,000.00	4,038.77	Certificate no.18
29 September, 2004	16311	250,000.00	4,037.47	Certificate no. 19
11 November, 2004	16332	250,000.00	4,033.56	Certificate no.20
30 November, 2004	16341	250,000.00	4,034.21	Certificate no.21
17 December, 2004	16352	<u>250,000.00</u>	4,033.56	Certificate no. 22

11,100,000.00

Add: Reimbursables

03 April, 2003	16144	134,773.00		Cert. 2
10 April, 2003	16155	44,175.00		Cert. 3
28 April, 2003	16160	45,048.00		Cert. 4
30 May, 2003	16170	51,537.50		Cert. 5
02 July, 2003	16176	14,725.00		Cert. 6
05 August, 2003	16183	36,812.50		Cert. 7
28 August, 2003	16189	37,588.30		Cert. 8
25 September, 2003	16198	29,450.00		Cert. 9
24 October, 2005	16208	51,537.50		Cert. 10
02 December, 2003	16219	44,175.00		Cert. 11
23 December, 2003	16227	44,175.00		Cert. 12
29 April, 2004	16265	14,725.00	243.03	Cert. 13
29 April, 2004	16265	29,450.00	486.06	Cert. 14
14 June, 2004	16276	29,450.00	481.29	Cert. 15
26 July, 2004	16287	29,450.00	478.08	Cert. 17
01 September, 2004	16298	29,450.00	475.77	Cert. 18
29 September, 2004	16311	29,450.00	475.61	Cert. 19
11 November, 2004	16332	14,725.00	237.58	Cert. 20
30 November, 2004	16341	14,725.00	237.61	Cert. 21
17 December, 2004	16352	<u>14,725.00</u>	237.58	Cert. 22

740,146.80

11,840,146.80

11,869,596.80 (29,450.00)

Schedule of payments to Gorstew Limited

Date	Reference #	Amount (J\$)	Amount (US\$)	REMARKS	Certificate Recommendation	
					no. 21	
					Total fees and GCT (US\$)	Difference
1/31/2002	Genj (Acken 01/03)	2,232,500.00	47,500.00	Managers cheque		
26/4/02	chq# 057931	1,536,991.65	32,701.95	Cert. 1		
4/30/2002	Genj (Acken 04/03)	992,763.92	20,834.50	Cert. 1		
7/1/2002	chq# 057945	413,942.63	8,807.29	Cert. no. 2		
1/10/2003	chq# 016127	860,442.63	18,307.29	Cert. no. 6		
1/10/2003	chq# 016127	860,442.63	18,307.29	Cert. no. 7		
1/10/2003	chq# 016127	860,442.63	18,307.29	Cert. no. 8		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 3		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 4		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 5		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 9		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 10		
3/31/2003	Genj (Acken 03/09)	860,442.63	18,307.29	Cert. no. 11		
3/31/2003	Genj (Acken 03/12)	860,442.63	18,307.29	Cert. no. 12		
3/13/2004	Genj (Acken 03/19)	6,883,541.04	146,458.32	Acrued for Mar. '03 - Oct. '03		
			<u>391,874.96</u>	Managers cheque is excluded.		
<u>Add: Reimbursables</u>						
5/14/2002	chq.# 057937	205,572.36	4,373.88	Cert. no. 1 reim.		
7/1/2002	chq.# 057945	21,360.89	454.49	Cert. no. 2 reim.		
10/31/2002	Genj (Acken 10/06)	63,446.71	1,290.74	Letter d/d 1/10/02.		
1/10/2003	chq.# 016127	18,380.53	375.88	Cert. no. 6 reim.		
1/10/2003	chq.# 016127	5,988.74	127.42	Cert. no. 8 reim.		
3/31/2003	Genj (Acken 03/09)	19,890.08	405.92	Cert. no. 9 reim.		
3/31/2003	Genj (Acken 03/09)	22,892.00	467.18	Cert. no. 10 reim.		
3/31/2004	Genj (Acken 03/19)	157,387.43	3,071.42	For Mar. '03 - Oct. '03.		
			<u>10,566.93</u>			
			<u>402,441.89</u>	Managers cheque is excluded.	<u>401,765.97</u>	675.92 See note

Note:

Difference represents reimbursables totaling \$675.92 on Certificate no. 18 which were not included in its total expenses, and were not carried forward to the Certificates prepared after.

Schedule of payments to Jentech Consultants Limited

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	<u>Certificate Recommendation no. 8 Total fees and GCT (J\$)</u>	<u>Difference</u>
12/31/2001	Genj (Acken 12/04)	1,840,000.00		Managers cheque. (Cert. 1)		
7/1/2002	C 057948	1,916,666.66		Cert 2.		
1/10/2003	C 016126	8,356,666.67		Cert. 4		
5/8/2003	C 016165	2,836,666.67		Cert 6		
9/8/2003	C 016193	1,533,333.27		Cert. 7		
3/31/2004	Genj (Acken 03/09)	1,916,666.73		Cert 8.		
1/31/2005	Genj (Acken 01/20)	400,000.00	6,464.12	To accrue remaining balance on contract at Jan. 2005.		
		<u>18,800,000.00</u>				
Add: <u>Reimbursables</u>						
7/1/2002	C 057948	48,960.00		Cert. 2		
9/26/2003	C 016111	85,603.00		Cert. 3		
1/10/2003	C 016126	117,564.00		Cert. 4		
4/28/2003	C 016161	22,696.00		Cert. 5		
9/8/2003	C 016193	73,680.00		Cert. 7		
3/31/2004	Genj (Acken 03/09)	96,480.00		Cert. 8		
		<u>444,983.00</u>				
		<u>19,244,983.00</u>			<u>18,844,983.00</u>	400,000.00 See note

Note:

Difference represents accrual of balance due on contract sum of \$18.8M and not \$18.4M as indicated on Certificate.

