

**COMMUNICATION ON SALE OF GRAND LUCAYAN RESORT
CHESTER COOPER, DPM, MOTIA, EXUMAS AND RAGGED ISLAND MP
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When the Progressive Liberal Party returned to power in September 2021, there was no shortage of challenges facing the Bahamian people. Some of those challenges were beyond the control of anyone and other challenges were created by the Minnis Administration, despite our best efforts in opposition to give considered advice.

We held no illusions about the enormity of the task at hand for the Davis-Cooper administration.

And we approached the work in a methodical and strategic manner.

One of the major issues left behind by the previous administration for us to resolve was the Grand Lucayan Hotel.

Against our stringent opposition, the government of The Bahamas bought the Grand Lucayan Hotel for \$65 million - \$30 million in direct cash and a mortgage with the seller for the remainder.

The facts surrounding the purchase and government ownership of the Grand Lucayan Hotel are the people's business and we have nothing to keep from them.

The Government of The Bahamas created Lucayan Renewal Holdings Limited, a special purpose vehicle, for the acquisition of the Grand Lucayan Resort, from Hutchison Properties in August 2018.

The company assumed responsibility for the asset on September 11th, 2018, with the mandate to operate and facilitate the sale of the property to a qualified and visionary investor, and in the interim issue severance packages to employees who had requested voluntary separation from the company.

On September 11th, 2018, the board of LRHL took responsibility for the asset, which experienced significant damage from Hurricane Matthew in October 2016, for which Hutchison properties received the insurance settlement, of more than \$80,000,000.00.

Major repairs required to return the resort to full operational status were not done. According to the experts, an estimated \$30,000,000 was required to refurbish the property.

The board opted not to effect capital improvements on the understanding that all efforts would be made to sell the property at the earliest opportunity.

And so, the 198-room Lighthouse Pointe property was operated, as is, and the 551-room Breakers Cay/Lanai Suites and 522-room Reef Village (formerly Memories Resort & Casino) remained closed.

The sale process was launched in November of 2018, and by March 2019 the global marketing promotion was completed and the Letter of Intent for the purchase of the resort, was signed at the Office of the Prime Minister in April 2019.

Hurricane Dorian visited further damage on the property in September, 2019.

The Board claimed \$20,000,000.00 in insurance damage and received a settlement of \$13,000,000 which was applied to the mortgage.

At this point the property was under contract for sale to Bahamas Ports International (a joint venture between Royal Caribbean Cruise Lines and the ITM Group) for \$65,000,000, therefore, a discount of \$15,000,000 was extended to the prospective buyers and the purchase price was adjusted to \$50,000,000.

On March 2nd, 2020, a Cabinet appointed Negotiating Committee finalized the Sales Purchase Agreement between LHRL and Bahamas Ports International, at a price of \$50 million.

The Agreement included condition precedents, among them the requirement to complete an agreement with BPI and Hutchison on the Cruise Port.

As we are all aware, this was around the same time that the global novel coronavirus pandemic was declared, which greatly impacted the global economy.

On March 19, 2020, Emergency Orders were implemented in The Bahamas, further impacting our economy and dealing a severe blow to government revenue.

Due to the impact on tourism and the cruise industry in particular, the Cabinet appointed Negotiating Committee entered discussions to amend the Agreement with BPI.

By November 2020, the BPI “best and final offer” for the purchase of the hotel property for \$50 million with government contributing \$100 million in cash concessions to BPI over a 12-year-period.

To be clear, this meant that the government of The Bahamas was asked to pay around \$10 million per year directly to the purchaser to help with redeveloping the property.

This was in addition to other concessions and caveats.

For example, of the \$50 million purchase price BPI asked for an upfront \$12 million concession payment to be credited toward the purchase price.

Also included in the \$50 million sale price was a government loan to BPI.

And the concessions... plus, plus, plus... didn't stop there.

To be more specific, BPI proposed to develop the property in three phases rather than two, whereby initially only 25 rooms at Lighthouse Pointe would be opened in 2022, to be "grown with demand," as opposed to the original 500 rooms Breaker's Cay Hotel by mid-2022.

The new proposal had no timeline for the Breaker's Cay Hotel opening.

The new proposal also deferred the opening of three new cruise ship berths to 2027.

As I said, the new agreement included a revised government subvention schedule whereby the first \$12 million would be credited against the purchase price and the remaining contributions and subventions pushed back to align with the revised development plan.

The new proposal also asked the government to provide a \$33 million mortgage as part of financing of the \$50 million purchase price in an

amortizing loan with a two-year grace period, a one-year interest only period and repayment over 10 years at an interest rate of six percent for the first five years and eight percent for the last five years.

So for posterity let me recap: We paid \$65 million for the resort.

We had agreed to sell it for \$50 million.

The buyers wanted a mortgage of \$33 million from us to buy the property from us.

