

OFFICE OF THE CONTRACTOR-GENERAL

Addendum to Report of Investigation

Conducted into the Sandals Whitehouse Hotel Project

APPENDICES

"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.



RESORTS INTERNATIONAL

May 29, 2001

Mrs. Marjorie Campbell
General Manager
Urban Development Corporation
12 Ocean Boulevard
Kingston

Dear Mrs. Campbell:

Re: Whitehouse & Newtown Development Co. Ltd.

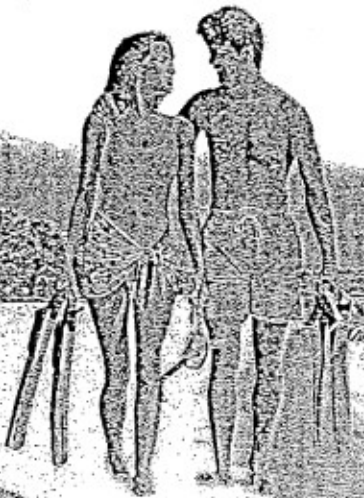
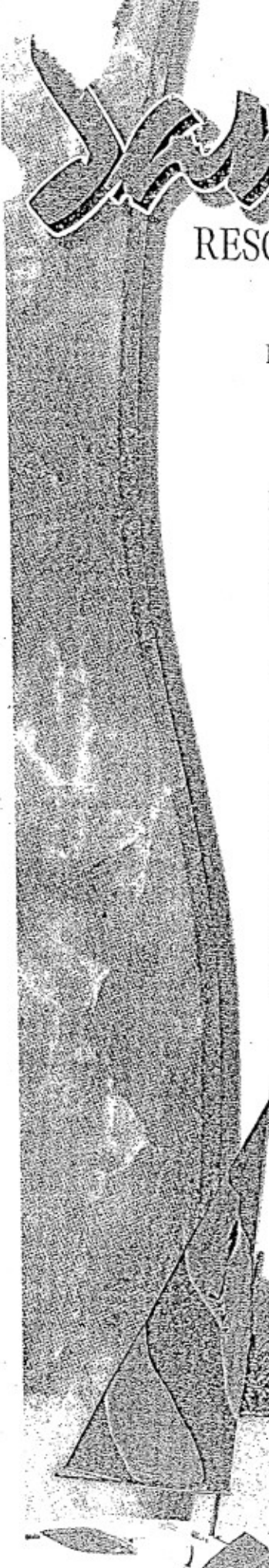
I am directed by our Chairman, Mr. Butch Stewart to advise and confirm that, further to his telephone discussion and agreement with the Chairman of the Urban Development Corporation (UDC), Dr. Vin Lawrence, Implementation Limited has been appointed by Sandals Resorts International to coordinate the activities of all the professionals within our Group and be our representative in dealing with the UDC, its officers and consultants regarding the project at Whitehouse, Westmoreland.

In an effort to ensure a totally professional approach and to avoid duplication, all enquiries should be channeled through Mr. Jeremy Brown, Director of Implementation Limited who has a full mandate

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35 Half Way Tree Road, Kingston 5, Jamaica, WI
Tel: (876) 929-5956 / Fax: (876) 929-6803

The Caribbean's #1 Ultra All-Inclusive Luxury Resorts For Couples
Jamaica: Sandals Montego Bay • Sandals Royal Family • Sandals Negril
Sandals Rio • Sandals Seven Falls • Sandals St. James • Sandals St. Lucia
St. Lucia: Sandals St. Lucia • Sandals Halcyon Beach • Bahamas: Sandals
Unique Vacations, Inc. is the worldwide representative for Sandals Resorts



to represent Sandals Resorts International in the important technical and operational areas for an orderly development of this project.

Matters concerning our Heads of Agreement, the Operating Lease and other related legal and policy matters should continue to be directed to the Chairman of Sandals Resorts International through this office.

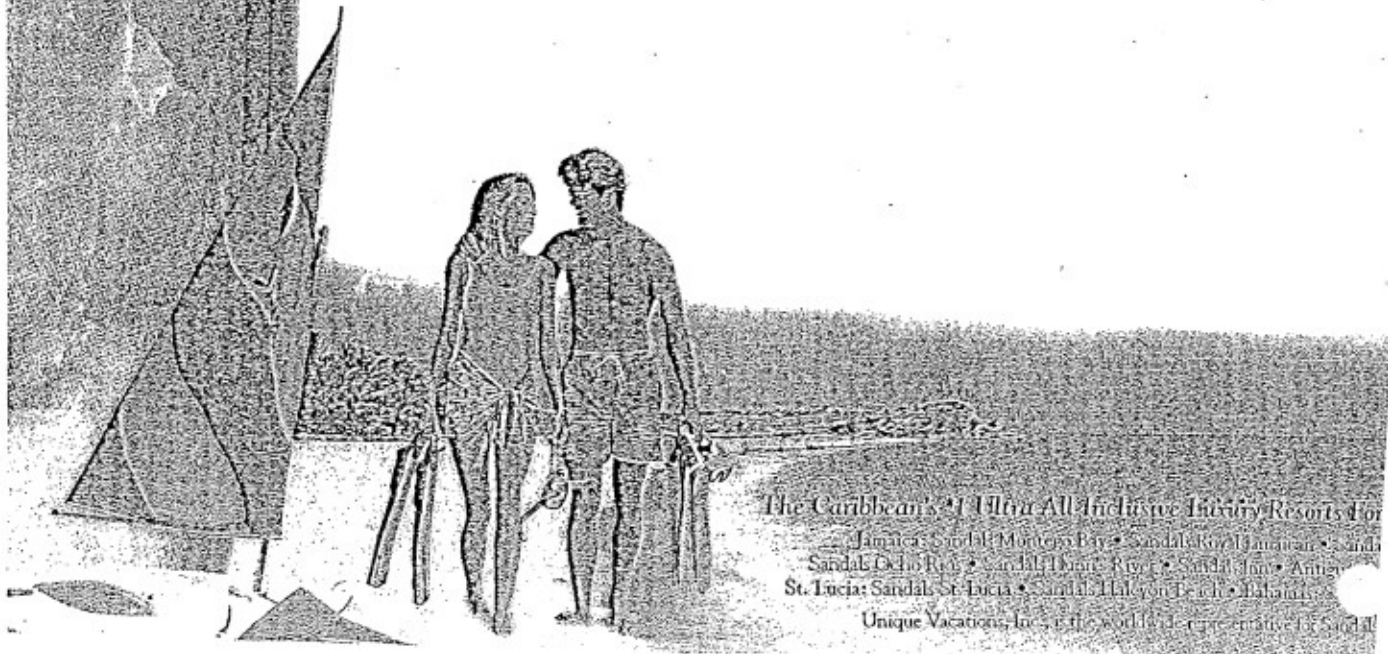
Thanks.

Yours sincerely,



PATRICK LYNCH
DIRECTOR, FINANCE & PLANNING

- cc. Mr. Butch Stewart, Chairman, Sandals Resorts International
Mr. Merrick Fray, Sandals Resorts International Montego Bay
Mr. Jeremy Brown, Implementation Limited



joint venture by and upon a Heads of Agreement in writing dated July 2, 2001 for the "planning, design, financing, development, construction and equipping, and leasing of a first class four star all-inclusive hotel located in Whitehouse, Westmoreland" (hereinafter referred to as the "2001 Project"). Ackendown Newtown Development Company Limited (Ackendown Newtown) was the corporate vehicle by which the 2001 Project was undertaken. The 2001 Project had a new design, new investors, a new concept, and has no relationship to the Aborted Project. It was therefore neither contemplated nor expressed that the 2001 Project would be the completion of a project as said on page 3 of the Report. It is the 2001 Project which is the subject of litigation in Claim No. HCV 5059 of 2005, the substance of which includes a claim for a declaration in relation to the proper construction of clause 7 of the Heads of Agreement, particularly as to the parties who bear responsibility in law for the reported cost overruns.

- Please refer to Tab 1
 - Letter dated April 30, 1997 from Hon. Gordon "Butch" Stewart O.J. of Gorstew Limited to Mr. O.K. Melhado, Royalty Resorts
 - Memorandum dated April 30, 1997 from Hon. Gordon "Butch" Stewart to Mr. Nathan Richards, Chairman of National Investment Bank of Jamaica Limited.
 - Heads of Agreement dated July 2, 2001

II. BENCHMARK OF DESIGN AND QUALITY FOR THE WHITEHOUSE PROJECT (THE 2001 PROJECT)

The Report states:

- "The original development budget for the project was estimated at a cost of US\$60 million and was based upon a Beaches Negril Resort concept." (Page 13)
- "The hotel was intended to mirror Beaches Negril with 273 rooms and would include facilities ..." (Page 57)

This is incorrect.

Our clients wish to reiterate that Beaches Negril was NEVER the design concept on which the 2001 Project was to be based, and Beaches Negril as the concept was never discussed between Gorstew, Gorstew's technical representatives, Implementation Limited, the UDC, Nevalco or Goldson Barrett Johnson. The design concept of the 2001 Project was and is based on the Beaches French Village property located in Turks & Caicos. As an understanding of this must be fundamental to an investigation into Sandals Whitehouse, it would appear then that you were provided with inaccurate information and as such the investigation would have proceeded on an entirely erroneous premise. Therefore, there was no reason for your site visit to Beaches Negril (for the purpose of comparison to Sandals Whitehouse) referred to on page 9 of your Report, and the conclusions you arrived at based on such visit are therefore inapplicable.

SECTION 01400

QUALITY CONTROL

PART 1 GENERAL

1.01 REQUIREMENTS INCLUDED

- A. General Quality Control
- B. Workmanship.
- C. Testing Laboratory Service.

1.02 RELATED REQUIREMENTS

- A. Section 01300 - Submittals.
- B. Section 02220 - Excavating, Backfilling and Compaction for Structures: Tests required for earthwork.
- C. Section 03000 - Concrete Production: Tests required for concrete.

1.03 QUALITY CONTROL, GENERAL

- A. Maintain quality control over suppliers, manufacturers, products, services, site conditions, and workmanship, to produce work of specified quality.

1.04 WORKMANSHIP

- A. Comply with industry standards except when more restrictive tolerances or specified requirements indicate more rigid standards or more precise workmanship.
- B. Perform work by persons qualified to produce workmanship of specified quality.
- C. 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 of 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.

DEC 03 2001

November 29, 2001

Dr. the Hon. Vincent Lawrence
Executive Chairman
Urban Development Corporation
12 Ocean Boulevard
Kingston

Dear Dr. Lawrence:

Re: Beaches Whitehouse – Construction Contract and Proposed Design

We refer to correspondence between ourselves and to your letter dated November 23. On Page 2, in the second paragraph of your letter you stated, "We do not accept however that there was any agreement on the Central Facilities. To date, neither the UDC nor Nevalco has been presented with drawings in respect of such facilities and at no time was an Agreement reached on these." We are at a loss to understand this. We thought all along that we had an agreed design, beautiful architectural drawings to prove it, and a basis upon which your architects and project manager were able to come up with an estimate which you have been at pains to say, must not be exceeded.

Sant Associates prepared the conceptual design and submitted the booklet dated May 2000 to all parties. This was accepted as constituting the agreed brief and the scope of the project at the conceptual design stage. A Heads of Agreement was subsequently signed between the parties and the architectural designs on the Central Facilities have subsequently progressed through a number of design stages based on this initial brief. I am sure you will agree that these drawings would not have been allowed to progress to the latest stages (for which you have been faithfully making payments), had the initial brief not been accepted.

You will recall Dr. Lawrence that we have at all times material been trying to work through all the outstanding design issues. In fact the minutes of a meeting held at the UDC on March 16 record under the heading Hotel Operations "Mr. Lynch is to confirm to UDC that Sandals is satisfied with the designs that were done by the Architect, Mr. Graham Sant. He is to arrange for Mr. Gordon Stewart to meet with the Sandals' persons who had been at the Miami meeting to sign off on all outstanding design issues." Drawings of the Central Facilities throughout the design development stages were submitted by Sant Associates to the UDC and Nevalco. In some cases, Implementation Limited, our technical services representative, received these drawings on behalf of Gorstew via Nevalco and the UDC. Some detailed drawings were subsequently also accepted by Gorstew and returned to the architects.

...../2

GORSTEW LTD

35 Half Way Tree Road

Kingston 5

Dr. the Hon. Vincent Lawrence

- 2 -

November 29, 2001

You will recall also Dr. Lawrence that Gorstew invited members of the design team to the Beaches property in the Turks & Caicos Islands to review among other things, the level of finishes and services required. Subsequent to this, Implementation Limited prepared detailed schedules of pro-forma specifications with projected costs for all finishes, including FF&E budgets, for all areas within the Central Facilities. These schedules were submitted to Nevalco.

- Finally, we must state that Gorstew is not attempting to vary the agreement between the shareholders. We fully recognize that Paragraph 7 (i) of the Heads of Agreement states that "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 or design brief have been agreed and signed off on by the parties prior to commencement of the project." We simply wish to note that changes must be anticipated between the conceptual design stage, (which we contend has been accepted by all the parties to the Heads of Agreement), and the working drawings stage. We would have also expected that a design contingency be established in the development budget of \$60 million in anticipation of minor changes.

Yours sincerely,
GORSTEW LIMITED



PATRICK LYNCH
DIRECTOR

Section 2.02 of the Technical Services Agreement entered into between Gorstew and Ackendown Newtown dated November 1, 2001 required the Whitehouse Project to be "planned, designed, constructed, furnished and equipped in substantial conformity with the current standards of quality, durability, efficiency established by the Lessee in its recently completed Beaches all-inclusive family hotels and Design Brief." In 2001, the only recently completed Beaches all-inclusive family hotel was the Beaches French Village property in Turks & Caicos. Beaches Negril opened for the winter season 1996/1997 having been completed in 1996, whereas the Beaches French Village property in Turks & Caicos opened for the winter season 1999/2000 having been completed in 1999.

The design concept for the present Whitehouse Project (the 2001 Project) was the French Village, Beaches Turks & Caicos. The design brief for the 2001 Project including the schematic drawings was drafted by Architect Mr. Graham Sant of Sant Associates Architects. This design brief was modeled upon the recently completed French Village, Beaches Turks & Caicos, for which Graham Sant was also the lead architect. The Whitehouse brief (2001 Project) was finalized by the architects in May 2000 and has not been changed since May 2000 and is the design brief approved by the parties to the joint venture, namely the UDC, NIBJ, and Gorstew, and is an attachment to the Technical Services Agreement.