Schedule of payments to Smith Warner International

<u>Date</u>	<u>Reference #</u>	<u>Amount (J\$)</u>	<u>Amount (US\$)</u>	<u>REMARKS</u>	<u>Certificate Recommendation no. 9 Total fees and GCT (J\$)</u>	<u>Difference</u>
28/2/02	Genj (ACKEN 02/01)	115,000.00		Cert 1		
5/8/2003	chq# 016166	460,000.00		Cert. 6		
31/3/04	Genj (ACKEN 03/09)	320,625.60		inv #2004/4 (Amt. outstanding at end of financial year)		
1/12/2005	chq# 16369	172,500.00	2,792.17	Cert. 8		
31/1/05	Genj (ACKEN 01/20)	402,500.00	6,504.52	Accrual remaining on contract at Jan. '05.		
5/17/2005	chq 16484	443,800.00	7,194.03	Cert. 9		
5/17/2005	chq 16484	<u>345,000.00</u>	5,592.48	Cert. 9		
		<u>2,259,425.60</u>				
Add: <u>Reimbursables</u>						
2/28/2002	Genj (ACKEN 02/01)	6,914.00		Cert. 1		
9/26/2002	chq 016107	60,600.00		Cert. 2		
1/10/2003	chq #016125	622,475.00		Cert. 3.		
2/10/2003	chq # 016138	45,000.00		Cert. 4		
3/19/2003	chq # 016149	37,500.00		Cert. 5		
31/3/04	Genj (ACKEN 03/09)	<u>140,625.00</u>		Cert 7 (inv# 2004/4)		
		<u>913,114.00</u>				
		3,172,539.60				
	Add	17,250.00		GCT charged and paid on Cert. 1		
	Less:	(320,625.00)		Amount booked as outstanding at end of finan. year '03/'04.		
		<u>(402,500.00)</u>		Accrual booked as remaining on contract at Jan. 2005.		
		<u>2,466,664.60</u>			<u>2,466,664.00</u>	0.60

Contracted fixed fee - J\$1,150,000 plus GCT (15%) where applicable.

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Schedule of payments to Witkin Design Group

Schedule of payments to Witkin Design Group						Certificate Recommendation no. 23	
Date	Reference #	Amount (J\$)	Amount (US\$)	REMARKS	Total fees and GCT	Difference	
12/31/2001	Genj (Acken 12/05)	259,600.00	5,500.00	Bank Draft			
10/31/2002	Genj (Acken 10/09)	1,179,873.60	24,000.00	Certs. 2 & 3.			
11/30/2002	Genj (Acken 11/05)	197,400.00	4,000.00	Cert. 4.			
2/28/2003	Genj (Acken 02/04)	107,254.80	2,000.00	Cert. 5.			
5/31/2003	Genj (Acken 05/05)	58,958.10	1,000.00	Cert. 6.			
5/31/2003	Genj (Acken 05/08)	295,375.50	5,000.00	Certs. 7 & 8.			
8/31/2003	Genj (Acken 08/05)	58,822.60	1,000.00	Cert. 7. Addit'l. fees.			
8/31/2003	Genj (Acken 08/05)	235,290.40	4,000.00	Cert. 9.			
8/31/2003	Genj (Acken 08/09)	59,054.30	1,000.00	Cert 10.			
9/30/2003	Genj (Acken 09/06)	59,282.90	1,000.00	Cert. 11.			
10/31/2003	Genj (Acken 10/11)	60,102.60	1,000.00	Cert. 12.			
12/31/2003	Genj (Acken 12/04)	60,419.20	1,000.00	Cert. 13.			
2/9/04	Genj (Acken 12/04)	60,690.90	1,000.00	Cert. 14.			
3/31/2004	Genj (Acken 03/04)	60,829.80	1,000.00	Cert. 15.			
3/31/2004	Genj (Acken 03/08)	61,005.70	1,000.00	Cert. 16			
3/31/2004	Genj (Acken 03/08)	61,005.70	1,000.00	Cert. 17			
3/31/2004	Genj (Acken 03/08)	61,005.70	1,000.00	Cert. 18			
7/26/2004	Chq 900102		500.00	Cert. 19			
11/30/2004	Chq 900329		1,000.00	Cert. 22			
			<u>51,500.00</u>	Bank draft excluded			
Add: Reimbursables							
7/31/2002	Genj (Acken 07/02)	75,488.98	1,558.08	Cert. 1			
10/31/2002	Genj (Acken 10/09)	101,242.50	2,059.39	Certs. 2 & 3.			
11/30/2002	Genj (Acken 11/05)	18,067.53	366.11	Cert 4.			
2/28/2003	Genj (Acken 02/04)	16,623.96	309.99	Cert. 5.			
5/31/2003	Genj (Acken 05/05)	8,774.14	148.82	Cert. 6.			
5/31/2003	Genj (Acken 05/08)	17,577.21	297.54	Certs. 7 & 8.			
8/31/2003	Genj (Acken 08/05)	51,182.72	870.12	Cert. 8.			
8/31/2003	Genj (Acken 08/05)	47,336.31	804.73	Cert. 9.			
8/31/2003	Genj (Acken 08/09)	1,336.99	22.64	Cert. 10.			
9/30/2003	Genj (Acken 09/06)	6,707.86	113.15	Cert. 11.			
10/31/2003	Genj (Acken 10/11)	1,728.55	28.76	Cert. 12.			
12/31/2003	Genj (Acken 12/04)	20,363.08	337.03	Cert. 13.			
12/31/2003	Genj (Acken 12/04)	2,689.86	44.52	Cert. 12.			
2/29/2004	Genj (Acken 02/05)	1,347.94	22.21	Cert. 14.			
3/31/2004	Genj (Acken 03/04)	21,185.19	348.27	Cert. 15.			
3/31/2004	Genj (Acken 03/08)	115,910.83	1,900.00	Inv 2107.			
3/31/2004	Genj (Acken 03/08)	1,367.75	22.42	Cert. 16			
3/31/2004	Genj (Acken 03/08)	15,322.80	251.17	Cert. 17			
3/31/2004	Genj (Acken 03/08)	7,828.86	128.33	Cert. 18			
7/26/2004	C#900102		51.90	Cert. 19.			
11/30/2004	C#900329		111.51	Cert. 20			
11/30/2004	C#900329		60.42	Cert. 21.			
11/30/2004	C#900329		141.00	Cert. 22.			
4/5/2005			<u>149.88</u>	Cert. 23			
			<u>10,147.99</u>				
			61,647.99				
	Less		<u>(1,900.00)</u>	Concerns McDonald Gp Int'l.			
			<u>59,747.99</u>				
					<u>59,736.06</u>		
						11.93	

Schedule of payments to Hospitality Purveyors Inc.