In addition we were to pay back \$100 million to the buyer in cash concessions in addition to a myriad of tax concessions.

The board did not find that proposal to be in the best interest of the government or the Bahamian people and said so publicly.

And upon coming to office and reviewing the proposal, the new administration concurred, to put it mildly.

Up to last September, the hotel received a total of approximately \$150 million in direct government subsidy.

We estimate that there have been millions more spent throughout the process in indirect costs and an estimated additional \$10m - \$15 million to be spent before any transaction is completed even on its current trajectory.

I remind this honorable house that the monthly subsidy to this resort was in the region of \$1.3m to 1.5m per month.

As I have said, the new proposal was not a realistic or palpable arrangement after our significant investment on behalf of the taxpayers.

Further, on coming to office we met with RCL who indicated that they would only start construction during the second half of the decade, that's at least 5 – 6 years later.

We considered this to be wholly unacceptable to the people of Grand Bahama who have been waiting for a rather long time for relief.

It was shortly thereafter that we agreed to terminate the agreement by mutual consent.

While we realized we would likely not recoup all in direct cash for the resort, we restarted the sale process, putting out a call for offers, from serious, well-resourced, visionary stakeholders that had the greater interests of Grand Bahama in mind.

Having visited Grand Bahama many times over the years, I have seen firsthand the plight of the people of our second city and the surrounding areas.

There is no overnight fix for Grand Bahama's economy and there is no singular remedy for Grand Bahama's economic quagmire.

However, what is clear is that tourism is a critical part of the way forward for Grand Bahama and we need to methodically approach the situation with a bird's eye view, but being intentional about putting all the pieces into place.

The driving force behind our mission was to do what is best for the people of Grand Bahama.

And in that vein, I believe we have succeeded.

On Wednesday May 11th I announced that the Government of The Bahamas has secured a buyer for the Grand Lucayan Resort.

We have signed a memorandum of understanding and a heads of agreement will be entered into with a quick turnaround timeline for closing.

Electra America

Lucayan Renewal Holdings Limited, the special purpose vehicle that owns the Grand Lucayan Resort on behalf the Bahamian people, intends to enter into an agreement for the sale of the entire property to Electra America Hospitality Group (Electra), whose principals boast over 150 years collective experience in the hospitality business.

Electra is a part of a conglomerate, Electra America, with worldwide assets worth \$7 billion in significant capital holdings.

The government has accepted Electra's purchase offer for the Grand Lucayan resort of \$100 million.

An upfront deposit of \$5 million will be paid immediately on execution of the definitive purchase agreement and will become non-refundable at the end of the 60-day due diligence period.

The balance of \$95 million will be due at closing, which has been agreed at no longer than 120 days from the execution of the MOU.

The government has committed to standard concessions under the Hotels Encouragement Act.

Electra has committed to an estimated \$300,000,000 renovation to rebuild the Grand Lucayan Resort into an environmentally sustainable, luxury resort.

Not only does Electra have a plan for the resort, but it has a vision for its future in Grand Bahama that includes the growth of the overall economy and community.

Master Plan

Electra has committed to a Luxury Lifestyle Hotel.

This hotel will have approximately 198 rooms and 24 villas.

This property will have an independent or international 4 to 5-star hotel brand catering to corporate and leisure transient business.

The property will also feature a convention center and an amphitheater in an upscale Convention Hotel with a 4-star international hotel brand.

This hotel will have 535 rooms and will cater to corporate, association, convention and group leisure business.

An All-Suite Family Resort is also planned for the re-envisioned property.

This resort will feature 257 suites which will be double the room size now available on the current property.

This condo-hotel style structure will feature an independent or international four-star brand and will cater to families.

Among amenities at the resort there will be a world class marina, a casino operated by a renowned casino operator and a golf course with an internationally branded country club that will feature additional newly-built facilities and activities.

At the golf club there will be a full-service restaurant and golf school, there will newly built Golf Villas on the golf course grounds.

The new resort will have at least 11 world-class restaurants and 10 bars featuring Bahamian and international food and beverage options.

Each hotel will have a spa and fitness facility, amenities for children, event spaces, pools and water features.

Solar energy will be a major part of the property's sustainable growth strategy.

There will also be gardens on property that can provide true farm-to-table dining for guests.

Electra has committed to best in class recycling practices as part of its commitment to sustainability.

We expect this deal to be complete by September at the latest, with renovations and new construction immediately after but no later than January 1, 2023.

Construction will be phased and some component of the resort will remain open at all times.

Electra intends to retain current staffing levels that now exist as a minimum, in the operations, during the construction phase.

All renovations and construction are expected to be complete by January 1, 2025.

With the first renovated hotel to come on stream the beginning of 2024.

The casino renovation is expected to be complete in the summer of 2024, and the other renovations and new builds coming on stream from the beginning of 2025 through the summer of 2025.