In 2001 and 2003, invitations were extended by Gorstew to the various stakeholders of the 2001 Project to stay at and view the French Village property in Turks & Caicos. The purpose of these trips was to allow the stakeholders to acquaint themselves with the standards and quality of finishes that would be expected at the Whitehouse Project (2001 Project), which at that time was designated to be a Beaches Property. In relation to the 2003 visit to Turks & Caicos, although construction had started at Whitehouse (in November 2001), the finishing elements had not yet commenced which meant that this visit was certainly pertinent. These said invitations in 2001 and 2003 were accepted by representatives of the UDC among others.

With regard to the trip in 2001, Mr. Graham Sant, architect, along with the Hon. Dr. Vincent Lawrence O.J. and Mr. Chris Shaw of the UDC, and Mr. Brian Goldson of Goldson Barrett Johnson, quantity surveyors, visited Turks & Caicos to view the Beaches property there. The purpose of this particular visit was to make stakeholders aware of the standards and quality of finishes and detailing, both interiors and exterior, which would pertain to the Whitehouse Project (2001 Project), including such details as the roof designs, external detailing and trim including stone or stone rendered mouldings and complexity of tiling. At no time during this visit did anyone in attendance raise any objection to the property being viewed, including its services and finishes, as the standard benchmark for the 2001 Project.

At no time was a tour of Beaches Negril arranged by project stakeholders nor were any Beaches Negril design briefs used as the benchmark for the 2001 Project. Furthermore, as stated previously, Beaches Negril was architecturally designed to portray a West Indian

IV. CHANGE FROM A BEACHES CONCEPT TO A SANDALS CONCEPT

The Report makes sweeping statements such as:

- "The suggestion that the increased costs of the project and its time overrun were due substantially to the change from the Beaches to a Sandals concept resort, has proven to be plausible." (Page 8)
- "Bearing in mind these differences [quality of finishes between Sandals Whitehouse and Beaches Negril], the percentage increase for certain items of work was calculated. The indications are that the roof construction, partitioning walls, floor, ceiling finishes, windows, doors and rainwater disposals, are all areas of work which showed increases." (page 9)
- "The project was impacted substantially by the change from a Beaches to a Sandals concept." (Page 53)
- "...the Scope of the Works, quality of workmanship, types of finishes, and the type of qualities of materials which were utilized, were substantially the dictates of Gorstew since that are to be attributed primarily to the projects initial Beaches concept to a Sandals concept." (Page 10)
- "It is understood that the original plan was to convert trailers into staff accommodations (outside of ASHTROM'S scope of works) but, due to the change from the Beaches to the more upscale Sandals concept, the contractor was instructed to build staff accommodations to match the Sandals environs. This item should have been treated separately and not included as part of the contract sum." (Page 50)

Again, you may not have been provided with accurate information on the issue of the change from a Beaches to a Sandals at Whitehouse.

The change from a Beaches hotel to a Sandals hotel did not result in increased costs or cause a time overrun onto the 2001 Project.

First, it must be remembered that it was the Beaches Turks & Caicos French Village and not Beaches Negril which was the benchmark for design and quality for the Whitehouse Hotel (the 2001 Project).

In order to understand how the change from a Beaches concept hotel to a Sandals concept hotel impacted the 2001 Project, it must first be understood what the differences are between a Beaches concept hotel and a Sandals concept hotel.

A Beaches hotel caters to families by providing facilities and amenities for both children and adults. Such a concept requires some of the rooms to have items such as twin double beds and connecting doors and includes pull-out sofas which can be converted to beds. Conversely, a Sandals hotel caters exclusively to adult couples and does not require interconnecting doors and twin double beds in rooms. Only a king size bed is required for

STATEMENT

Gorstew Limited on the Sandals Whitehouse Project

APPENDIX 8

- In the early 1990's Gorstew Ltd. explored the possibility of building a hotel, under the Beaches brand, in Whitehouse, Westmoreland. Adequate financing had been secured, however, as a result of challenges related to the initial concept for the undeveloped area, Gorstew decided that it would terminate that venture in January 1999. All consultancy contracts were terminated and all professional fees paid.
- Subsequently, in 2001, in order to open up an undeveloped area for tourism, a new joint venture with a different design brief by a new architect was initiated and Ackendown Newtown Development Company Ltd. was formed with a board of directors, which included representatives from the Urban Development Corporation, NIBJ and Gorstew.
- It should be noted that as part of its input to the project Gorstew provided the land at the original price paid for it in 1991 despite inflation over the years.
- The role of each stakeholder was clearly outlined in a formal agreement. The UDC was the Project Manager and was responsible for the appointment of all professionals, the awarding of contracts and for managing all construction, and were charged with the task of ensuring that the hotel be completed within budget and within the prescribed time of two years. Gorstew was responsible for setting standards and providing technical advice relating to these standards, as well as to lease and operate the finished hotel. The NIBJ had responsibility for financial advice.
- As prospective tenants and operators of the hotel, in accordance with international standards and as would be required of any international branded hotel operator in the world involved in the development of a new hotel, Gorstew provided technical advice on hotel standards under a technical services agreement.
- In order to properly advise and monitor the quality and standards of the construction under this technical services agreement, Gorstew appointed Implementation Ltd., led by Jeremy Brown, to be its technical consultants for the project. Gorstew made no money from the technical services agreement, as any money received by Gorstew was merely a reimbursement for expenses incurred in providing the services.
- On many occasions Gorstew expressed concerns about the pace and the quality of the construction. For example, as early as November 2003, Mr. Jeremy Brown of Implementation Ltd sent a memo expressing his concern about the slow progress of the project, and we quote: "...we considered June 2004 optimistic but now believe it is unachievable. Based on our assessment of progress to date, which we estimate reflects a level of 55%- 60% completion, we forecast completion of construction by October 31, 2004, however if progress continues at a similar pace, this date may not be achieved. We recommend that you programme for an immediate pre-Christmas 2004 opening, i.e., the commencement of the 2004/2005-winter season. We must advise that our opinion is not shared by the project manager and contractor".
- The representatives of Gorstew acted as fit and proper directors on the board of Ackendown, asking questions and raising concerns, but it should be borne in mind that they could only act on the information they had received.
- Gorstew directors on the board expressed their concern that a proper reporting format was not being used for the project. They suggested a format to assist with the reporting. This was prepared by Implementation and sent on August 12, 2003. However, the format was not used.
- Gorstew was rebuffed in our many attempts to obtain adequate financial information on the project expenditures.
- The following is an excerpt of our November 29, 2004 letter on the matter: "As you know we have requested (ie, dated June 4, 2003; letter dated July 18, 2003; letter dated July 31, 2003) information on the project expenditure to date and the financing of the project along with the suggested template which provides a clear, user-friendly format for presentation of the information. (Samples are presented again for your ease of reference.) Although we have received assurances from you (letter dated July 31, 2003) and Mr. Alston Stewart that the information would be made available in the format requested, it has not been forthcoming."
- Despite meetings of the board of Ackendown Newtown Development Company, the Gorstew directors only learned about the cost over-runs at a Board meeting, one month before the opening of Sandals Whitehouse hotel in February 2005.
- Gorstew is of the view that the final cost of the hotel exceeds expected norms of hotels of similar standard constructed in Jamaica.
- Gorstew maintains that the cost over-runs were not due to the name change from Beaches to Sandals, and that in fact this change actually saved money. The design remained virtually unchanged throughout the construction of the property. All discussions in the planning of the property were based on the Beaches Turks and Caicos concept. In fact the entire team was taken on a tour of the property, so that they could familiarize themselves with the model.
- On the matter of Appliance Traders Limited's (ATL) contract with Ackendown, for the provision of kitchen and laundry equipment, the process of tendering was in accordance with accepted procedures. That contract was awarded to ATL by tender and was completed ahead of schedule and within budget.
- When the hotel opened and received its first guests in February 2005, it was still incomplete in most areas. This resulted in Gorstew losing many millions of US dollars in money spent to provide emergency furniture, landscaping, and extra management resources amongst others. In addition, all guests were given free vacations for several weeks to compensate for the inconvenience to them. To this day, several issues remain unresolved including the sewage plant and the furniture.
- Our brand has suffered as a result and the image of the hotel continues to worsen as future bookings are deteriorating.
- Nevertheless, in accordance with the lease agreement Gorstew has been paying monthly rental to the owners, Ackendown Newtown Co. Ltd., of close to US\$500,000 in a timely manner.
- Despite the controversy around the Sandals Whitehouse project, the Sandals Group wishes to express its appreciation to the Hotel operating management and staff of Sandals Whitehouse - the majority of whom were recruited from the immediate communities - for performing yeoman's service in running the Hotel since it opened in February 2005, in spite of the construction issues, which remain unresolved at the Sandals Whitehouse property. We also wish to salute all the communities surrounding the hotel for their unwavering support and assistance throughout these trying times.

Gorstew Limited

Implementation Ltd. need to assist with the project, as Gorstew was keeping our staff...

ACKENDOWN NEW TOWN DEVELOPMENT COMPANY
LIMITED

SUMMARIES FROM FINAL STATEMENT OF ACCOUNT

FOR

THE CONSTRUCTION OF A 360 ROOM HOTEL

AT

WHITEHOUSE, WESTORELAND

ARCHITECTS

URBAN DEVELOPMENT CORP.

42 Ocean Boulevard
Kingston Mall

CONSULTING ARCHITECT

SANFELX ASSOCIATES

7400 SW 30th Terrace
Suite 202
Miami, Florida 33155

STRUCTURAL ENGINEERS

TECHCONSULTANTS LIMITED

44 Hope Road
Kingston 10

CONTRACTORS

ASHTRON BUILDING SYSTEMS LTD.

Mandela Highway
Central Village
St. Catherine

APRIL 2006

PROJECT MANAGERS

NEVALCO CONSULTANTS LIMITED

19 Norwood Avenue
Kingston 5

QUANTITY SURVEYORS

GOLDSON BARRETT JOHNSON

1 Oxford Terrace
Kingston 5

ELECTRICAL & MECHANICAL ENGS.

BASIL NELSON & ASSOCIATES

104 Holborn Road
Kingston 10

Summary Sheet



Sandals- Whitehouse

FINAL

SUMMARY

MAIN SUMMARY	OMISSION	ADDITION	EXTRAS(SAVING)
ROOM BLOCKS			
FRENCH VILLAGE	2,692,612.50	3,156,011.86	463,399.36
DUTCH VILLAGE	2,674,579.31	3,554,613.96	880,034.65
ITALIAN VILLAGE	2,613,563.89	3,363,780.58	750,216.69
VARIATIONS & EXTRAS TO THE CONTRACT	351,520.41	2,080,670.57	1,729,150.16
ADJUSTMENT OF PROV MEASURED WORKS	2,556.64	0.00	(2,556.64)
ADJUSTMENT OF PRIME COST SUMS	6,839,506.36	6,670,177.01	(169,329.35)
	15,174,339.11	18,825,253.98	3,650,914.87
CENTRAL FACILITIES			
MAN BUILDING AND ENTERTAINMENT	1,779,203.89	3,275,735.55	1,496,531.66
RESTAURANTS AND KITCHEN	2,906,168.37	3,802,099.28	895,930.91
SPA	862,103.20	795,694.90	(66,408.29)
RETAIL SHOPS	782,859.83	939,926.72	157,066.89
SUITE CONCERGE	146,772.65	170,418.07	23,645.42
CHECKOUT FACILITY	119,064.67	157,489.92	38,425.25
ADJUSTMENT OF PRIME COST SUMS	5,815,215.00	14,364,477.84	8,549,262.84
ADJUSTMENT OF PROV MEASURED WORKS	58,454.80	54,272.49	(4,182.31)
VARIATIONS & EXTRAS TO THE CONTRACT	55,441.82	344,771.85	289,330.23
	12,525,284.03	23,904,886.62	11,379,602.59
EXTERNAL WORKS			
EXTERNAL WORKS	880,913.90	1,500,406.37	699,492.47
VARIATIONS & EXTRAS TO THE CONTRACT	1,361,762.00	5,050,836.91	3,689,074.91
SUNDRY SITE WORKS		186,511.00	186,511.00
ADJUSTMENT OF PROV MEASURED WORKS	138,308.35	206,114.73	67,806.38
ADJUSTMENT OF PRIME COST SUMS	4,436,628.00	8,253,072.96	3,816,444.96
	6,817,612.25	15,276,941.97	8,459,329.72
COLLECTION			
CONTINGENCIES	1,455,745.00		(1,455,745.00)
ROOMBLOCKS	15,174,339.11	18,825,253.98	3,650,914.87
CENTRAL FACILITIES	12,525,284.03	23,904,886.62	11,379,602.59
EXTERNAL WORKS	6,817,612.25	15,276,941.97	8,459,329.72
	35,972,980.39	58,007,082.57	22,034,102.18
ADJUSTMENT FOR CLAUSE 30			5,300,782.00
FLUCTUATIONS NET			1,670,778.00
ADD FOR EXTENSION OF TIME			2,626,722.00
ADDITIONAL SUPERVISION			1,800,000.00
ADD CONTRACT SUM			33,432,384.18
			47,245,934.00
ADD FF&E ITEMSEXECUTED BY GC		746,351.00	80,678,318.16
ADD PROFESSIONAL FEES PAID THRU CONTRACTOR		693,000.00	
ADD DRAWING Reproduction		113,000.00	
ADD FF&E ITEMSEXECUTED BY GC		3,209,063.00	
ADD INTEREST FOR LATE PAYMENTS		725,661.65	5,487,075.65
TOTAL FINAL COST			86,165,393.81

GOLDSON BARRETT JOHNSON

Quantity Surveyors & Construction Economists

23 Parkington Plaza, Kingston 10, Jamaica W.I., Telephone: (876) 926-2418, 926-2419, Fax: (876) 929-9717

APPENDIX 10

August 22, 2001

Nevalco Consultants Limited
19 Norwood Avenue
Kingston 5

Attention: Mr. Alston Stewart


Dear Sirs:

Re: Proposed Beaches Hotel – Whitehouse, Westmoreland

We enclose herewith our final budget for the development of subject project. This budget is based on preliminary drawings and discussions received from the Architect and discussions with you for your attention.

Please advise us if you require any further discussions in this respect.

Yours faithfully,
GOLDSON BARRETT JOHNSON


Brian L. Goldson

BLG/jw

Encl.