Schedule of payments to Hospitality Purveyors Inc.				Certificate Recommendation no. 23	Total fees and GCT (US\$)	Difference
Date	Reference #	Amount (J\$)	Amount (US\$)	REMARKS		
4/30/2002	Genj (Acken 04/03)	317,714.48	6,667.67	Cert. 1		
7/31/2002	Genj (Acken 07/02)	2,099,594.32	43,335.28	Certs. 2, 3 & 4.		
10/31/2002	Genj (Acken 10/06)	1,638,608.64	33,335.34	Certs 5 & 6		
11/30/2002	Genj (Acken 11/05)	822,549.51	16,667.67	Cert. 7.		
1/31/2003	Genj (Acken 01/06)	2,507,650.95	50,003.01	Certs 8, 9 & 10.		
2/28/2003	Genj (Acken 02/04)	1,787,687.62	33,335.34	Certs 11 & 12		
3/31/2003	Genj (Acken 03/04)	2,360,000.00	50,000.00	Correction of retainer amount incorrectly coded. Paid to Implementation Ltd. on HPI's behalf.		
3/31/2003	Genj (Acken 03/08)	927,869.19	16,667.67	Cert 13.		
4/1/2003	Genj (Acken 04/11)	944,590.19	16,667.67	Cert 14.		
5/31/2003	Genj (Acken 05/07)	1,078,931.61	16,667.67	Cert. 15.		
8/31/2003	Genj (Acken 08/06)	980,435.69	16,667.67	Cert. 16.		
8/31/2003	Genj (Acken 08/06)	980,435.69	16,667.67	Cert. 17.		
9/30/2003	Genj (Acken 09/05)	985,866.01	16,667.67	Cert. 18.		
12/31/2003	Genj (Acken 12/05)	1,007,047.29	16,667.67	Cert 19.		
12/31/2003	Genj (Acken 12/05)	1,007,047.29	16,667.67	Cert. 20.		
3/31/2004	Genj (Acken 03/08)	1,016,822.88	16,667.67	Cert. 22		
9/16/2004	chq 900250		16,667.67	Cert. 21.		
1/31/2005	Genj (Acken 01/21)		16,646.60	Accrue balance remaining on contract at Jan. '05.		
			<u>416,667.61</u>			
Add: Reimbursables						
4/30/2002	Genj (Acken 04/03)	90,924.78	1,908.18	Cert. 1		
7/31/2002	Genj (Acken 07/02)	54,138.52	1,117.41	Cert. 2		
10/31/2002	Genj (Acken 10/06)	69,789.71	1,419.78	Cert. 5		
1/31/2003	Genj (Acken 01/06)	208,119.49	4,149.94	Certs 8, 9, & 10		
2/28/2003	Genj (Acken 02/04)	71,217.72	1,328.01	Cert. 11		
4/30/2003	Genj (Acken 04/11)	43,029.92	759.28	Cert. 14		
5/31/2003	Genj (Acken 05/07)	22,274.93	344.11	Cert. 15		
8/31/2003	Genj (Acken 08/06)	46,920.44	797.66	Cert. 17		
9/30/2003	Genj (Acken 09/05)	77,673.09	1,313.19	Cert. 18.		
12/31/2003	Genj (Acken 12/05)	90,411.29	1,496.40	Cert. 19.		
3/31/2004	Genj (Acken 03/08)	475,766.37	7,798.72	Cert. 22		
10/7/2004	C #900256		609.65	Cert. 23		
			<u>23,042.33</u>			
			<u>439,709.94</u>			
					<u>371,945.99</u>	67,763.95 See note

Note

Difference comprises the following:

(1,117.41)	Reimb. omitted from revised Cert. 2.
(50,000.00)	Amount booked as correction of retainer amount.
<u>(16,646.60)</u>	Balance accrued as remaining on contract at Jan. '05.
<u>(67,764.01)</u>	

Schedule of Payments to M.J. Stoppi

<u>Date</u>	<u>Ref. #</u>	<u>Amount(J\$)</u>	<u>Amount(US\$)</u>	<u>Remarks</u>
11/4/2002	16118	141,250.00		Cert. 1
1/14/2003	16129	78,750.00		Cert. 2
10/24/2003	16206	157,500.00		Cert. 3
12/2/2003	16218	52,500.00		Cert. 4
		<u>430,000.00</u>		
Add: <u>Reimbursables</u>				
11/4/2002	16118	8125		Cert. 1
1/14/2003	16129	12187.5		Cert. 2
10/24/2003	16206	24375		Cert. 3
		<u>44,687.50</u>		
		<u><u>474,687.50</u></u>		

<u>Certificate Recommendation</u> <u>no. 4</u> <u>Total fees and</u> <u>GCT(JA\$)</u>	<u>Difference</u>
<u><u>474,687.50</u></u>	-

Schedule of Payments to Environmental Solutions

<u>Date</u>	<u>Ref. #</u>	<u>Amount(J\$)</u>	<u>Amount(US\$)</u>	<u>Remarks</u>	Certificate Recommendation <u>no. 12</u> Total fees and <u>GCT(JA\$)</u>	<u>Difference</u>
12/31/2001	ACKEN 12/04	233,243.00		Cert. 1, Paid via Managers cheque		
9/26/2002	16109	172,772.60		Cert. 2		
2/10/2003	16139	129,585.45		Cert. 3		
3/4/2003	16143	129,585.45		Cert. 4		
8/5/2003	16182	259,170.90		Cert. 5 & 6		
8/28/2003	16190	43,195.15		Cert. 7		
10/24/2003	16207	156,265.45		Cert. 8		
12/10/2003	16224	86,390.30		Cert. 9		
2/12/2004	16237	889,778.85		Cert. 10		
1/25/2005	16377	259,170.94	4,198.46	Cert. #s 11 & 12		
		<u>2,359,158.09</u>			<u>2,359,158.05</u>	0.04