The resort reconstruction and reopening is expected to create approximately 2,000 construction jobs and 1,000 permanent jobs.

At least 80 percent of all jobs are to go to Bahamians.

Electra is currently conducting an Economic Impact Assessment to pinpoint the level of economic growth it expects to generate.

However, we re-iterate that the total direct investment into the property is expected to be in the \$400 million range.

But let me just say we believe the economic impact will be significant and radically change the economy of Freeport and Grand Bahama, and positively impact the lives of its people.

Electra has also committed to using local artisans throughout the resort.

And Electra has also committed to the use of Bahamian live entertainment throughout the property.

Airport reconstruction

One of the main impediments to Grand Bahama's economic revival is airlift.

And the major airlift issue on Grand Bahama is the Grand Bahama International Airport.

The government is keenly focused on this.

You would recall last month, we launched Phase 1 of the Public Private Partnership (PPP) Programme to design, build, finance, operate and maintain several airports throughout The Bahamas.

And the Grand Bahama International Airport is first on the agenda.

We are seeking experienced and qualified private sector partners for the redevelopment of the Grand Bahama International Airport, with the objective of revitalizing Grand Bahama's economy.

We launched this first phase on the Department of Aviation's website and asked interested entities to submit Request for Pre-qualifications and a project information Memorandum for the Grand Bahama International Airport closing yesterday May 15.

I am advised that there are several interested parties, however, a further statement will be made in due course.

It is our undertaking to complete the first phase of a world-class airport by Jan 1, 2025.

This facility will greatly increase airlift to the island, which will create ripples of economic activity throughout Grand Bahama.

Preliminary works will begin at the airport next week under the direction of the Airport Authority and the Ministry for Grand Bahama as it relates to new generators, new elevators, repairs to the air traffic control tower and demolition of certain derelict buildings.

We will also undertake to make remedial repairs to the domestic building to remove workers out of the unfit working conditions that they have been subjected to since Hurricane Dorian. That's right madam stacked in a trailer, using out houses and potter potties two years after hurricane Dorian, under the Minnis Administration.

We promised the people of Grand Bahama we would do better. We promised to deliver for them a world-class airport and that is what we are doing.

Commitment to community

When we started the search for a buyer for the Grand Lucayan resort, we were very vocal about wanting a tourism partner that wants to be vested in the interests of the wider community.

We believe in this area, Electra will be good for The Bahamas.

Electra has committed to donating all the existing furniture from the resort to the residents of Grand Bahama. This will be spearheaded by the ministry for Grand Bahama.

We believe this will help a great deal in those who lost much to Hurricane Dorian and the many still feeling the ill economic effects of the pandemic.

Given the Dorian experience, Lucayan Renewal Holdings Limited has agreed with the buyer to insure the first \$10,000,000 of the first two named storm damage occurring within the first five years of its ownership.

As a part of the purchase price, the company has pledged \$5 million to the Ministry for Grand Bahama's new unit, 'Collab: Partnerships for Development' for community projects and funding for Bahamians to create businesses, in conjunction with the Ministry of Tourism and the Tourism Development Corporation.

This will help local Grand Bahamians development businesses that cater to tourists and help broaden the economy by expanding offerings for guests on the island.

This will create entrepreneurs; this will change lives.

The company has also committed to an ongoing partnership with the Ministry of Grand Bahama so that it can be sure it is directing resources to where they are most needed and effective.

Better Days Ahead

The people of Grand Bahama should know there are better days ahead.

We have already begun tangible attention to the people of Grand Bahama.

I am pleased to announce that Western Air has agreed to fly a Fort Lauderdale to Freeport route this summer, and Bahamasair will fly more flights from Ft. Lauderdale to Freeport as well.

Also, on November 10, an inaugural Bahamasair flight will be direct from Charlotte, North Carolina to Freeport, Grand Bahama.

We promised to bring energy to the economy of GBI and we are doing just that.

With Electra's commitment to a \$300 million investment in Grand Bahama in three years, we expect the change to be swift and impactful.

Other concerns on Grand Bahama also include getting more cruise passengers into Grand Bahama and off the ships.

We have had the Carnival cruise port groundbreaking and we have engaged senior executives of all major cruise ships about the coming expansion of recreational offerings for their guests on GBI.

In Electra, we have found a partner that will not only inject money into the community, but who wants to be a part of the Grand Bahama community.

We have found a socially responsible partner who will work with Grand Bahamian people, the Ministry for Grand Bahama and the government to provide jobs, help create entrepreneurs and assist with the long-term vision of the Tourism Development Corporation.

We are very proud of what has been accomplished so far, and there is much more to come for Grand Bahama and The Bahamas under this New Day administration.

May God bless the long-suffering resilient people of Grand Bahama.

May God bless the Commonwealth of the Bahamas.