Cc: Mr. Chris Shaw
Mrs. Marjorie Chevannes-Campbell



DS 24/8/01
27/8/01

REPORT ON NEGOTIATIONS WITH ASHTROM BUILDING SYSTEMS AND
GOLDSON BARRETT JOHNSON ON BEHALF OF NEW TOWN
DEVELOPMENT LTD. AT ACKENDOWN, WESTMORELAND

APPENDIX II

We wish to advise you that the negotiations entered into with Ashtrom Building Systems (ABS) on behalf of New Town Development Ltd. have now been concluded.

The Brief was to negotiate the Preliminaries, including plant, equipment and site supervision and general Head Office overheads and profit for the project together with rates for the construction of the Room Blocks and External Works.

We have received quotations from Ashtrom Building Systems at this stage for the construction of the Room Blocks for \$14,564,455.00 based on the approximate quantities which indicates an extra cost of \$577,451.00. This difference is not yet finalized as there are a number of items with which we are continuing negotiations with them. These should be finalized within the next few days, the outcome could affect this amount. (see Appendix 1).

The amount they have submitted for Preliminaries indicates a total of \$5,150,000.00 or approximately \$476,576.00 more than the budgeted amount of \$4,673,344.00. Our budgeted amount for Preliminaries was based on an 18 month construction period and though we have been able to negotiate Ashtrom's Preliminaries downwards from \$6.3 Million, they have remained firm at this figure for the proposed 24 months construction

APPENDIX 12

GOLDSON BARRETT JOHNSON

Quantity Surveyors & Construction Economists

23 Parkington Plaza, Kingston 10, Jamaica W.I., Telephone: (876) 926-2418, 926-2419, Fax: (876) 929-9717

March 19, 2002.

Nevalco Consultants Limited
19 Norwood Avenue
Kingston 5



Attention: Mr. Alston Stewart

Dear Sirs:

Re: Beaches Hotel – Whitehouse, Westmoreland

We confirm our telephone conversation that as soon as drawings are received for the plumbing design we will immediately proceed to measure the quantities.

The quantities and prices submitted by the contractor for the execution of the Dyke works have been adjusted in agreement with Mr. Eatan Shalgi as per the attached schedule reflecting a saving of US\$25,567.00.

We also confirm that the contractor should proceed with the execution of the works upon receipt of the drawings particularly where rates for the items are included in the approximate bills of quantities.

Though it is desirable to negotiate rates for new works this should in no way hold up the works.

Yours faithfully,
GOLDSON BARRETT JOHNSON

Brian L. Goldson O.D.

BLG/jw

Encl.

Cc: Mr. Eatan Shalgi – Ashtrom Building Systems Limited

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APPENDIX 13

... following clauses are additions and amendments to the clauses found in the Standard Form of Building Contract, Private Edition with quantities, First Revision, 1984.

CLAUSE 3(4) CONTRACT DOCUMENTS

Amend second line to read "shall furnish him with four copies of such drawings"

CLAUSE 12 CONTRACT BILLS

Delete Clause 12 and insert the following:

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 the Works to be executed by the Contractor in fulfillment of his obligations under the Contract.

The prices contained in the works section of the contract bills are exclusive of preliminaries, head office overheads and profit and will only be adjusted in accordance with Clauses 23 and 30(12). (Preliminaries, head office overheads and profit are separately dealt with and stated in the Preliminaries section of the Contract Bills.)

The Quantity Surveyor shall, except as otherwise stated, ascertain and determine by measurement the value of the Works in accordance with the Contract and the Contractor shall be paid that value in accordance with Clause 30. The Quantity Surveyor shall, when he requires any part of the Works to be measured, give reasonable notice to the Contractor's Foreman-in-charge, who shall:

- (a) forthwith attend or send a qualified representative to assist in making such measurement, and
- (b) supply all particulars required by the Quantity Surveyor

Should the Contractor not attend, or neglect or omit to send such representative, then the measurement made by the Quantity Surveyor or approved by him shall be taken to be the correct measurement of such part of the Works. For the purpose of measuring such Works are to be measured by records and drawings, the Quantity Surveyor or Architect as appropriate shall prepare records and drawings as the work proceeds and the Contractor, as and when called upon to do so in writing, shall within 14 days, attend to, examine and agree such records and drawings with the Quantity Surveyor or Architect and shall sign the same when so agreed.

CC3

November 23, 2001

Gorstew Limited
35 Half Way Tree Road
Kingston 5

Attention: Mr. Patrick Lynch

Dear Sirs:

Re: Beaches Whitehouse – Construction Contract and Proposed Design

We acknowledge receipt of your letter dated November 19, 2001.


The concerns regarding the size of the development and the financial viability of this Project were discussed at the meeting of the Board of Directors of Ackendown Newtown Development Company Limited (“the Company”) at its meeting on October 11, 2001. It was agreed at that meeting that there were certain critical matters that needed to be addressed if the Project was to remain viable. These included:-

1. Approaching the Consultants with a view to having them agree a reduction in their fees of approximately 25%; and
2. Adjusting certain design details in order to reduce the project size.

It was agreed that the Chairman would meet with the design team, the operators and consultants to discuss these matters. Although no formal meeting was held with the operators, the undersigned has had discussions with the Chairman of Gorstew advising of the above concerns.

Gorstew Limited
Attention: Mr. Patrick Lynch


We accept that the room sizes were signed off on by the UDC and accordingly will revise the proposed contract sum to be offered to the Contractor to exclude any reduction to the room sizes. The contract sum is also based on approximate quantities and will be finally determined on measurement of actual quantities.

 We do not accept however that there was any agreement on the Central Facilities. To date, neither the UDC nor Nevalco has been presented with the drawings in respect of such facilities and at no time was an Agreement reached on these.

The total cost of this project as agreed by all parties is US\$60m. We do not propose to agree any designs that will exceed this sum especially having regard to the method of payment of the shareholders' contributions already agreed in the Heads of Agreement, based on which Gorstew will not make its full contribution to construction until completion of the project and the shortfall will have to be covered by the other shareholders in the interim.

The design of the Central Facilities remain to be agreed and costed and any proposal by Gorstew that will have the effect of exceeding the budget will require discussion and agreement by all the shareholders particularly with regard to the method of funding.

Yours faithfully
URBAN DEVELOPMENT CORPORATION


Vincent M. Lawrence
EXECUTIVE CHAIRMAN

/jmw



May 10th, 2002.

Urban Development Corporation
12 Ocean Boulevard
Kingston

ATTENTION: Christopher Shaw

Dear Sirs:

RE: Beaches Whitehouse Hotel Project

In keeping with instructions from the Board Meeting of May 1st, 2002, I am requesting approval for the following consultants to travel to Florida to finalize design and budget for the captioned property:-

- Alston Stewart - Project Manager
- Brian Goldson - Quantity Surveyor

A two days working session is planned and we should be joined by representatives from the Architect, and Sandals Resort International working with HPI.

Yours truly,
NEVALCO CONSULTANTS LTD.,

.....
Alston G. Stewart
Project Manager.

CC: Mr. Brian Goldson - Quantity Surveyor

Rec'd. 14/5/02

PARTIES NOT AWARE OF COST OVERRUNS

The Report makes the following claim at page 71:

“ ... it is therefore difficult to accept that variations in this project due to the tune of approx. US\$40 million, inclusive of substantial variations in the Scope of Works, could have been made without the prior knowledge of the parties to the NEWTOWN agreement (viz. Gorstew Ltd., UDC, and NIBJ) or at a minimum, without the prior knowledge and approval of the UDC, Gorstew Ltd. and NEVALCO, or that these actions only became evident upon the completion of the project. We would view the suggestion, if it were made, to be inconceivable, if not unequivocally ludicrous.”

We wish to restate that the UDC was Project Manager with its on site project manager, Nevalco. The parties would therefore rely on the representations of these entities. No representative of Gorstew had any knowledge of cost overruns associated with the 2001 Project prior to December 2004 at which time Nevalco's Project Manager's Report for the month of November 2004 indicated expenditure on the construction contract exceeding the amount budgeted. This report was presented at the Board Meeting of Ackendown Newtown on January 4, 2005. This is documented.

During the years of 2003 and 2004, Mr. Patrick Lynch of Gorstew wrote to the Company Secretary of Ackendown Newtown, Mrs. Vivalyn Downer-Edwards on numerous occasions requesting information with regard to *inter alia* (and commensurate with the budgeted amount) - project expenditure, balance to complete per line item (such as construction, professional fees, furniture fixtures and fittings), and the financing (and sources thereof) for the project. In addition, this information was to be supplied in a reporting format necessary for ascertaining how much money was being spent, when the money was being spent, on what the money was being spent, and how close each project area (such as the kitchen, staff accommodations, boundary fencing, and restaurant building including piano bar) was to completion. This format was previously discussed and agreed to by and between Mrs. Vivalyn Downer-Edwards of the UDC, Mr. Alston Stewart of Nevalco, Mr. Lynch of Gorstew and Jeremy Brown of Implementation and was for the important purpose of identifying how much money had been spent on construction and the status of completion of construction by area, in an item by item configuration. Mr. Alston Stewart also agreed that in addition to the report that was requested by Mr. Lynch, all future reports would be done in such a format. Further, in order to facilitate this process, Jeremy Brown of Implementation prepared a sample reporting format, a copy of which is attached, incorporating the expenditure actually incurred to the date of preparing this report. This was submitted both to the UDC and Nevalco in hard and electronic formats.

In July of 2003, some financial information was forwarded to Mr. Lynch. However the report lacked important details such as the status of completion of work, the expenditures certified to date, and the estimated cost to completion. Without such detail, the figures were meaningless as, for instance, the amount of money spent cannot be correlated

GORSTEW LTD

35 Half Way Tree Road
Kingston 5

July 31, 2003 ✓

Mrs. Vivalyn Edwards
Company Secretary
Ackdown Newtown Development Co. Ltd.
12 Ocean Boulevard
Kingston

Dear Vivalyn:

I refer to our many telephone conversations and to correspondence ending with yours dated July 31. We also refer to your memo dated July 28 including the Project Manager and Quantity Surveyor's report for which we thank you. You are correct. We fully recognize our obligations for equity injections and we have earmarked \$1.6 million for same.

However, I am totally obligated to obtain full information and to appraise ourselves of the financial status of the project on an ongoing basis. In fact your Project Manager seemed most willing to provide the information and we facilitated this process by providing the necessary format at the special meeting held on June 30 at this office. What we really require is a report that allows us to conduct a financial analysis of the elemental progress of the work and one which will also provide us with advance warning on potential cost overruns on the project. The format, which we presented, will do just that.

We recognize that the Project Manager has made an effort to provide us with information but these reports are lacking in important financial details as to the status of the work. For example, the amount expended to date on Contractors' Preliminaries, Overheads and Profits constitute 86% of the budgeted amount; while expenditure on Room Blocks and Central Facilities are 38% and 29% respectively. This is a warning signal, which we need to discuss. A detailed report along the lines we suggested is what we need for the process. To help alleviate the problems of which you refer, I am therefore enclosing 2 bank drafts totaling US\$1 million on account. Over the next week, I would be pleased if you could have the report redone in the format suggested so that same can be reviewed and we can process the balance owing.

Yours sincerely,
GORSTEW LIMITED


PATRICK LYNCH
DIRECTOR

Enclosures

VALUATION

CERTIFICATE RECOMMENDATION NO. THIRTYEIGHT (38) PENULTIMATE DATED: AUG 2, 2005

PROJECT : THE CONSTRUCTION OF A 360 ROOM HOTEL - WHITEHOUSE, WESTMORELAND

CONTRACTOR : ASHTROM BUILDING SYSTEMS LIMITED

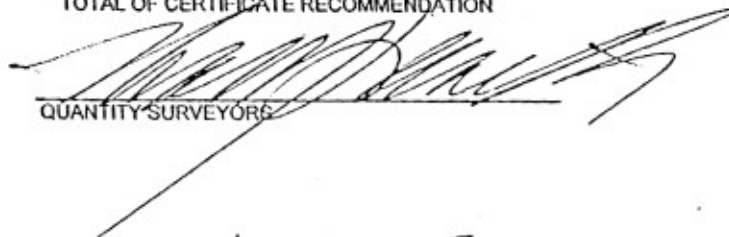
EMPLOYER : ACKENDOWN NEWTOWN DEVELOPMENT COMPANY LIMITED

CONTRACT SUM : \$40,463,456.51 (PROVISIONAL)

ESTIMATED FINAL COST TO DATE : \$

STARTING DATE: JANUARY 2, 2002 COMPLETION DATE: DECEMBER 30, 2004

A. ESTIMATED VALUE OF WORK TO DATE		75,512,942
B ALLOWANCE FOR INSURANCE EXCESS		409,415
C. PROVISION FOR COMPLETION WORKS		500,000
D. VALUE OF NOMINATED SUPPLIERS GOODS		-
E. VALUE OF NOMINATED SUB-CONTRACTORS WORK TO DATE		-
		<u>76,422,357</u>
F. DEDUCT RETENTION...%..LIMIT.....%		1,011,586
(LIMIT OF RETENTION \$2,023,172.82)		
		<u>75,410,771</u>
G. MOBILIZATION REPAID IN FULL REIMBURSABLES		12,001
G1 PROFESSIONAL FEES FOR M&E DESIGN		393,000
G2 FF& E		2,043,172
FF&E as Detailed on the attached		1,165,991
H. FLUCTUATIONS		
(1) MAIN CONTRACTOR		
(a) Wages emoluments and expenses	\$	5,903,343
(b) Materials	\$	447,826
(c) Currency Fluctuations	\$	0
(d) Euro fluctuations		400,000
(2) SUBCONTRACTORS		
(a) Wages emoluments and expenses	\$	
(b) Materials	\$	
		<u>6,751,169</u>
K. INTEREST ON OVERDUE PAYMENTS		85,776,104
		159,243
		<u>85,935,347</u>
I. DEDUCT CURRENCY FLUCTUATIONS		(4,210,300)
		<u>81,725,047</u>
I DEDUCT COMPLETION WORKS UNTIL EXECUTION	500,000	-
J. DEDUCT TOTAL OF PREVIOUS CERTIFICATES	77,439,098	77,939,098
		<u>77,939,098</u>
TOTAL OF CERTIFICATE RECOMMENDATION		<u>3,785,949</u>



QUANTITY SURVEYORS

ARCHITECT/PROJECT
 MANAGER



URBAN DEVELOPMENT CORPORATION

APPENDIX 19 JS

Head Office: 12 Ocean Boulevard, Kingston Mall, Kingston, Jamaica W.I.
Telephone: (876) 922-6310-4, 922-7034, 922-6834, 922-6845. Telefax (876) 922-9326
E-Mail: info@udcja.com • Website: www.udcja.com

Branch Office: 42 Fort Street, Montego Bay. Telephone: (876) 952-2044, 971-2044 Telefax: (876) 971-7001
Ocho Rios Shopping Centre. Telephone: (876) 974-5015-6 Telefax: (876) 974-2731
Norman Manley Boulevard, Negril. Telephone: (876) 957-5260 Telefax: (876) 957-3159

Ref 610.28

October 6 2006

10/11/06

Mr. Leonard Bailey
Director Construction Contracts
Office of the Contractor-General
17 Knutsford Boulevard
Kingston 5

Dear Mr. Bailey

SANDALS WHITEHOUSE HOTEL PROJECT

Further to your letter of September 27, 2006 in which you requested information regarding contracts awarded by the Urban Development Corporation (UDC) or Ackendown Newtown Development Company Limited to Appliance Traders Limited (ATL), Charsal Marketing Inc (CHARSAL) and A.R.T. Inc (ART) please see below.