Schedule of Payments to Hardie & Kossally

<u>Date</u>	<u>Ref. #</u>	<u>Amount(J\$)</u>	<u>Amount(US\$)</u>	<u>Remarks</u>
12/31/2001	ACKEN 12/06	1,380,000.00		Managers Cheque
7/2/2002	57950	705,000.00		Cert. #s 2 & 3
9/3/2002	16106	352,500.00		Cert. # 4
9/26/2002	16111	705,000.00		Cert #s 5 & 6
		<u>1,762,500.00</u>	(Managers cheque excluded)	

Add: Reimbursables

5/14/2002	57936	82,495.10		Cert. # 1
7/2/2002	57950	95,613.00		Cert. #s 2 & 3
9/26/2002	16111	155,098.84		Cert #s 5 & 6
11/4/2002	16116	35,268.00		Cert. # 7
7/2/2003	16175	59,342.00		Cert. # 8
		<u>427,816.94</u>		
		<u>2,190,316.94</u>	(Managers cheque excluded)	

Certificate
Recommendation
no. 8
Total fees and
GCT(JA\$) Difference

2,190,316.94

17

Schedule of Payments to Goldson Barrett Johnson

Date	Ref. #	Amount(J\$)	Amount(US\$)	Remarks	Certificate Recommendation	
					no. 39	
					Total fees and	
					<u>GCT(JA\$)</u>	<u>Difference</u>
12/31/2001	ACKEN 12/04	1,840,000.00				
3/31/2002	ACKEN 03/05	1,566,666.64		Cert. 1		
5/17/2002	57938	391,666.66		Cert. 2		
6/7/2002	57941	391,666.66		Cert. 3		
7/1/2002	57946	391,666.66		Cert. 4		
8/28/2002	16103	391,666.66		Cert. 5 less accomadation of 36000		
9/26/2002	16108	391,666.66		Cert. 6 less accomadation of 36000		
11/4/2002	16117	783,333.32		Cert. 7 less accomadation of 18000		
1/14/2003	16130	783,333.32		Cert. 8 & 9 plus accomadation of 90000 not previously paid		
2/10/2003	16141	391,666.66		Cert. 10		
3/4/2003	16142	391,666.66		Cert. 11		
4/10/2003	16156	391,666.66		Cert. 12		
4/28/2003	16162	7,951,666.66		Cert. 13 & 14		
5/15/2003	16168	391,666.66		Cert. 15		
7/2/2003	16174	391,666.66		Cert. 16		
8/28/2003	16191	391,666.66		Cert. 18		
9/19/2003	16196	391,666.66		Cert. 19		
10/1/2003	16202	391,666.66		Cert. 20		
10/24/2003	16210	391,666.66		Cert. 21		
12/2/2003	16217	391,666.66		Cert. 22		
6/14/2004	16275	1,500,000.00		Cert. 28 & 29		
7/26/2004	16289	500,000.00		Cert. 30 & 31		
9/1/2004	16299	250,000.00		Cert. 32		
10/25/2004	16314	250,000.00		Cert. 33		
11/5/2004	16331	250,000.00		Cert. 34		
11/30/2004	16340	250,000.00		Cert. 35		
		<u>21,799,999.84</u>				

Add: Reimbursables

3/31/2002	Acken 03/05	82,808.72		Cert. 1
5/17/2002	57938	14,756.16		Cert. 2
6/7/2002	57941	75,061.46		Cert. 3
7/1/2002	57946	17,591.24		Cert. 4
8/28/2002	16103	72,931.89		Cert. 5
9/26/2002	16108	9,354.65		Cert. 6
11/4/2002	16117	30,531.01		Cert. 7
1/14/2003	16130	143,324.61		Cert. 8 & 9
2/10/2003	16141	31,231.48		Cert. 10
3/4/2003	16142	47,709.99		Cert. 11
4/10/2003	16156	48,685.23		Cert. 12
4/28/2003	16162	101,814.23		Cert. 13 & 14

Schedule of Payments to Goldson Barrett Johnson

<u>Date</u>	<u>Ref. #</u>	<u>Amount(J\$)</u>	<u>Amount(US\$)</u>	<u>Remarks</u>	<u>Certificate Recommendation no. 39</u>	<u>Total fees and GCT(JA\$)</u>	<u>Difference</u>
5/15/2003	16168	54,014.22					
7/2/2003	16174	52,701.34		Cert. 15			
8/5/2003	16184	135,000.00		Cert. 16			
8/28/2003	16191	190,714.44		Cert. 17			
9/19/2003	16196	229,852.24		Cert. 18			
10/1/2003	16202	238,246.49		Cert. 19			
10/24/2003	16210	233,139.77		Cert. 20			
12/2/2003	16217	295,127.81		Cert. 21			
2/12/2004	16239	175,694.87		Cert. 22			
4/8/2004	16258	702,082.57		Cert. 23			
5/19/2004	16269	234,838.56		Cert. 24, 25 & 26			
6/14/2004	16275	472,678.15		Cert. 27			
7/26/2004	16289	685,475.21		Cert. 28 & 29			
9/1/2004	16299	357,061.98		Cert. 30 & 31			
10/25/2004	16314	359,006.82		Cert. 32			
11/5/2004	16331	362,403.96		Cert. 33			
11/30/2004	16340	363,853.43		Cert. 34			
2/16/2005	16396	181,492.41		Cert. 35			
4/14/2005	16460	206,706.87		Cert. 36			
5/9/2005	16480	171,876.82		Cert. 37			
7/26/2005	16544	295,569.10		Cert. 38			
		<u>6,673,337.73</u>		Cert. 39			
		<u>28,473,337.57</u>					
						<u>28,473,338.41</u>	(0.84)

Schedule of Payments to Edwin Hunter

<u>Date</u>	<u>Ref. #</u>	<u>Amount(J\$)</u>	<u>Amount(US\$)</u>	<u>Remarks</u>	Certificate Recommendation no. 14 <u>Total fees and</u> <u>GCT(JA\$)</u>	<u>Difference</u>
7/10/2003	16181	263,636.37				
8/5/2003	16185	420,000.00				
9/17/2003	16195	210,000.00				
10/1/2003	16201	210,000.00				
11/12/2003	16212	210,000.00				
12/4/2003	16220	210,000.00				
12/23/2003	16226	210,000.00				
2/19/2004	16240	210,000.00				
3/9/2004	16247	210,000.00				
4/8/2004	16253	210,000.00	3,451.68			
4/29/2004	16264	210,000.00	3,465.92			
5/19/2004	16271	210,000.00	3,462.49			
6/24/2004	16279	210,000.00	3,435.86			
		<u>2,993,636.37</u>			<u>2,993,636.37</u>	-

	Description	Amount in US\$
1	Additional payments to the Security	174,194
2	Payment for additional expatriat Professional Staff	790,550
3	Payment for suport expatriat Electricians	239,616
4	Additional local suporting labourer	254,758
5	Overtime paid to the Subcontractors	72,465
6	Overtime claimed by M&E Subcontractors	95,000
7	Additional for Cleaning works	60,750
8	Air freight expences for material supply	71,100
9	Purchase expences abroad (Expatriat Eng. In Miami)	64,000
10	Additional for tools purchasing	48,500
11	Additional cost for water use	36,774
12	Additional for power	48,387
13	Overtime paid to local staff	51,408
14	Additional Equipment and Plant	222,000
15	Meals and transportation	113,100
16	Remove rubbish and debris	26,100
17	Cleaning materials	23,700
18	Additional cost for temporary substitutes	68,000
		2,460,401

83-754,911 M/W - FFSE \$ A
2,000 000

SANDALS WHITEHOUSE

LIST OF THE ADDITIONAL EXPATRIOT PROFESSIONAL STAFF
 Period: June 2005-February 2006

Ashtrom Building System

	NAME	POSITION	Period (Months)	Wage/Fee	Other expences (air fair, transportation, accommodation, food etc.)	Total (US\$)
1	✓ Linenberg Moshe	Coordinator	9	160,000	18,900	178,900
2	Liran Moshe	M&E Consultant & Coordinator	3.5	85,000	8,100	93,100
3	Oren Dov	Q.S.	4	72,000	9,600	81,600
4	Etzioni Yehuda	Q.S.	4	72,000	9,600	81,600
5	Menelson Avichai ✓	Project Manager	7	87,500	14,100	101,600
6	Ginsburg Zeev ✓	Project Manager	5	87,500	11,100	98,600
7	Lupo Tony ✓	Scheduler	1	28,000	5,100	33,100
8	Askenazi Avi	Project Manager	2	25,000	3,000	28,000
9	Gurel Dror	Project Manager	1.5	22,500	2,250	24,750
10	Benhur Shmuel	Superintendent	5	60,000	9,300	69,300
11	Dvori Rami	Consultant	1	15,500	3,300	18,800
	Total:					<u>790,550</u>