You have asked for the "Principals" of these companies and if by this is meant the "shareholders" please note that neither the UDC nor Ackendown required information on the shareholders in consulting firms as this is not the normal practice. We therefore do not have in-house information relating to the shareholders of these companies. We have however checked with the Office of the Registrar of Companies which provided information on ATL's shareholding which we have listed below. We were unable to obtain information from the Office of the Registrar of Companies on shareholders for CHARISAL and ART as these companies are not incorporated in Jamaica. ART was a company recommended by Implementation Limited (IL) on behalf of Gorstew Limited, and we are informed that the shareholders in ART are Mr. Paul Bell and Mr. Chris Jacks. Mr. Charles Wood is the President of CHARISAL and was the main contact person for that company.

As far as we are aware, neither CHARISAL nor ART were registered with the National Contracts Commission at the time of award. ATL first applied for registration with the NCC in January 2001 and were registered at the time of award.

/2....

Dr. the Hon. Vincent Lawrence, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng. Executive Chairman - Mr. Jack Wilmot, J.P., Deputy Chairman - Mrs. Marjorie Campbell, M.Sc., C.A., General Manager - Mr. Carlton DePass
Mr. Richard Burgher - Mrs. Jacqueline DaCosta - Mr. Roy Hutchinson, O.D., J.P. - Mr. Leon A. Gordon, B.Sc., J.P., - Mr. Rudyard Ellis, B.Ed., (Admin) - Ms Annalisse Harewood, B.Sc (Econ) - Mrs Sonia Hymen
Mr. George Duncan, B.Sc., (Mgt), MBA, LL.B., J.P. - Ms. Annette Braithwaite, B.Sc., (Hons) CPS - Mrs. Fiona Rennie - Mr. Reynold Scott - Mr. Gary Peart - Mrs. Vivalyn Downer Edwards, LL.B (Hons.) Company Secretary

A Government Corporation

Mr. Leonard Bailey
 Director Construction Contracts
 Office of the Contractor-General

Ref 610.28

October 6 2006

/2

	ATL	CHARSAL	ART
1. Principals/ shareholders	Gordon Stewart; Gorstew Limited	Charles Wood	Paul Bell; Chris Jacks
2. NCC registration date	January 2001		
3. Date of contract signing	(i) September 1, 2002 (ii) July 8, 2004	July 3, 2003	May 21, 2003
4. Original contract sum	(i) J\$3,406,500 (ii) US\$3,317,568.95	Six percent (6%) of the cost of Furniture, Fixtures and Equip- ment (FF&E).	US\$2,575
5. Final contract sum	(i) J\$3,446,028 (ii) US\$3,376,044.10 (NB. J\$3,446,028 was fully recovered from second contract sum of US\$3,376,044.10)	US\$270,781.64	US\$2,810.55
6. Method of procurement	(i) Recommended by Gorstew Ltd. based on the Technical Services Agreement. (ii) Selected Tender. (Tender report attached)	Selected Tender. Two (2) quotations were received. (Support documents attached)	Recommended by Gorstew Ltd. based on the Technical Services Agreement.

/3...

Mr. Leonard Bailey
Director Construction Contracts
Office of the Contractor-General

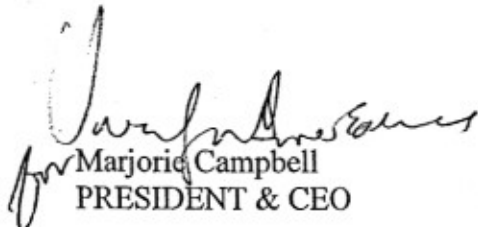
Ref 610.28

October 6 2006

/3

	ATL	CHARSAL	ART
7. Services provided	(i) To provide design and consulting services for food and beverage service, laundry equipment and cold/dry storage equipment. (ii) To supply and install food service, laundry and hot water equipment.	FF&E purchasing agent. – Identify and obtain quotations from suppliers for the Furniture Fixture and Equipment for the hotel; negotiate with suppliers locally and internationally for the best price and delivery times for the FF&E; purchase FF&E upon approval by the Company; consolidate FF&E at Warehouse and arrange for shipping to site etc.	To provide audio, video and lighting working plans for the Entertainment Systems.

Yours truly
URBAN DEVELOPMENT CORPORATION


Marjorie Campbell
PRESIDENT & CEO

MC/mf

Encls



APPENDIX 20
COPY

Any reply or subsequent reference to this communication should be addressed to the Contractor-General and the following reference quoted:-

No. : 18-2-150

TELEPHONE No. : 876-929-8560/6466

FAX No. : 876-929-7335

E-mail:

OFFICE OF THE CONTRACTOR-GENERAL
17 KNUTSFORD BOULEVARD
P.O. BOX 540
KINGSTON 5
JAMAICA, W.I.

September 25, 2006

Mr. Audley Shaw M.P.
Chairman
Public Accounts Committee of the House of Representatives
Houses of Parliament
Gordon House
81 Duke Street,
P.O. Box 636
Kingston

Dear Mr. Shaw:

Re: Report of Investigation into the Sandals Whitehouse Hotel Project - Meeting of the Public Accounts Committee (PAC) of September 19, 2006 - Matters Arising

I write in respect of the captioned.

First, please allow me to thank you for the opportunity which your Committee has afforded to me to appear before it to clarify certain questions which are related to the captioned Report.

There were a number of issues and requests which arose during the Committee's Sitting of the 19th. I would be grateful if you would allow me the privilege of using this opportunity to formally address them and to place them upon the PAC's record.

1. Requests of the PAC - Addendum to the Report of Investigation - Matters to be Addressed

As was disclosed at the Committee's Sitting of the 19th, it is the intention of the Office of the Contractor General (OCG) to produce an Addendum to the captioned Report. The decision to do this was taken after documents which were previously not made available to the OCG were submitted to the OCG on July 25 and July 27, after the Report was tabled in Parliament. The documents in question were submitted respectively by the Urban Development Corporation and by DunnCox, the attorneys for Gorstew Ltd.

As you are aware, the UDC's submission included certain minutes of Project site meetings, copies of which the UDC conceded were previously requested by the OCG but which were never produced. The Dunn Cox letter of July 27, on the other hand, has challenged a number of the conclusions and/or statements which have been made in the OCG's Report. DunnCox has attempted to substantiate these claims in its letter.

We believe that the interest of the public would be best served if we were to review these documents, record our views thereon and submit an Addendum Report encompassing same, to Parliament, pursuant to the provisions of Section 20 and Section 28 of the Contractor General Act.



(2)

The sole objectives of this Addendum will therefore be as follows:

- (a) to say whether and to what extent the UDC and DunnCox information has impacted the Findings and Conclusions which are now contained in the Report; and
- (b) to substantiate and/or to clarify certain statements which were made in our Report which may have raised the following questions or issues within or without the public domain:
 - a. Whether the OCG interviewed representatives of Gorstew;
 - b. Whether Beaches Negril was the benchmark for the Sandals Whitehouse Hotel design;
 - c. Whether Beaches Negril was used as the basis for the development of the budget for the Whitehouse project;
 - d. Whether the change in the design of the hotel from a "Beaches" to a "Sandals concept contributed to a change in the project's scope of works and/or to the overruns in the costs of the project;
 - e. Whether there was a reasonable expectation that some amount of overrun was to be expected because the budget was based upon approximate quantities;
 - f. The lack of knowledge of the magnitude of the cost overruns as was alleged by one of the NEWTOWN participants;
 - g. The intended meaning of the statement as to "value" which appears on page #13 of the Report;
 - h. The award of contracts to Appliance Traders Limited;

In the interim, the OCG, as an Independent Commission, will stand fully and completely by its Report. As we have indicated in the Report itself and elsewhere, and as is the case with all other Reports, the OCG's Report was based upon the investigations which it conducted and the information which was made available to it at the time that the Report was written. The Report, it should also be remembered, has been submitted subject to the Recommendations which are contained therein.

The fact that we have communicated our intention to develop the referenced Addendum is therefore not intended in any way to suggest that we have submitted an "incomplete Report", as was inaccurately suggested by two (2) Government Members of the PAC during its Sitting of the 19th.

We would also like to categorically state that it should not suggest, either, that we are, at this time, aware of any compelling reason which would lead us to materially revise any of the Findings, Conclusions and/or Recommendations which are now outlined in the subject Report.

2. Answers to Questions Asked by Member Mr. Joseph Hibbert, M.P.

During the Committee's Sitting of the 19th, Member Mr. Joseph Hibbert raised a number of questions for the OCG's response. We have reproduced, hereunder, the questions as we understood them together with our answers thereon. Please note that the OCG had requested from the UDC, all files which were related to the Project. In response to this request, 28 files were produced by the UDC, at its Offices, for inspection.

- (a) Question: Whether Site Diaries were requested or inspected by the OCG during the period of investigation?
 - Answer: All documents related to the Project were requested. Despite this, the Diaries were not produced.



(3)

(b) Question: Whether copies of the Payment Certificates were requested or inspected?

- Answer: All documents related to the Project were requested. Despite this, the Payment Certificates were not produced.

It should be noted that the OCG did specifically request statements of the Monthly Expenditures over the Project's duration. They were received in part.

(c) Question: What is the Contract start date and duration?

- Answer: The OCG's file documentation on this matter reveals that the Project/Construction was commenced on November 1, 2001 and was scheduled to be completed over a period of 24 months.

(d) Question: Were the 'As Built' Drawings inspected?

- Answer: No. The 'As Built' Drawings were not among the documents which were submitted by the UDC following after the OCG's request for all Project files to be provided.

3. Requests of the PAC - OCG Requisitions made of the UDC which have not been complied with

The captioned information was requested by the Committee.

As was previously advised, the OCG had asked the UDC to provide to it, for inspection, all files which were associated with the Sandals Whitehouse Hotel Project. This was never done. The objective was to secure an opportunity for the OCG to peruse all documents/information which were relevant to the Project's implementation and execution.

It must be noted that the OCG's very first written communication to the UDC, dated May 27, 2005, was addressed to its Chairman, Dr. Vin Lawrence, and to the attention of its General Manager, Ms. Marjorie Campbell. The letter expressly directed the attention of the UDC to the provisions of the Contractor General Act and to the authority of the Contractor General "to have access to all books, records, documents, etc. belonging to Government whether in the possession of any officer of a public body or a contractor or other person".

Upon the OCG's first visit to the UDC's Head Office on June 15, 2005, a number of files were presented. They were disjointed and disorganized. They lacked no particular or chronological order that would have facilitated the tracking of a logical development or sequence in the Project, its scope of work and its costs. The files contained very little information regarding increased project costs. No information was provided about the procurement procedures which were adopted for the project.

Upon the OCG's second visit to the UDC's Office on July 26, 2005, a total of 28 files, which were stored in carton boxes, were produced. These files were not properly organized, indexed, ordered or bound, thus making it possible for documents to be removed without any indication that they had been so removed. The OCG's inspectors formed the view that the files which were submitted for their examination were not comprehensive or complete in substance, or in content, nor were they representative of all of the Project's files.



(4)

The OCG marked certain files from among the 28 for copying by the UDC. However, when the copies were presented by the UDC, one week later, it was discovered that several marked files were not copied. The OCG had to review the files again to re-identify the missing documents for further copying, which was done.

During the course of the OCG's subsequent investigative activities, which included approx. 6 more visits to the UDC, certain written requests were made to the UDC to provide specific documents and pieces of information. On August 2, 2005, for example, a specific requisition for the following information was made in writing:

- (a) List of Sub-contractors
- (b) Sub-contractors scope of work
- (c) Subs. Contract sums (original and revised)
- (d) Method of selection of Subs.
- (e) Contract start date and end date
- (f) Revised start up and end date
- (g) Original budget/actual budget to date
- (h) List of consultants employed
- (i) Minutes of all site meetings
- (j) List of cheques disbursed on behalf of the project
- (k) Monthly expenditure for project duration
- (l) Original and revised cash flow

A repeated and follow-up request was made in writing on August 30, 2005, to the UDC's designated OCG Liaison Officer, Mr. Richard Clarke, with copy to the General Manager. Following this further request, all of the documents which are listed above were delivered to the OCG, on October 6, 2005, with the exception of the following:

- (a) Revised Sub-Contract Sums
- (b) Minutes of all Site Meetings
- (c) Original and Revised Cash Flow

Some of the provided information was, however, lacking in detail. In this regard, it is very important that we highlight the obstacles and the further difficulties which the OCG faced in obtaining, from the UDC, additional information about the Original Budget/Actual Budget to Date item.

The need for the OCG to secure detailed information about the Project's increased budget and costs was clearly evident. The matter was brought directly to the personal attention of the UDC Chairman and its General Manager twice between November 2005 and January 2006, after the ending of the monthly NCC/UDC Sector Committee Meetings. The matter was raised by one of the OCG's Senior Inspectors.

The verbal response which was received by the Senior Inspector was that the increase in the Project's costs was to be attributed primarily to the increase in steel prices and that relevant documentation would be forwarded to the OCG on the matter. Several follow-up telephone calls were made, by the Senior Inspector, during the period, to the UDC's General Manager.

However, none of the calls were returned. Eventually, on March 15, 2006, a 2-page, 5 paragraph extract which was taken from the New York Times Newspaper, dated April 13, 2005, with a UDC Complimentary Slip attached, and narrating the subject "Rising Steel Prices Changes in Construction Plan" was hand-delivered to the OCG.



(5)

There was no covering letter attached to this document nor was there any reference whatsoever to the subject matter of the Sandals Whitehouse Project. The OCG viewed the UDC's response as a further example of the contempt and lack of respect that the UDC held for the OCG and the discharge of its statutory mandate.