} omit

SANDALS BEACHES HOTEL
INTEREST ON LATE PAYMENTS

APPENDIX A

Cert. No.	Submission Date	Due Day	Paid on	Overdue (days)	L.C.	Total (U.S.\$)	U.S.\$ Due	U.S.\$ received	1% Interest US\$	J.\$ In US\$	J.\$ received	2% Interest	Exchange Rate	J\$ Interest converted to US\$
1	2/14/2002	3/14/2002	2/18/2002	-24		1,186,699	830,689	830,689	0	16,892,875	16,908,325	0		
2	2/28/2002	3/28/2002	3/19/2002			1,750,739	1,225,517	1,225,517	0	24,958,549	24,968,687	0		
3	3/31/2002	4/28/2002	4/30/2002	2		396,558	277,591	277,591	179	5,664,019	4,114,133	7,308	47.88	152.64
	3/31/2002	4/28/2002	4/30/2002			3,911,126	2,737,788							
	3/31/2002	4/28/2002	4/30/2002			Mobilization					179,911,796			
4	4/30/2002	5/28/2002	6/11/2002	14		413,452	289,418	289,417	1,307	5,942,565	5,705,637	53,875	48.29	1,111.51
5	6/3/2002	7/1/2002	7/2/2002	1		625,450	437,815	437,814	141	9,064,647	8,631,198	5,848	48.48	120.63
6	6/28/2002	7/26/2002	8/13/2002	18		651,712	456,198	456,199	2,649	9,484,384	8,993,630	110,141	48.52	2,270.02
7	7/31/2002	8/28/2002	9/3/2002	6		958,693			0	13,992,129	13,229,970	54,163		
7	7/31/2002	8/28/2002	10/3/2002	36			671,085	671,085	7,793					
8	9/2/2002	9/30/2002	10/11/2002	11		660,826	462,578	462,578	1,641	9,716,134	9,119,399	68,953	49.10	1,404.34
9	10/1/2002	10/29/2002	11/8/2002	10		464,598	230,564	230,564	744					
9	10/1/2002	10/29/2002	11/8/2002	10			0		0	4,868,517		0	31,410	634.80
10	Short Payment - GCT Adv.	12/13/2002		35		140,862	94,655		0		6,934,650			
10	11/1/2002	11/29/2002	12/13/2002	14		415,617	290,932	385,588	1,314		1,886,048			
10	11/1/2002	11/29/2002	12/13/2002	14			0	0	0	6,163,180	5,735,515	55,667	50.12	1,110.68
GCT	11/1/2002	11/29/2002	1/18/2003			0	0		0					
11	11/28/2002	12/26/2002	1/22/2003	27		808,826	566,178	566,178	4,931					
11	11/28/2002	12/26/2002	2/3/2003	39			0		0	12,110,562	11,161,799	304,717	53.95	5,648.14
12	12/19/2002	1/18/2003	2/28/2003	43		653,808	457,668	457,665	6,348	9,997,409	9,022,558	277,347	53.20	5,213.30
13	2/3/2003	3/3/2003	3/14/2003	11		0	0	0	0					
13	2/3/2003	3/3/2003	3/18/2003	15		2,051,540	1,376,538	922,385	6,881	10,396,371	10,637,599	73,781	54.47	1,354.52
13	2/3/2003	3/3/2003	4/4/2003	32			454,153	442,152	4,688					
13	2/3/2003	3/3/2003	4/4/2003	32			12,001	0	124					
13	2/3/2003	L.C.			478,770			478,770						
14	3/3/2003	3/31/2003	4/25/2003	25		805,874	561,475	561,475	5,071	13,134,110	11,242,443	211,840	56.84	3,726.96
15	4/1/2003	4/29/2003	5/7/2003	8		270,026	270,026	270,026	697					
15	4/1/2003	4/29/2003	5/7/2003	8		143,715				8,082,532	8,459,321	41,716	60.49	689.64
15	4/1/2003	4/29/2003	5/15/2003	16	662,234	662,234	662,234	662,234	0					
16	5/1/2003	5/29/2003	6/10/2003	12		3,934,590	3,374,134	1,331,167	13,061	20,654,129	21,302,950	159,903	58.74	2,722.22
16		L.C.			1,774,218			1,774,218						
17	5/29/2003	6/28/2003	7/2/2003	8		1,346,568	839,597	839,597	1,625	30,124,098	29,774,292	116,609	58.72	1,885.86
17	5/29/2003	6/28/2003	7/2/2003											
18	7/2/2003	7/30/2003	8/5/2003	8		1,506,347				23,078,221	23,111,674	119,113	58.58	2,033.35
18	7/2/2003	7/30/2003	8/7/2003	8			1,115,258	1,115,258	2,159					
19	7/31/2003	8/28/2003	9/8/2003	11		2,134,187	1,722,194	1,722,194	6,315					
19	7/31/2003	8/28/2003	9/9/2003	12						1,666,892	1,675,455	12,905	59.38	217.33
19	7/31/2003	L.C.												
20	8/31/2003	9/28/2003				2,064,449								
20	8/31/2003	9/28/2003	10/8/2003	10			400,000	400,000	1,333					
20	8/31/2003	9/28/2003	10/1/2003	3			0	0	0	20,266,719	20,374,421	39,226	59.51	659.15
20	8/31/2003	9/28/2003	10/15/2003	17			300,000	300,000	1,700					
20	8/31/2003	9/28/2003	10/24/2003	26			1,000,000	1,000,000	8,667					
20	8/31/2003	9/28/2003	10/6/2003						0					
20	8/31/2003	9/28/2003	11/21/2003	54			23,202	23,202	418					
21	10/2/2003	10/30/2003				2,733,621								
21	10/2/2003	10/30/2003	11/21/2003	22			1,387,204	1,387,204	10,173	51,318,237	51,977,613	728,388	60.16	12,107.51
21	10/2/2003	10/30/2003	11/26/2003											
21	10/2/2003	10/30/2003	4/4/2004			L.C.	486,958		0					
21	10/2/2003	L.C.												
22	11/1/2003	11/29/2003	12/10/2003	11		2,254,376	1,697,764	1,697,764	6,225	12,438,238	12,513,503	88,806	60.59	1,485.68
22	11/1/2003	11/29/2003	12/29/2003	30						8,748,455	8,772,925	169,799	60.25	2,818.23
22		Levy												
23	12/2/2003	12/30/2003	2/3/2004	35		3,245,846	1,940,897	1,940,897	22,644					
23	12/2/2003	12/30/2003	2/12/2004	44						43,900,168	44,018,297	1,246,198	60.62	20,557.54
23	12/2/2003	Levy						252,749						
23	12/2/2003	L.C.												
23	12/2/2003	12/30/2003	4/4/2004				200,000		0					
24	1/17/2004	2/14/2004	2/28/2004	12		2,762,918	1,714,443	1,714,443	6,858					
24	1/17/2004	2/14/2004	2/28/2004	12						45,966,631	46,191,307	355,871	60.69	5,883.75
24		Levy						290,198						
25	1/15/2004				489,700	523,584								
		Levy						0						

NO	NAME	SCOPE OF WORK
1	ZIMMCOR	Windows R.B., Doors R.B., Dome, Skylight
2	TROPICAL METAL PRODUCTS	Metal sheet roofing
3	SYD CONSTRUCTION	Roof construction, Wood decks
4	SUPERIOR TURF MANAGEMENT	Landscaping&Irrigation
5	SEAL-SPRAYED SOLUTIONS	Waterproofing
6	STROKE OF BRILLIANCE	Painter
7	SECURITRON	CCTV
8	STANMAR SYSTEM	Aluminum doors& windows (Staff Acc.)
9	REAL WOOD	Wooden doors & windows (C.F.)
10	TECHNOLOGY PLUS	Electronic Gates
11	PETER TAYLOR	Swimming Pools
12	TANK WELD	Special cranes
13	POWERTRAC	Generator
14	PUNCHLINE COMBINATION LTD.	Coral Stone
15	ORMAX	A/C Units
16	ATL	Air Conditioning
17	NOTMAR TRADING CO. LTD.	Fire protection
18	NESBITT INT. CORP.	Acoustic Partition
19	HILMAC	Ducting
20	MECHANICAL SERVICES	Plumbing
21	MINOTT	Garbage collection
22	JHA	Aluminum handrails
23	KSA	Electrical works
24	GAYLES FABRICATION	Plumbing
25	GUARDIAN FENCING	Fences
26	GENDEC	Tiling works
27	EXOTIC WOODS	Molding
28	DT BROWN	Dredging
29	ASHROAD	Infrastructures
30	GENCO	GE
31	CARIBBEAN ELEVATORS	Elevators
32	COOL CONNECTION	Sound system
33	T.B.P. LTD	Aerial photographer
34	P. BLACKWOOD	Cut stone works
35	ALL INTERIORS	Suspended ceilings
36	W.M. DISTRIBUTORS	Partition and suspended ceilings
37	ANDERSON COURTS	Squash courts
38	ACS	BMS System
39	CLARE'S CLEANING SERV.	Carpet installation
40	WELDTRON	Gas pipes
41	WINDOWS LTD.	Aluminum windows
42	GARTH BROWN	Metal doors installation
43	TROPICAIR	Windows
44	RAY QUALMANN	Jetty
45	MARLOF	Sewage treatment