By no stretch of the imagination could a market fluctuation in the price of steel or a 2 page extract from the New York Times newspaper be seriously considered to qualify as a comprehensive explanation for the Sandals Whitehouse budget increase. Yet, that was the response which was given to the OCG by the Chairman and General Manager of the UDC and that was the response that the OCG was expected to accept.

With this, the OCG had to rely solely upon the Project's Quantity Surveyor to secure the relevant details which it had requested of the UDC. It should also be mentioned that the Monthly Expenditure for Project Duration data, which the OCG had specifically requested from the UDC, was also deemed to be incomplete.

As to the other outstanding items, namely the Site Meeting Minutes and the Revised Cash Flow, these were finally submitted to the OCG, under cover of letter which was dated July 24, 2006. However, this was done only after the OCG's Sandals Whitehouse Investigation Report was published in the media. To date, and despite a follow-up email to the UDC's OCG Liaison Officer, dated April 6, 2006, the UDC has still not completed its submission of the Sub-Contract Sums to the OCG.

On April 18, 2006, the OCG requested, in writing, the following particulars in respect of the 24 Consultants who were engaged on the project:

- (a) the scope of work undertaken by each consultant listed;
- (b) the date of the engagement of each consultant;
- (c) the original vs. the revised contract amount paid to each consultant; and
- (d) a statement as to the reason for any revised contract sum paid.

The requested information was submitted by the UDC, to the OCG, on May 24, 2006. However, there were noticeable and inexplicable voids in the information which was provided. For example, no information was provided for Art Inc. and there was no contract sum indicated for Charsal Marketing. Additionally, to date, no information has been provided by the UDC in respect of the Appliance Traders Limited contract/contracts.

One Government Member of the PAC, at the Sitting of the 19th, upon hearing evidence of some of the foregoing, expressed the opinion that the OCG had "*fallen down on the job*" in not asking again, or pressing further, for the subject information.

This very unfortunate and unfair statement, which attracted extensive media coverage, was as misguided as it was ill-informed. The real point to have been made was that the UDC, by failing to comply, in the first place, with the requisitions of the Contractor General, had, *prima facie*, committed a criminal offence under the very laws which have been promulgated by the Parliament of Jamaica.

However, the Member in question sought to ignore this patent fact.



(6)

Section 29 of the Contractor General Act provides as follows:

"Every person who -

- (a) *willfully makes any false statement to mislead or misleads or attempts to mislead a Contractor General or any other person in the execution of his functions under this Act; or*
- (b) *without lawful justification or excuse -*
 - (I) *obstructs, hinders or resists a Contractor General or any other person in the execution of his functions under this Act; or*
 - (II) *fails to comply with any lawful requirement of a Contractor General or any other person under this Act ...*

shall be guilty of an offence and shall be liable on summary conviction before a Resident Magistrate to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding twelve months or to both such fine and imprisonment. (My emphasis).

The UDC's deliberate conduct in failing to provide the requested information to the OCG, despite several and repeated requests to do so, is not an isolated event. In point of fact, the records of past Annual Reports of the Contractor General will show that this sort of behavior is symptomatic of what has been a long standing and pervasive attitude among several Public Sector agencies. The problem is systemic.

It is vitally imperative, therefore, that Public Bodies and Public Officers are held to book. All State organs, inclusive of the Cabinet, the Government, Parliament and Parliamentarians, should publicly give unequivocal support to this endeavour.

Indeed, the time may have come when the full force of the law should be brought to bear upon delinquent Public Bodies and Public Officers who, with flagrant impunity, persist in ignoring the lawful requisitions of the Contractor General.

Very respectfully yours,

Greg Christie
Contractor General

Andrew Sturridge

From: (NHP) Richard Clarke [RClarke@udcja.com]
Sent: Wednesday, May 24, 2006 9:55 AM
To: Andrew Sturridge
Subject: Info. on Contractors



response to contractor
general...

--
No virus found in this incoming message.
Checked by AVG Free Edition.

Version: 7.1.392 / Virus Database: 268.7.0/345 - Release Date: 5/22/06

-62-

<u>Contractor's Name</u>	<u>Scope of Works</u>	<u>Contract Start Date</u>	<u>Original Contract Sum</u>		<u>Amt. Paid</u>		<u>Reason for Additional Costs</u>	<u>Remarks</u>
			<u>JA\$</u>	<u>US\$</u>	<u>Certificates</u>	<u>Reimbursables</u>		
Smith Warner International Sant Associates	Coastal Engineering Services	6-Jun-02	1,150,000.00		1,396,925.60		Variation Order issued.	
	Architectural Services	6-Jun-02		885,000.00	904,549.83			
Witkin Design Group	Landscape - Architectural	15-May-02		55,000.00	56,999.99			
							Additional request made via Purchase Order approved by GM. Work outside of contractual arrangement.	
Capital Options Appliance Traders Limited	Consulting Services - Financial	30-Apr-01	940,000.00			1,034,000.00		
Urban Development Corporation	Project Management	13-Dec-01	62,950,625.00					
Ashtrm Building Systems	Construction	15-Feb-02		40,463,456.51				<i>Awaiting final certi These amounts we UDC since they we contracted by then amounts were ther reflected in their bi</i>
Nevalco Consultants Gorstew Limited	Project Management Technical Services	1-Jun-02 1-Nov-01	42,300,000.00					
				439,374.96	421,068.00			
Environmental Solutions Limited	Environmental Services	17-Jun-02	2,332,430.00					
Hospitality Purveyors Inc. (HPI)	Interior Design Services	15-Jul-02		400,000.00	399,999.60			
McDonald Group International	Waste Water Treatment	14-Nov-02		7,300.00	7,247.00			
Acquadynmics Design Group Inc.	Pool Design	6-Jan-03		34,500.00	34,958.00			
Maurice J. Stoppi	Arbitrators	1-May-02	705,000.00			430,000.00		
Edwin Hunter	Engineer - Resident	1-Jun-03	3,780,000.00			2,993,636.37		<i>All payments were contractor prior to</i>
							Variation Order issued for the additional work that was done.	<i>Contract extended terms & condition:</i>
Rivi Gardener & Associates	Architect	25-Nov-03	8,100,000.00			12,450,000.00		
	Civil & Structural							
Jentech Consultants Limited	Engineering Services	1-May-02	18,800,000.00			18,400,000.00		
							Contract extended via Letter d/d June 4, 2004 for an additional amount of JA\$3.0M.	
Goldson Barrett Johnson	Quantity Surveying Services	14-Feb-02	18,800,000.00			21,799,999.18		

Hardie & Kossally Limited	Mechanical & Electrical Engineering	15-May-02	14,100,000.00	3,142,500.00
Alfred Sharpe	Architect - Resident	1-Jul-03	2,040,000.00	3,910,000.00
ART Inc.				
Charsal Marketing	Consultant - FF&E Sourcing & Supplying Consulting Engineers -	1-Jul-03		6 % of total value of items purchased and delivered to site.
Basil Nelson	Quantity Surveying	1-Dec-03	3,200,000.00	
Projex Building Materials	Manufacture & Installation of FF&E items	14-Nov-04		478,735.00

**Contract Incom
payment not ye
outstanding iss
Contractor.**



Any reply or subsequent reference to this communication should be addressed to the Contractor-General and the following reference quoted:-

No. : 18-2-150

TELEPHONE No. : 876-929-8560/6466

FAX No. : 876-929-7335

E-mail: gchristie@ocg.gov.jm

OFFICE OF THE CONTRACTOR-GENERAL
17 KNUTSFORD BOULEVARD
P.O. Box 540
KINGSTON 5
JAMAICA, W.I.

September 14, 2006

Urban Development Corporation (UDC)
12 Ocean Boulevard
Kingston Mall
Kingston

Attention: Mrs. Marjorie Campbell, President & Chief Executive Officer

Dear Sirs:

Re: Contractor General's Report - Sandals Whitehouse Hotel Project

Thank you for your letter of the 13th instant, a faxed copy of which was received in our Offices last night and a hard copy at 7.59 AM this morning.

In our letter to you of the 6th instant, we had asked that you substantiate the statement which was made by you to the public and tax-payers of Jamaica to the effect that the Project's consultants "*were rehired prior to the publishing of the Guidelines for public sector procurement in October 2000*".

We had asked that you do this by providing us with "documentary evidence" to substantiate your assertion.

You have not done so.

Instead, your letter has gone to lengths to make a case that "*the main consultants were selected prior to ... May 2001*", as opposed to being "*rehired ... prior to October 2000*".

In the premises, it is abundantly clear that you have once again changed your story. You have failed to produce any evidence whatsoever to substantiate your statement, made to the public of Jamaica, that the Project's 24 consultants were "*rehired ... prior to October 2000*".

The Office of the Contractor General (OCG) considers this to be a very serious matter.

There are some additional observations which, in the circumstances, we would feel compelled to make.

- (1) You have referred to a statement in the OCG's Report of June 2006 to the effect that "*... it is also arguable that ASHTROM, who was first selected in 2000 as the project's main contractor, was so selected prior to the gestation of the NCC and hence its selection would not have been subjected to the National Contracts Commission (NCC)/Government Procurement Procedures Handbook (GPPH) regime*". With this, you have stated that Ashtrom's contract was not formally entered into until February 15, 2002 and that you are therefore of the opinion that the same reasoning should also apply to the Consultants.



We disagree with your conclusion for the following considered reasons:

By now, you should be aware that the Ministry of Finance & Planning's Interim NCC Guidelines for Public Sector Procurement, were issued on October 24, 2000. The Government's Procurement Procedures Handbook (GPPH), dated May 30, 2001, was issued in July 2001. Both addressed the procurement of works, goods and services contracts.

In the case of the Ashtrom contract, it was always the OCG's understanding that Ashtrom was selected as the Project's main contractor in March 2000 and that an agreement was settled, at that time, between the parties, for Ashtrom to undertake the project. In this regard, we have relied substantially upon a statement which was found in the Report which was made to Parliament, on May 16, 2005, by the former Prime Minister of Jamaica, the Most Hon. P. J. Patterson. On page 14 of the Report, the following statement is made:

"The construction contract was formally signed between Ashtrom Building Systems and NEWTOWN on February 15, 2002. This served to consummate the Agreement that was reached in March 2000". (My emphasis).

In the case of the Project's Consultants, on the other hand, it is clear that no agreement had been reached between the Consultants and the UDC, even as at October 24, 2001 when the UDC despatched to the named Consultants what could only be described, at best, as conditional offers or "recommendations" of consultancy engagements. These are the UDC letters, copies of which are currently within the possession of the OCG, together with other evidence, which would clearly suggest that the parties were still negotiating and had not yet concluded their respective agreements.

The fact that the UDC had not reached full agreement with the Consultants as at October 2001 is further substantiated by the Board Meeting Minutes of NEWTOWN of October 1, 2001. As you yourself have advised in your letter of the 13th instant, the Minutes provide that "... it was resolved that the UDC, as Project Manager, would negotiate and agree the Consultancy Contracts within a total amount not exceeding US\$6.5 million". (My emphasis).

Against this background, it is evident that the two, Ashtrom and the Consultants, cannot be treated in the same vein as you have suggested. This is but one reason why we are not surprised that you have been unable to substantiate your statement that the Consultants were "rehired" or contracted on the project prior to October 2000 or, for that matter, prior to October 24, 2001.

Consequently, we must again reiterate the positions which we had previously communicated to your former Chairman in our letter of July 18, 2006, as follows:

"At the time of the engagement of the referenced Consultants by the Urban Development Corporation (UDC) and/or NEWTOWN, the NCC/Government Procurement Procedures Handbook (GPPH) regime was fully in place. Further, at all material times, the UDC and NEWTOWN were Public Bodies. Consequently, any purported award of contracts to any of these consultants, either by the UDC and/or by NEWTOWN, would have been clearly subjected to and governed by the NCC/GPPH regime. These are indisputable facts".

- (2) We hold firmly to our assertion that you are constantly changing your story and that it appears that you have deliberately adopted a course of action which is intended to mislead the public into believing that no Government Procurement Procedures and Guidelines were breached by you. In support of our contention, we would wish to point you to the following:



- (a) In the UDC's letter to me of July 18, under the signature of Dr. Vincent Lawrence, the following statement was made:

"When the (NEWTOWN) Joint Venture partnership was formed, the decision was made to continue the services of the Consultants. ... It was on that basis that the development company (NEWTOWN) decided to enter formal contract arrangements with them".

In the UDC's centre spread statement to the Sunday Observer of July 23, 2006, a similar inference is made as follows:

"It was further agreed that the Consultants who had already been hired by Gorstew (on the Aborted Project) were to continue the work that they had started rather than going into the process of hiring new consultants." "... We have already pointed out that Jentech had been originally selected by Gorstew and not by either UDC or Ackendown and that UDC, acting on behalf of the company (NEWTOWN), as project manager, finalized these arrangements".

These statements would seem to suggest that there was no break between the engagement of the Consultants on the Aborted Project and their engagement on the new Project, and that the respective engagements were not separate and distinct in fact or in law.

Nothing, however, could be further from the truth.

In a statement which Gorstew Ltd. published on page 12 of the Observer newspaper, on August 14, it was clearly stated that *"Gorstew decided that it would terminate that venture (the Aborted Project) in January 1999 (and that) all consultancy contracts were terminated and all professional fees paid"*. It is also instructive to note that the OCG, by way of letter, dated July 27, 2006, from Gorstew's attorneys, has received confirmation of this assertion.

Put succinctly, it is therefore our understanding that the Consultants were first contracted on the Aborted Project by its developers, Whitehouse Hotel Development Limited (a company which was formed by Gorstew Ltd. and Royalty Resorts Ltd). These contracts were subsequently terminated in law and in fact. Thereafter, the subject Consultants were engaged on the new Sandals Whitehouse Hotel Project. The Consultants were engaged, under entirely new contracts, by a separate and distinct legal entity, namely the UDC, acting on behalf of NEWTOWN.

We therefore hold very firmly to the position that whatever relationships any of these Consultants may have had with the project, or with a private contractor, prior to their engagement by UDC/NEWTOWN, is wholly irrelevant to the issue which is now before us.