46	TREVOR JONES	Carpenter, Cast, Mason
47	PARTOUCHE	Door installation
48	MERSKY&WILLIAMS	Roofing
49	DANNY SEGOLA	Tiling works
50	REUBEN MURRAY	Tiling works
51	LEO-MAC	Custom brokers
52	PHILEMON SMITH	Tiling works
53	CECIL WHYTEHEAD	Carpenter, Cast, Mason
54	IVIL BLACKWOOD	Carpenter
55	MERVIN SATCHWELL	Doors and countertops installation
56	R. REMEKE	Painter
57	MILTON FOWLER	Roofing
58	MOBILE WELDING	Cranes
59	SAMUEL CLEVELAND	Masonry
60	GUARDSMAN LTD	Security

Suzanne,
Please copy to everyone listed.



Implementation Ltd

DEVELOPMENT CONSULTANTS, PROJECT & CONSTRUCTION MANAGERS

55 Hope Road, Kingston 6, Jamaica, West Indies
Tel: (876)978-2997, Fax: (876)978-2904
Email: info@implementationld.com
Website: www.implementationld.com

WATER
Supply
to that
AREA

← to ASHROAD-EAST
DONAU

← LETB
to CASTI
to RIFE ✓

Fax

To: MOSHE LINENBERG	From: KEITH RIGBYE
Fax: 963-5307	Pages: [Click here and type # of pages] 2 Pgs.
Phone: 963-5880	Date: December 6, 2004
Re: CENTRAL DECK - BEACH SHOWERS.	CC: Chris Shaw Winston Atkinson Alfred Sharpe Leibo

- Urgent
- For Review
- Please Comment
- Please Reply
- Please Recycle

Moshe,

Regarding your memo dated Dec. 4, please be advised that Andy Witkin revised the timber decking in the central pool deck area as per the attached sketch.

Therefore, the location of the beach showers needs to take this revision into account. I have indicated on the sketch where these should now be located.

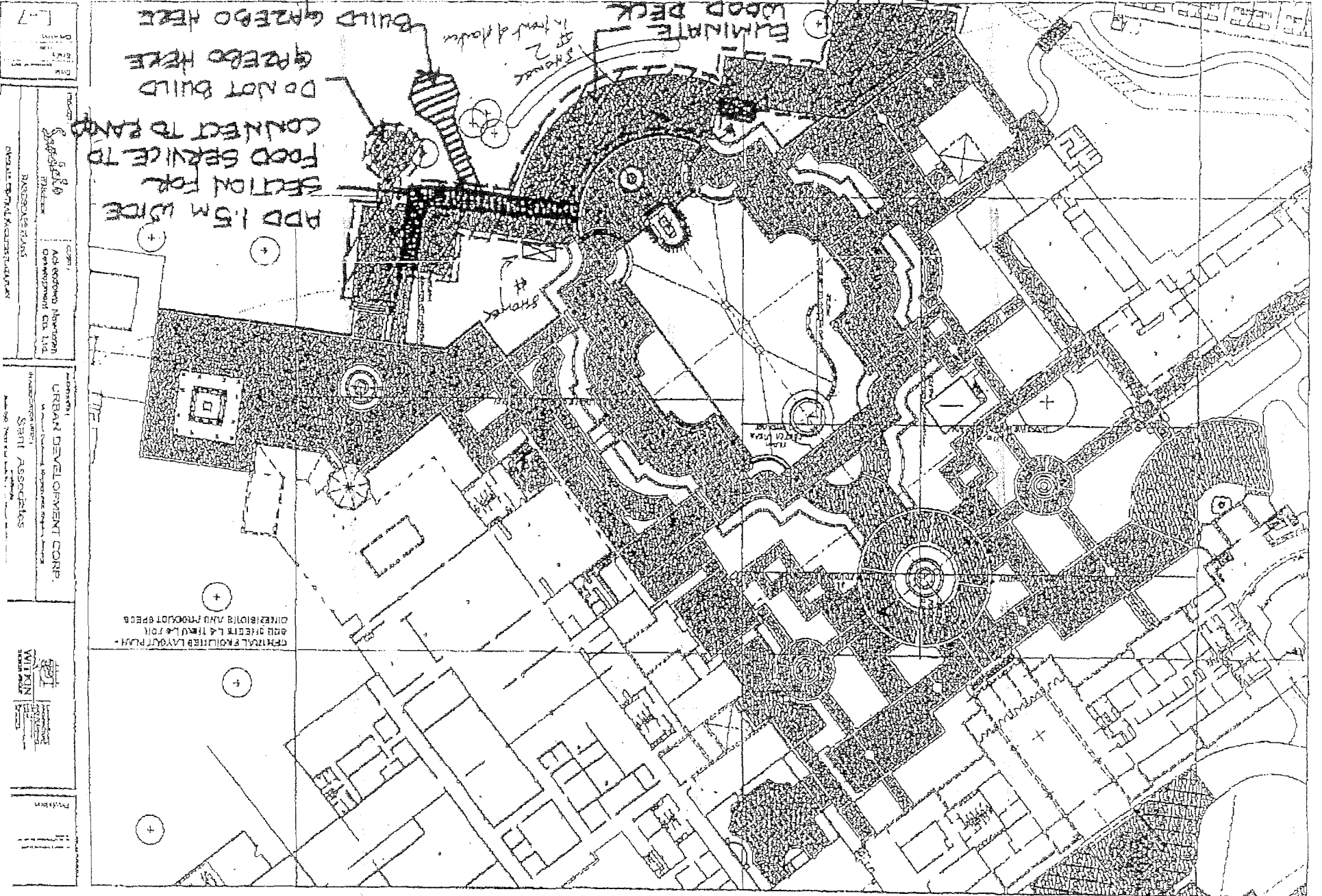
Yours faithfully,

Implementation Limited.