- (b) We can further substantiate our assertion that you have deliberately misled the Public. The OCG has discovered that there were a number of Consultants who were engaged by Gorstew on the Aborted Project who were not re-engaged by the UDC on the new Sandals Whitehouse Hotel Project. Among these Consultants are:

Design Collaborative	- The Architects on the Aborted Project
Winston Hepburn & Associates	- The Quantity Surveyor on the Aborted Project
Mortimer & Associates	- The Project Manager on the Aborted Project



The point which must be made here is that this information is fundamentally at odds with your statement which appeared in the Sunday Observer newspaper of July 23, 2006. In that Statement, you had suggested to the public that all of the Aborted Project's Consultants were "continued" into the new Project. You stated thus:

"It was further agreed that the Consultants who had already been hired by Gorstew were to continue the work that they had started rather than going into the process of hiring new consultants."

However, as Design Collaborative would tell you, as they have intimated to us, this is at best a misleading statement. In point of fact, in the written communication which we have received from Design Collaborative, through the attorneys for Gorstew Ltd., they have characterized your statement as a "misconception". We have also been contacted by Winston Hepburn & Associates on the matter. There is absolutely no doubt in the OCG's mind that your statement has created a disturbing degree of discord.

- (c) Your very letter of September 13, which is now under consideration, provides further and ample proof of your changing stories.

In your Statement to the Gleaner of September 6, you had asserted that the Consultants "were rehired prior to the publishing of the Guidelines for the public sector procurement in October 2000".

However, rather than substantiate that statement as you were requested to do by the OCG, you have decided, instead, to embark, *inter alia*, upon a discourse about "main consultants (who) were selected (not rehired) prior to ... May 2001". There is now no mention whatsoever, in your letter of the 13th instant, of Consultants being "rehired ... prior to October 2000".

- (d) Further, in your Statement to the Gleaner of September 6, you had also alluded to "the establishment of the relevant (NCC/UDC) Sector Committee in August 2001". You have, however, now conceded, in your letter of the 13th instant, that the NCC/UDC Sector Committee was launched, instead, one year earlier, on August 11, 2000.

As you have offered no explanation whatsoever for this about turn in your previously stated position, we must confess that we are curious as to *why* the UDC would have asserted, in the first place, that its own NCC Sector Committee was established one year after it was in fact established.

This is moreso having regard to the fact that the very launch date of August 11, 2000, which was set for the NCC/UDC Sector Committee, was one which our records show was formally proposed by Mrs. Marjorie Campbell, who now serves as your President and Chief Executive Officer.

- (e) In your letter to me of July 18, 2006, under the hand of your Dr. Vin Lawrence, you had stated that the NCC Guidelines, which came into effect in 2001, "made reference to Contractors only and not to the appointment of Consultants". It is the OCG's understanding that this letter was reportedly distributed to the media.

In my response to you of July 18, 2006, I advised you that your statement was inaccurate. I advised that the NCC/Government Procurement Guidelines Handbook (GPPH), dated May 30, 2001, in its original edition, made abundant and specific reference to procedures for the procurement of consulting services. I had offered to provide you with documentary proof of the OCG's position but you did not accept the OCG's offer.



Notwithstanding your statement of July 18, in the very first paragraph of your letter of September 13 you have now changed your position to assert that "*the Guidelines in relation to Consultants were published in May 2001*". Despite this shift in your story, you have to date made no attempt to notify the media that you had published an inaccurate and misleading statement in your letter to me of July 18.

- (f) Finally, in the first paragraph of your letter of September 13, you have asserted that "... *the interim Guidelines for procurement issued in 2000 stated that they were 'General Guidelines for Public Sector Agencies entering into works contracts'*". (Your emphasis).

This, again, I must respectfully advise, is another inaccurate but very material misstatement which has been made by you. If it is not corrected, you will succeed in substantially misleading the Public Accounts Committee of Parliament and, by extension, the public, as well as the other authorities to whom your letter has been copied.

The 3rd paragraph of the referenced Interim Guidelines, which were issued by the Ministry of Finance and Planning on October 24, 2000, clearly provide as follows:

"Procuring entity recommendations for contract award for all contracts (goods, services and works) with an estimated value of J\$4,000,000 and above, shall be referred to the National Contracts Commission for review and approval". (My emphasis).

In light of all of the foregoing, we must respectfully advise that we cannot accept your denial of our assertion that you have sought to deliberately mislead the public. For the same reason, we have not been persuaded by your plea that your "*sole and sincere intention is to let the public know all the facts concerning (your) role in the Sandals Whitehouse Hotel Project*".

We have made no comment with respect to the attachments which have accompanied your letter of the 13th instant to us. It is our considered view that they do not merit any comment.

In the premises, we have concluded that your objective has been to substantially mislead the Parliament and people of Jamaica into believing that your procurement of Consultants on the Sandals Whitehouse Hotel Project was not carried out in violation of applicable Government Procurement Procedures and Guidelines.

Very respectfully yours,

Greg Christie
Contractor General

Copies: The Most Hon. Portia Simpson-Miller, O.N., M.P., Prime Minister
Senator The Honourable Syringa Marshall-Burnett, CD, President of the Senate
The Honourable Michael Peart, M.P., Speaker of the House of Representatives
Mr. Audley Shaw, M.P., Chairman - Public Accounts Committee of Parliament
Mr. Adrian Strachan, Auditor General
Mr. Desmond Hayle, Chairman of the Sandals Whitehouse Forensic Audit Team
Mrs. Patricia Sinclair-McCalla, Permanent Secretary, Office of the Prime Minister

October 24, 2001

Jentech Consultants Limited
14a Hope Road
Kingston 10

Attention: Dr. Wayne Reid

Dear Sirs,

**Re: Proposed Contract for the Provision of Civil & Structural Engineering
Services - Beaches Whitehouse Project**

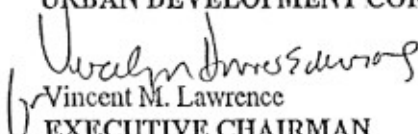
Reference is made to your several discussions with our Mr. Christopher Shaw and Mr. Alston Stewart of Nevalco Consultants Limited regarding your provision of Civil and Structural Engineering Services in respect of the abovementioned project.

The UDC, as Shareholder in Ackendown Newtown Development Company Limited ("the Company") with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to recommend to the Company your appointment as the Consultant Civil and Structural Engineer on the Project at a fixed fee of Eighteen Million Four Hundred Thousand Dollars (\$18,400,000.00) plus reimbursables and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, we will pay to you an immediate advance of 10% of the fees. It is proposed that a further 40% of fees will be paid on completion of contract documents and construction drawings which is projected to be on or about four months from the date of execution of your contract. The remaining 50% of fees will be payable in regular installments throughout the construction period in accordance with certification of the works.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION


Vincent M. Lawrence
EXECUTIVE CHAIRMAN

Making development happen...

DIRECTORS

DR. the Hon. VINCENT LAWRENCE, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng, EXECUTIVE CHAIRMAN • MR. JACK WILMOT, J.P., DEPUTY CHAIRMAN • MRS. MINETTE MITCHELL B.Sc.
MRS. MARJORIE CAMPBELL M.Sc., C.A., GENERAL MANAGER • MR. MARTIN BURKE, COMPANY SECRETARY • MR. CARLTON DEPASS • MR. RICHARD BURGHIER
MRS. JACQUELINE DACOSTA • MRS. MAUREEN STEPHENSON-VERNON • REV. DENZIL BARNES, B.Sc., M.A., A.I.B. • MR. ROY HUTCHINSON, O.D., J.P. • MR. LEON A. GORDON, B.Sc., J.P.
MS LORNA CLARKE, B.A., M.B.A. • MR. RUDYARD ELLIS B.Ed., (Admin), M.Ed., (Admin) • MS. ARIANNE INREWOOD B.Sc. (ECON) • MR. GEORGE DUNCAN, B.Sc., (Mg), M.B.A., LL.B., J.P.

October 24, 2001

COPY,

Nevalco Consultants Limited
19 Norwood Avenue
Kingston 5

Attention: Mr. Alston Stewart

Dear Sirs,

**Re: Proposed Contract for the Provision of Project Management Services -
Beaches Whitehouse Project**

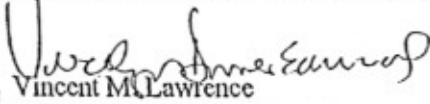
Reference is made to your several discussions with our Mr. Christopher Shaw and your offer to provide Project Management Services on behalf of the Urban Development Corporation in respect of the abovementioned project.

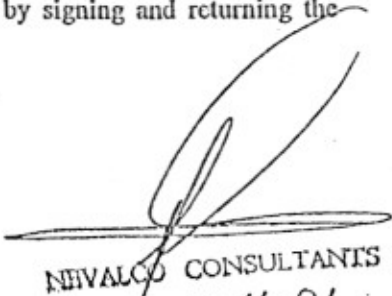
The UDC as shareholder in Ackendown Newtown Development Company Limited (the Company) with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to appoint you as the Project Manager's Representative on the Project at a fixed fee of Forty One Million Four Hundred Thousand Dollars (\$41,400,000.00) and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, we will pay to you an immediate advance of 10% of the fees. It is proposed that a further 20% of fees will be paid on commencement of construction which is projected to be on or about one month from the date of execution of your contract. Sixty Five Percent (65%) of the remainder of your fees will be payable in regular installments throughout the construction period in accordance with certification of the works and submission of invoices and the balance of 5% will be payable at the end of the Defects Liability period.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION


for Vincent M. Lawrence
EXECUTIVE CHAIRMAN


NEVALCO CONSULTANTS LTD

2.11.01

Making development happen...

DIRECTORS

DR. VINCENT LAWRENCE, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng. EXECUTIVE CHAIRMAN • MR. JACK WILMOT, J.P., DEPUTY CHAIRMAN • MRS. MARIETTE MITCHELL B.Sc.
MRS. HANNOBBE CAMPBELL M. Sc., C.A., GENERAL MANAGER • MR. MARTIN BURKE, COMPANY SECRETARY • MR. CARLTON GEDASS • MR. RICHARD BURCHER
MRS. JACQUELINE DACOSTA • MRS. MAURIEEN STEPHENSON-VERNON • REV. DENZIL BARNES, B.Sc., M.A., A.L.B. • MR. ROY HUTCHINSON, O.D., J.P. • MR. LEON A. GORDON, B.Sc., J.P.
MS LORNA CLARKE, B.A., M.B.A. • MR. RUYIYARD ELLIS B.Ed., (Admin), M.Ed., (Admin) • MS. JHALISE HAREWOOD B.Sc. (ECON) • MR. GEORGE DUNCAN, B.Sc., (Mgt), MBA, LL.B., J.P.

A Government Corporation

October 24, 2001

Environmental Solutions Limited
20 West Kings House Road
Kingston 10Attention: Mr. Peter Reeson

Dear Sirs,

Re: Proposed Contract for the Provision of Environmental Services -
Beaches Whitehouse Project

Reference is made to your several discussions with our Mr. Christopher Shaw and Mr. Alston Stewart of Nevalco Consultants Limited regarding your provision of Environmental Services in respect of the abovementioned project.

The UDC, as Shareholder in Ackendown Newtown Development Company Limited (the Company) with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to recommend to the Company your appointment as the Environmental Services Consultant on the Project at a fixed fee of One Million Eight Hundred and Forty Thousand Dollars (\$1,840,000.00) plus reimbursables and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, ~~we will pay to you an~~ immediate advance of 10% of the fees. It is proposed that a further 40% of fees will be paid on completion of contract documents and construction drawings which is projected to be on or about four months from the date of execution of your contract. The remaining 50% of fees will be payable in regular installments throughout the construction period in accordance with certification of the works.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION
for Vincent M. Lawrence
EXECUTIVE CHAIRMAN*Making development happen...*

DIRECTORS

DR. the Hon. VINCENT LAWRENCE, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng. EXECUTIVE CHAIRMAN • MR. JACK WILLIAMS, J.P., DEPUTY CHAIRMAN • MRS. MINETTE MITCHELL B.Sc.
MRS. MARJORIE CAMPBELL M.Sc., C.A., GENERAL MANAGER • MR. MARTIN BUIKE, COMPANY SECRETARY • MR. CARLTON DEPASS • MR. RICHARD BURGHER
MRS. JACQUELINE DACOSTA • MRS. MAUREEN STEPHENSON-VERNON • REV. DENZIL BARNES, B.Sc., M.A., A.I.B. • MR. ROY HUTCHINSON, O.D., J.P. • MR. LEON A. GORDON, B.Sc., J.P.
MS LORNA CLARKE, B.A., M.B.A. • MR. RUDYARD ELLIS B.Ed., (Admin), M.Ed., (Admin) • MS. ANNA LISE HAREWOOD B.Sc. (ECON) • MR. GEORGE DUNCAN, B.Sc. (Mgt), MDA, LL.B., J.P.

A Government Corporation

Head Office: 12 Ocean Boulevard, Kingston Mill, Kingston, Jamaica W.I.
Telephone: (876) 922-8310-4, 922-7034, 922-6034, 922-6845. Telefax (876) 922-9326
E-Mail: info@udcja.com • Website: www.udcja.com

Branch Office: 42 Fort Street, Montego Bay. Telephone: (876) 952-2044, 971-2044 Telefax (876) 971-7001
Ocho Rios Shopping Centre. Telephone: (876) 974-5015-6. Telefax: (876) 974-2731
Norman Manley Boulevard, Negril. Telephone: (876) 957-5200. Telefax: (876) 957-3159

October 24, 2001

H.P.I.
c/o Implementation Limited
58 Hope Road
Kingston 5

Attention: Mr. Jeremy Brown

Dear Sirs,

**Re: Proposed Contract for the Provision of Interior Design Services -
Beaches Whitehouse Project**

Reference is made to your several discussions with our Mr. Christopher Shaw and Mr. Alston Stewart of Nevalco Consultants Limited regarding your provision of Interior Design Services in respect of the abovementioned project.

The UDC, as Shareholder in Ackendown Newtown Development Company Limited (the Company) with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to recommend to the Company your appointment as the Interior Design Services Consultant on the Project at a fixed fee of United States Four Hundred Thousand Dollars (\$400,000.00) plus reimbursables and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, we will pay to you an immediate advance of 10% of the fees. It is proposed that a further 40% of fees will be paid on completion of contract documents and construction drawings which is projected to be on or about four months from the date of execution of your contract. The remaining 50% of fees will be payable in regular installments throughout the construction period in accordance with certification of the works.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION

Vincent M. Lawrence
for Vincent M. Lawrence
EXECUTIVE CHAIRMAN

*note Keith did 2001/10/05
when the contractor is
returning the initial
2001/10/05*

Making development happen...

DIRECTORS
1. Hon. VINCENT LAWRENCE, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng, EXECUTIVE CHAIRMAN • MR. JACK WILMOT, J.P., DEPUTY CHAIRMAN • MRS. MINETTE MITCHELL B.Sc.
MRS. MARJORIE CAMPBELL M. Sc., C.A., GENERAL MANAGER • MR. MARTIN BURKE, COMPANY SECRETARY • MR. CARLTON DEPASS • MR. RICHARD BURNER
2. JACQUELINE DACOSTA • MRS. MAUREEN STEPHENSON-VERNON • REV. DENZIL BARNES, B.Sc., M.A., A.I.B. • MR. ROY HUTCHINSON, O.D., J.P. • MR. LEON A. GORDON, B.Sc., J.P.
3. LORNA CLARKE, B.A., M.B.A. • MR. RUDYARD ELLIS B.Ed., (Admin), M.Ed., (Admin) • MS. ANRWISE HAREWOOD B.Sc. (ECON) • MR. GEORGE DUNCAN, B.Sc., (Eng), MBA, LL.B., J.P.

A Government Corporation

October 24, 2001

Smith Warner International
Suite # 2 Seymour Park
2 Seymour Avenue
Kingston 10

Attention: Mr. David A. Y. Smith

Dear Sirs,

**Re: Proposed Contract for the Provision of Coastal Engineering Services -
Beaches Whitehouse Project**

Reference is made to your several discussions with our Mr. Christopher Shaw and Mr. Alston Stewart of Nevalco Consultants Limited regarding your provision of Coastal Engineering Services in respect of the abovementioned project.

The UDC, as Shareholder in Ackendown Newtown Development Company Limited (the Company) with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to recommend to the Company your appointment as Coastal Engineer on the Project at a fixed fee of One Million One Hundred and Fifty Thousand Dollars (\$1,150,000.00) plus reimbursables and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, we will pay to you an immediate advance of 10% of the fees. It is proposed that a further 40% of fees will be paid on completion of contract documents and construction drawings which is projected to be on or about four months from the date of execution of your contract. The remaining 50% of fees will be payable in regular installments throughout the construction period in accordance with certification of the works.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION

Vincent M. Lawrence
for Vincent M. Lawrence
EXECUTIVE CHAIRMAN

Making development happen...

DIRECTORS
DR. HON. VINCENT LAWRENCE, O.J., B.Sc., (Eng), M.Sc., (Eng) Ph.D., P. Eng, EXECUTIVE CHAIRMAN • MR. JACK WILMOT, J.P., DEPUTY CHAIRMAN • MRS. MINETTE MITCHELL B.Sc.
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A Government Corporation

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Branch Office: 42 Fort Street, Mariposa Bay, Telephone: (876) 952-2044, 971-2044 Telex (876) 971-7001
Ocho Rios Shopping Centre, Telephone: (876) 974-5015-6. Telex (876) 974-2731
Norman Manley Boulevard, Negril, Telephone: (878) 557-5260. Telex (876) 957-3159

October 24, 2001

Goldson Barrett Johnson
23 Parkington Plaza
Kingston 10

Attention: Mr. Brian Goldson

Dear Sirs,

**Re: Proposed Contract for the Provision of Quantity Surveying Services -
Beaches Whitehouse Project**

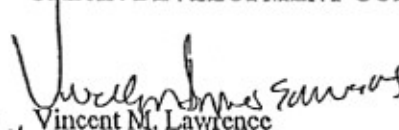
Reference is made to your several discussions with our Mr. Christopher Shaw and Mr. Alston Stewart of Nevalco Consultants Limited regarding your provision of Quantity Surveying Services in respect of the abovementioned project.

The UDC, as Shareholder in Ackendown Newtown Development Company Limited ("the Company") with responsibility for the management of the Project including the terms of employment of Consultants, hereby advises of its intention to recommend to the Company your appointment as the Quantity Surveyor on the Project at a ~~fixed fee of Eighteen Million Four Hundred Thousand Dollars (\$18,400,000.00)~~ plus reimbursables and subject to the execution of a formal contract embodying the other terms and conditions of your engagement. The proposed contract will be entered into with the Company.

We are aware that you have commenced provision of some of the services herein and, upon your indicating your acceptance of this proposal, we will pay to you an ~~immediate advance of 10% of the fees~~. It is proposed that a further 40% of fees will be paid on completion of contract documents and construction drawings which is projected to be on or about four months from the date of execution of your contract. The remaining 50% of fees will be payable in regular installments throughout the construction period in accordance with certification of the works.

If the above is acceptable to you, please indicate by signing and returning the attached copy of this letter at the very earliest.

Yours faithfully,
URBAN DEVELOPMENT CORPORATION


for Vincent M. Lawrence
EXECUTIVE CHAIRMAN

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DIRECTORS

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A Government Corporation

OFFICE OF THE CONTRACTOR GENERAL

Time Line Notes - Government of Jamaica Procurement Procedures/National
Contracts Commission Regime Development.
Sandals Whitehouse Hotel Project - UDC/NEWTOWN - Procurement of
Consultancy Services and Award of Consultants' Contracts.

PROCUREMENT REGIME BENCHMARK #1

1. Nov. 18, 1963 - Government Contracts Committee (GCC)
Ministry of Finance Notification #182/02 (Circular #43) to Permanent Secretaries and Heads of Departments, regarding revised Cabinet procedure. Deals, *inter alia*, with the establishment of the Government Contracts Committee (GCC), the employment of Private Architects, the control of Government Contracts and the tender and award process to be utilized in connection with certain Government Contracts, inclusive of works projects over 10,000 pounds in value. Signed by G.A. Brown, Financial Secretary.

2. Sept. 27, 1985 - Cabinet Directive Mandating Adherence to GCC Procedures
Cabinet Decision #32/85 amending Cabinet Decision #31/85, dated September 16, 1985, requiring, in paragraph #8, "*all Public Enterprises and Statutory Bodies ... to follow the procedures laid down for the award of contracts by submitting tenders to the GCC for decision and, thereafter, through portfolio Ministers, to Cabinet for approval*". Expressed to apply to contract amounts in excess of the limits stipulated by Cabinet from time to time, "currently \$150,000, as set out in Cabinet Decision #43/84 dated 26th November, 1984".

PROCUREMENT REGIME BENCHMARK #2

3. 1986 - Establishment of Commission of the Contractor General
Independent Parliamentary Commission of the Contractor General established by the Contractor General Act of 1983.

Principal functions - to monitor the award and implementation of Government contracts with a view to ensuring (a) that such contracts are awarded impartially and on merit, (b) that the circumstances in which such contracts are awarded or terminated do not involve impropriety or irregularity, and (c) that the implementation of such contracts conforms to the terms thereof.

CG is also mandated to monitor the grant, issue, suspension or revocation of any prescribed licence or permit.

Additionally, the CG is empowered to conduct investigations into certain matters, such as the registration of contractors, tender procedures, contract awards and grants of licences.

The Act is expressed to apply to all "Public Bodies" and to all Government contracts, inclusive of contracts for the carrying out of works and for the supply of goods and services.

4. October 7, 1986 -

Ministry of Finance Circular Stating that Urban Development Corporation (UDC) is not Exempt from Government's Procurement Procedures

On page 1 of the Contractor General's 1996 Report to Parliament, it is recorded that the Ministry of Finance issued a Circular, on October 7, 1986, which provided, *inter alia*, as follows:

"It has been brought to the attention of the Public Accounts Committee (PAC) that certain agencies (e.g. EDCo. and UDC) which administer contracts on behalf of some Ministries and Departments have not been complying with the approved procedures laid down by Cabinet". "...

"No Ministry, Department, Statutory Body or Government-owned company is exempt from the standing directive of the Cabinet and on no account should they depart from the aforementioned procedures. Accounting Officers should now ensure that the above procedures are brought to the attention of all relevant agencies".

5. July 3, 1987 -

UDC's Rejection of GCC's Procedures and Regime

Letter from the then General Manager of the Urban Development Corporation (UDC), to the Contractor General, advised the UDC's rejection of the GCC regime. The letter provided, *inter alia*, as follows:

"Our view on this matter as it relates to organizations like ours, is that public bodies which have a sufficiency of duly qualified officers and which have their own Contracts Committee or some comparable body, should follow their own procedures in respect of the handling of tenders. It is our view that our arrangements have worked very effectively since the UDC was set up".

"On those occasions on which we have referred contracts to the Contracts Committee (GCC), we have found considerable delay in obtaining a decision due to the cumbersome nature of the process which involves (1) UDC - (2) Contracts Committee (3) Ministry of Finance - (4) Cabinet - (5) Ministry of Finance - (6) UDC".

"In some cases, by the time we arrive at Stage 4, the 90 day limit within which contractors hold their prices has elapsed, thus requiring that the contractor be willing to hold his price beyond that day, or that the whole tender process be repeated".

"It seems to me that your office could play a valuable role by ... monitoring the system used by (us) ... and checking from time to time to see that the systems are properly and efficiently implemented".

6. 1997

CG's Annual Report Records UDC's Continuing Failure to Comply with Government's Established GCC Procedures

The Contractor General's 1996 Annual Report records that the UDC continues, 10 years after its GM's letter to the CG, to impress its claim that it is exempt from the contract award processes to which other Government agencies are subject.

On page 1 of the Report, the then Contractor General, Mr. Gordon Wells, had this to say:

"... There are even public sector agencies which claim to be exempt from some of the rules of public sector contracting. The UDC is one such entity which in late 1996 and early 1997 was in the process of awarding contracts of about \$2 Billion for improvements to the Kingston Public, St. Ann's Bay and Mandeville Hospitals".

"None of these contracts was submitted to the GCC or the Cabinet for approval although they were awarded to a single foreign contractor whose bid in two of the three cases was substantially below the consultant's estimate of the cost of the jobs".

"We have not been able to locate any document which exempts the UDC from adhering to the guidelines set out by the Ministry of Finance Circular #43 of the 18th November 1963".

"Indeed, this claim by the UDC was addressed in a Cabinet Decision of 16th September 1985". (See #2 above).

"When apparently the situation did not change significantly, the MOF issued a Circular on the 7th October 1986". (See #4 above).

"The (referenced) Decision and Circular have had little effect on the conduct of the UDC which continues to claim that it is exempt from the processes to which other agencies are subject".

7. 1999

Establishment - National Contracts Commission (NCC)

NCC established via amendment to the Contractor General Act.

8. March 15, 1999

Cabinet Decision Mandating Contract Approval Limits

Cabinet Decision #9/99 establishing present day contract award approval value limits.

(Up to \$4 million in value, award may be made by appropriate Ministry/Agency without reference to GCC; over \$4 million and up to \$15 million, award may be approved by appropriate Minister on the recommendation of the GCC; over \$15 million, awards must be approved by Cabinet).

9. May 17, 1999 - Appointment of NCC Chairman
Gordon Wells appointed by the Governor General as first Chairman of the NCC.
10. July 8, 1999 - Appointment of NCC Members
Beverly Lawrence, Anthony Gibson, Robert Martin, Calvin Gray, Donald Miller and Ivan Anderson, appointed by the Governor General as members of the NCC.
11. July 9, 1999 - Appointment of NCC Members
Ray McIntyre appointed by the Governor General as the eighth member of the NCC.
12. August 4, 1999 - 1st. NCC Administrative Meeting
1st NCC administrative meeting.
13. October 7, 1999 - Prime Minister Officially Launches NCC
At the 6th Meeting of the NCC, the Chairman reported that the Prime Minister had officially launched the NCC on October 7.
14. March 2000 - Agreement between Ashtrom & NEWTOWN Reached
Ashtrom and NEWTOWN reportedly enter into agreement re construction contract award in respect of the construction of the Sandals Whitehouse Hotel Project. Contract formally signed on February 15, 2002. (Page 14, Report of Prime Minister to Parliament, dated May 16, 2005).
15. June 28, 2000 - 1st. NCC Contract Endorsement Meeting
1st NCC contract endorsement meeting; (2 endorsements for HEART TRUST/NTA at \$7.45 million and \$7.19 million each).
16. August 2, 2000 - Proposal for NCC/UDC Sector Committee Launch Date & Constituent Membership
Letter from UDC General Manager, Marjorie Campbell, to NCC Chairman, Gordon Wells, proposing constituent membership of UDC/NCC Sector Committee and August 11, 2000 as the launch date of the Committee.
17. August 11, 2000 - Official Launch of NCC/UDC Sector Committee
NCC/UDC Sector Committee officially launched at the Jamaica Pegasus Hotel.
18. August 18, 2000 - Confirmation of Members of NCC/UDC Sector Committee
Letters from NCC Chairman, Gordon Wells, to nominated NCC/UDC Sector Committee members, confirming their appointment as NCC/UDC Sector Committee members.

Members: Mr. Jackson Wilmot, Deputy Chairman, UDC; Mr. Martin Burke, Company Secretary, UDC; Dr. the Hon. Vin Lawrence, Executive Chairman, UDC, Mr. Rex James, Acting President, NIBJ; Mr. Carlton DePass, UDC Board Director; Mrs. Marjorie Campbell, General Manager, UDC.

19. Sept. 1, 2000 - Dr. Vin Lawrence Accepts Chair, NCC/UDC Sector Committee
Dr. Vin Lawrence writes to NCC Chairman confirming his acceptance of appointment as Chairman, NCC/UDC Sector Committee.

PROCUREMENT REGIME BENCHMARK #3

20. October 24, 2000 - MOFP Cir. # 15 - Interim (NCC) Procurement Guidelines
Issue of Ministry of Finance & Planning's (MOFP) Circular #15 Interim Guidelines for Public Sector Procurement.

Expressed to supercede MOFP Circular #14, dated May 9, 1996 and NCC Circular #1, dated September 1, 2000. Addressed to all Permanent Secretaries and Heads of Departments. Signed by Shirley Tyndall, Financial Secretary.

Provides, inter alia, that "Procuring entity recommendations for contract award for all contracts (goods, services and works) with an estimated value of \$4 million and above, shall be referred to the NCC for review and approval".

Provides that "procuring entities shall advertise the procurement opportunity in national newspapers ... (and that) contract recommendations shall be forwarded to the appropriate NCC Sector Committee for approval".

Further provides that contracts of J\$15 million and above in value must be approved by Cabinet and that "procuring entities shall advertise the procurement opportunity in national newspapers ... (and that) contract recommendations shall be forwarded to the appropriate NCC Sector Committee for approval".

Advised that 5 NCC Sector Committees, inclusive of the UDC Sector Committee, were in place and what were the portfolio public sector entities for each.