Keith Rigbye

RECEIVED DEC 06 2004

CENTRAL FACILITIES POOL DECK - REVISIONS TO LAYOUT AFTER HURRICANE FRANKS
SCALE: N.T.S. SHEET: BF 30, 2004



Scale: N.T.S.

Project: CENTRAL FACILITIES LAYOUT PLAN

Client: URBAN DEVELOPMENT CORP.

Architect: WITKIN

Engineer: [Signature]

DATE: 10/11/01

PROJECT NO.: 2391

SHEET NO.: BF 30

RECEIVED DEC 0 6 2004

to FILE

58 Hope Road, Kingston 6, Jamaica, West Indies
Tel: (876)978-2997, Fax: (876)978-2904
Email: info@implementationltd.com
Website: www.implementationltd.com

Fax: 963-5307

Memo :

To: Moshe Linenberg, ABS
CC: Alston Stewart Winston Atkinson Edwin Hunter
Eatan Shalgi Tibi Spingold Raffi Maoz
Rivi Gardner Alfred Sharpe Dennis Robinson
Simone Chung-Groves Peter Edwards

Date: June 17, 2004

Re: Site Instructions.

Moshe,

Regarding your memo dated June 15, 2003 requesting the issuing of site instructions by Nevalco Consultants Limited, project manager, please be advised as follows :-

Item # 5 – Footpath to Energy Centre from French Village – this pathway should be re-directed to terminate at the sewage treatment plant and NOT the utility center. This path is for access for emergency vehicles and must be maintained. However, as we intend to install a mini golf course in this central area we do not wish it to be intersected by footpaths.

Item # 7 – Coloured Concrete – The landscape architect has specified red coloured concrete for all walkways. Reverting to grey concrete is NOT acceptable as this would make the entire property dull and dreary. The specification for coloured concrete is to be maintained.

Item # 9 – Room Service Room – SRI has requested that the A/C for this room remain as chilled water and NOT a mini split. The supply & return piping is to pass through the service elevator lobby close to the soffit and the insulated pipes boxed out as a bulk head.

SRI is in agreement with all your other items and expect Site Instructions to be issued accordingly.

Yours faithfully,
Implementation Limited.


Keith Rigby
Project Manager.



Implementation Ltd

DEVELOPMENT CONSULTANTS, PROJECT & CONSTRUCTION MANAGERS

58 Hope Road, Kingston 6, Jamaica, West Indies
Tel: (876)978-2997, Fax: (876)978-2904
Email: info@implementationltd.com
Website: www.implementationltd.com

July 30, 2004

Mr. Eli Platzmann
Chief M&E Engineer
Ashtrom Building Systems Limited
Sandals Whitehouse Project
Whitehouse
Westmorland.

Dear Eli,

Re : Sandals Whitehouse – Various Matters.

We refer to your correspondence dated July 15 & 20 regarding the following matters :

1. **Somat System – Floor Sinks** - ATL are to provide the specification for these sinks for Ashtrom to supply & install. 1 no. for pulper & 1 no. for de-hydrator.
2. **Laundry – Chemical Storage Room** – The ATL drawings FB 707.0 and FB 707.1A reflect a CW supply and a drain. These were provided for the chemical dispensing system not for any sink unit. If a sink unit is required in this location it will need an additional supply and drain or an extension of the existing ones to wherever the sink is to be located. We will confirm with SRI if a sink unit is required.
3. **Floor Mop Sinks** – These are for the janitorial area in the main kitchen. These will be specified by ATL and will be provided by them as part of the kitchen and laundry equipment contract.
4. **Control Button** – Jacuzzi's for all pools – the air control button is to be replaced with a 15 minute timer which should be located in the nearest planter area mounted in a concrete column so as not to present a safety hazard as discussed with Peter Taylor on site on July 29, 2004.
5. **Laundry** – 2-compartment soak sink as per drawing FB- 707 located in the laundry sorting area. This sink unit should be a double compartment unit to be supplied and installed by Ashtrom. We will confirm with SRI as to whether this unit should be concrete, fiberglass or pvc.



Implementation Ltd

DEVELOPMENT CONSULTANTS, PROJECT & CONSTRUCTION MANAGERS

Please advise if you require any additional information or clarification.

Yours faithfully,
Implementation Limited.

Keith Rigbye.

cc. NCL - Alston Stewart, Winston Atkinson
BGN - Basil Nelson
RGA - Rivi Gardner
GBJ - Brian Goldson
ABS - Benny Goldstein, Moshe Linenberg, Raffi Maoz, Michel Sautrel.
SRI - Peter Edwards, Andre McDonald, Larry McDonald.

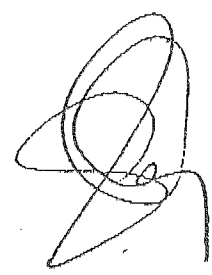
SIMONE CHUNG-GROVES

Project Consultant

FAX

To: Raffi Maoz/Moshe Linenberg - ABS

CC: W. Atkinson – NCL
 Eleanor Miller/Andre McDonald – SRI Projects
 Keith Rigbye – Implementation Ltd.
 Lilly Correa – HPI Design



Date: April 30, 2004

Re: Sandals Whitehouse: Rooms – Bathroom fixtures
 Pages: 1 page(s) attached.

In regards to your table showing the differing quantity and specifications of the four types bath fixtures arrived on site, SRI & HPI respond as follows:

Item #1 – Tissue paper Holder – 720 needed as per original HPI control book quantity, this was not revised. Order the balance needed.

Item #2 – 18" Towel Bar – 280 cancelled in control book for all standard category 1, 2 & 3 rooms in July 2003. These were specified for the staff accommodation bathrooms and perhaps can be used in the BOH staff bathroom area.

Item #3 – 24" Grab Bar – revised in the Model room comments to an 18" Grab bar in February 2003. SRI has approved the 24" Grab bar and HPI will forward the dimensions for wall placement on Monday, May 3, 2004.

Item #4 – 8" Double Corner Basket – appears on ID room elevation drawings, added as revision in March 2003. Kindly order.

Please see the attached.