21. Jan. 15, 2001 - 1st NCC/UDC Sector Committee Meeting & Approval of UDC Sole Source Request
Proof that UDC Accepted the NCC's Jurisdiction & Authority
Date of UDC Sector Committee Letter to NCC notifying the NCC of the Committee's consideration and acceptance of a "sole source" recommendation of the UDC for the award of a contract to West Indies Home Contractors (WIHCON), in the amount of \$330,701,955, at the Committee's meeting of January 15, 2001.

Signed by Dr. Vin Lawrence, NCC/UDC Sector Committee Chairman and UDC Executive Chairman.

Provides evidence of NCC/UDC Sector Committee in operation and the UDC's submission to, and recognition of, the jurisdiction and authority of the NCC and its Sector Committees over the Government contract award and procurement process.

22. Jan. 17, 2001 - NCC's 1st Endorsement of UDC Sector Committee Recommendations
NCC's endorsement of 1st contract award recommendations emanating from the UDC Sector Committee. (Two recommendations: \$32.1 million and \$5.9 million in favour of GM Associates).
23. Jan. 24, 2001 - NCC's 1st Endorsement of UDC and NCC/UDC Sector Committee Sole Source Contract Award Recommendation
NCC's endorsement of UDC Sector Committee "sole source" contract award submission in favour of WIHCON in the amount of \$330,701,955. Recommendation emanated from the UDC itself.

PROCUREMENT REGIME BENCHMARK #4

24. May 30, 2001 - Publication of GPPH
Date of NCC/Government Procurement Procedures Handbook (GPPH). Mandates compliance with comprehensive written procedures and guidelines for the award of Government contracts and the procurement of works, goods and services contracts. Handbook makes extensive reference, to, and purports to govern, *inter alia*, the procurement of consultancy services.
25. July 2001 - Issue/Implementation of GPPH
Date of issue/implementation of NCC/Government Procurement Procedures Handbook (GPPH).
26. July 2, 2001 - NEWTOWN Heads of Agreement Signed
Date of execution of NEWTOWN Heads of Agreement by Gorstew Ltd., UDC and National Investment Bank of Jamaica (NIB).
27. July 18, 2001 - NEWTOWN Incorporated
NEWTOWN is reportedly incorporated as a limited liability company under the Jamaica Companies Act.
28. October 1, 2001 - NEWTOWN Board Meeting Minutes - Evidences the fact that Project Consultancy Contracts (presumably excluding Ashtrom's) not yet Negotiated, Agreed or Awarded
Date of NEWTOWN Board Meeting Minutes. Minutes Provide that "... it was resolved that the UDC, as Project Manager, would negotiate and agree the Consultancy Contracts within a total amount not exceeding US\$6.5 million". The statement speaks for itself.

The Ashtrom contract, which was awarded at a value of US\$40,463,456.61, was evidently not within the contemplation of the parties, at this time, thus raising the inference that it had already been agreed to and/or awarded. (See item #14).

29. October 17, 2001 - NCC's Endorsement of Another UDC Sector Committee Sole Source Recommendation Originating from the UDC
NCC's endorsement of a UDC Sector Committee "sole source" contract award submission, originated from the UDC, in favour of Ashtrom, in the amount of \$14.35 million, for the construction of a school.
- The NCC commented that it "felt that the submission did not fully indicate the process outlined for selecting Ashtrom as the sole source provider".
30. October 24, 2001 - NCC had already Endorsed >200 Contracts
As at this date, the NCC had already endorsed recommendations for the award of more than 200 contracts of a value of \$4 million or above.
31. October 24, 2001 - NCC had already Endorsed 7 UDC Originated NCC/UDC Sector Committee Contract Recommendations
As at this date, the NCC had already endorsed at least 7 contract award recommendations, of a value of \$4 million or above, which were submitted by the UDC through the UDC/NCC Sector.
- These contract award recommendations included at least 2 "sole source" tender recommendations which emanated from the UDC itself and which were endorsed by the NCC/UDC Sector Committee.
32. October 24, 2001 - UDC Makes Conditional Contract Offers to Consultants
Date of UDC letters of offer of conditional engagement to certain Consultants who were to be contracted on the Sandals Whitehouse Hotel Project. (Includes Jentech Consultants Limited, Nevalco Consultants Limited, Environmental Solutions Limited, Hospitality Purveyors Inc. (HPI), Smith Warner International and Goldson Barrett Johnson).
33. Nov. 1, 2001 - Sandals Whitehouse Hotel Project Officially Commences
The Sandals Whitehouse Hotel Project is reportedly commenced.
34. Nov. 1 and After - UDC's/NEWTOWN's Award of Contracts to the Consultants
With the exception of Ashtrom, UDC, Capitol Options, ATL and Art Inc., in respect of which there are certain presumed exceptional or unknown circumstances, it appears that the UDC and/or NEWTOWN either entered into agreements with and/or awarded formal contracts to all of the Project's 24 Consultants on dates which came after October 31, 2001.

In answer to an OCG email, dated April 18, 2006, requesting that the UDC provide the OCG with "the date of engagement of each consultant", the UDC, in the person of Mr. Richard Clarke, responded by email, dated May 24, 2006, providing "contract start dates" for all 24 Consultants as follows:

- 1 on April 30, 2001 Capital Options;
- 1 on Nov. 1, 2001 Gorstew Ltd.;
- 1 on Dec, 13, 2001 UDC (Designated to be Project Manager under July 2, 2001 NEWTOWN Heads of Agreement);
- 12 in 2002 Ashtrom, Smith Warner, Sant Associates, Witkin Design Group, Nevalco, Environmental Solutions, HPI, McDonald Group, Maurice Stoppi, Jentech, Goldson Barret Johnson, Hardie and Kossaly;
(NB. Agreement with Ashtrom reportedly first reached in March 2000).
- 6 in 2003 (Aqua Dynamics, Rivi Gardner, Edwin Hunter, Alfred Sharpe, Charsal Marketing, Basil Nelson).
- 1 in 2004 Projex Building Materials
- 2 (dates not provided) (ATL and Art Inc.).

35. July 12, 2006

- **Contractor General's Investigation Report on Sandals Whitehouse Project submitted to Parliament**

The Contractor General's Report of Investigation on the Sandals Whitehouse Hotel Project was submitted to Parliament, under cover of letter addressed to the Speaker of the House and the President of the Senate.

The Report examined, *inter alia*, the UDC's project procurement activities and concluded that there was no evidence which would suggest that the UDC and/or NEWTOWN, in its/their award of the subject consultancy contracts, had complied with relevant Government contract award Procedures and Procurement Guidelines.

36. July 18, 2006

- **Letter from Chairman, UDC, to Contractor General Challenging CG's Investigation Findings**

The UDC's Letter asserted, *inter alia*, as follows:

- (a) that it is not the policy of the UDC to "flaunt or breach the Government's procurement guidelines and (that) these policies are faithfully adhered to by the Corporation and its staff in all our projects";
- (b) "that the NCC ... did not issue its guidelines until 2001 and in doing so made reference to Contractors only and not to the appointment of Consultants";

- (c) that "the Consultants who had commenced working with the Contractor prior to 2000 would not have fallen within those guidelines";
- (d) That "the Consultants having already commenced the provision of the services, they were not appointed or handpicked by the UDC";

37. July 18, 2006

Contractor General responds to UDC's Chairman

By way of letter, a copy of which was issued to the media, the CG responded to the UDC's Chairman asserting, *inter alia*, the following:

- (a) That at the time of "the engagement of the ... Consultants by the UDC and/or NEWTOWN, the NCC/GPPH regime was fully in place. Further, at all material times, the UDC and/or NEWTOWN were Public Bodies. Consequently, any purported award of contracts to ... the consultants, either by the UDC and/or NEWTOWN, would have been clearly subjected to and governed by the NCC/GPPH Regime";
- (b) "Whatever relationships any of these consultants may have had with the project, or with a private contractor, prior to their engagement by UDC/NEWTOWN, is wholly irrelevant";
- (c) "That the GPPH was, from its very inception, expressed to govern contracts for the procurement of goods, works and services. Moreover, and contrary to what you have stated, the GPPH, in its original edition, makes abundant and specific reference to procedures for the procurement of consulting services";
- (d) "Section 4 of the Contractor General Act (1983) requires the CG, *inter alia*, to monitor the award and implementation of Government contracts with a view to ensuring that "such contracts are awarded impartially and on merit and that the circumstances in which each contract is awarded do not involve impropriety or irregularity".

38. July 23, 2006

UDC Issues Statement to the Media

In a statement which was issued to the media and which was published on pages 10 and 11 of the Sunday Observer Newspaper of July 23, the UDC, stated, *inter alia*, as follows:

"... that there is disagreement as to whether or not the procurement procedures to which the Contractor General refers would apply in the circumstance of the case. It should be noted that the decision to continue the employment of the existing consultants under the new company was taken before these guidelines were supposed to take practical effect which we were told by the NCC in September 2001 would be for implementation in October 2001".

39. Sept. 5, 2006 - **Forensic Audit Team Report Tabled in Parliament**
The Forensic Report into the Sandals Whitehouse Hotel Project, which was commissioned by the Government, was tabled in the House of Representatives.
40. Sept. 6, 2006 - **UDC Issues Another Statement to the Media**
In a statement which was issued to the media and which was published on page A16 of the Gleaner Newspaper, the UDC, stated, *inter alia*, as follows:
- (a) *"The Forensic Audit Report on the Sandals Whitehouse development now provides the Jamaican public with a professional report. It is now clear that the imputation of corruption ... is groundless"*.
 - (b) *"... We accept that the consultants were selected by a non-competitive process"*;
 - (c) *"They (the consultants) were rehired prior to the publishing of the guidelines for public sector procurement in October 2000 and the establishment of the relevant sector committee in August 2001"*;
41. Sept. 6, 2006 - **Contractor General Challenges UDC's Statements**
The CG, by way of letter, challenged the UDC's Sept. 6 media statement. The CG's letter, which was reportedly distributed to the media by Parliament on Sept. 12, stated, *inter alia*, as follows:
- (a) That it appeared that there was a concerted and continuing effort on the part of the UDC to change its story and to mislead the Public;
 - (b) That the Office of the Contractor General (OCG) held UDC documents (namely, letters, dated October 24, 2001, of conditional offers of engagement to consultants) which materially challenged the veracity of the UDC assertion that *"the consultants were rehired prior to the publishing of the guidelines for public sector procurement in October 2000"*;
 - (c) That October 24, 2001 is (a) more than one year following the UDC's alleged pre-October 2000 "rehire" date, (b) one year after the issue of the MOFP's October 24, 2000 Interim Guidelines for Public Sector Procurement, and (c) at least 2 months after the GPPH was issued;
 - (d) That the UDC, within 5 business days, should provide the OCG with documentary evidence to substantiate that which it had asserted in (b) above;
 - (e) That the UDC's assertion that *"the relevant (NCC/UDC) sector committee was established in August 2001"* was inaccurate and that the sector committee was in fact launched on August 11, 2000.

42. Sept. 13, 2006

UDC Responds to Contractor General's Letter of September 6

The UDC, by way of letter, responded to the Contractor General. The UDC did not address or substantiate its assertion of September 6 as it was required to.

It had asserted then that the consultants were "re-hired prior to October 2000". In its reply, however, it sought, instead, to raise a new assertion to the effect that "the main consultants were selected prior to ... May 2001".

The UDC also conceded that its NCC Sector Committee was launched on August 11, 2000 and not "established in August 2001" as it had previously communicated in its statement.

43. Sept. 14, 2006

Contractor General Responds to UDC's Letter of September 13

The Contractor General, by way of letter, responded to the UDC's letter of September 13.

The Contractor General communicated, *inter alia*, that the UDC had not substantiated its assertions of September 6 as it had been required to do and that the OCG considered this to be "a serious matter".

The Contractor General reiterated the position which it had previously communicated to the UDC in his letter of July 18, 2006 as follows:

"At the time of the engagement of the referenced consultants by the UDC and/or NEWTOWN, the NCC/Government Procurement Procedures Handbook (GPPH) regime was fully in place. Further, at all material times, the UDC and NEWTOWN were Public Bodies. Consequently, any purported award of contracts to any of these consultants, either by the UDC and/or by NEWTOWN, would have been clearly subjected to and governed by the NCC/GPPH regime. These are indisputable facts"

The Contractor General maintained his position that the UDC had been changing its story and had been deliberately misleading the Public. The Contractor General cited what, in his view, were several examples of this.

The Contractor General concluded, *inter alia*, that the UDC's "objective has been to substantially mislead the Parliament and people of Jamaica into believing that the procurement of Consultants on the Sandals Whitehouse Hotel Project was not carried out in violation of applicable Government Procurement Procedures and Guidelines".

44. SOME FINAL OBSERVATIONS

- (a) The UDC and/or NEWTOWN were, at all material times, "Public Bodies" falling within the meaning of Section 2 of the Contractor General Act.
- (b) The UDC and/or NEWTOWN were, at all material times, "Procuring Entities", which were subject to the established Government Procurement Procedures and Guidelines.
- (c) The UDC, its former Executive Chairman and its current President and Chief Executive Officer, by virtue of their membership on the NCC/UDC Sector Committee from its inception on August 11, 2000, were, at all material times, fixed, at a minimum, with constructive notice of the ambit, applicability and requirements of the relevant Government Procurement Procedures and Guidelines.
- (d) The subject consultancy contracts were Government contracts which clearly fell within the purview of Section 2 of the Contractor General Act and the relevant Government Procurement Procedures and Guidelines.
- (e) The UDC and/or NEWTOWN, in their capacity as "Public Body" and "Procuring" Entities, selected, engaged and contracted the subject consultants. The subject contracts were awarded by UDC and/or by NEWTOWN.
- (f) Despite the foregoing, there is no evidence which has been provided to the OCG which would lead it to conclude that any of the relevant consultancy contracts were subjected to competitive tendering and/or to endorsement by the National Contracts Commission and the Cabinet, prior to award.
- (g) The available evidence would conclusively suggest that the subject contracts were awarded in flagrant violation of applicable Government Procurement Procedures and Guidelines.
- (h) Finally, there is evidence that the UDC, from as early as July 1987, more than 19 years ago, had confronted the Office of the Contractor General in writing and articulated a Government contracts award posture which openly rejected the need for compliance with the then established Government Procurement Procedures and Guidelines. Nine (9) years later, in his 1996 Annual Report to Parliament, the then Contractor General had reason to record that the UDC had still continued to impress its claim that it was "exempt from" the GCC's procedures.