

The Bahamas' Baha Mar: Rescuing the Mega-Resort from Bankruptcy

Introduction

It is July 2015. Perry Christie, the prime minister of the Bahamas, faces a thorny decision. Baha Mar, the country's largest ongoing construction project, has gone bankrupt. A few days before, on June 29, 2015, the project's developer filed for bankruptcy in the US — without even notifying the prime minister beforehand. On June 30, the company filed a separate claim in English High Court seeking “financial remedies” from the general contractor and the construction manager, China State Construction Engineering Corporation (CSCEC), and its subsidiary China Construction America (CCA) related to construction delays.ⁱ

Valued at \$3.5 billion, the project is the most ambitious mega-resort ever undertaken in the Caribbean island country. It is to include four luxury hotels with 2,323 rooms, the largest casino in the Caribbean, a premier Jack Nicklaus Signature 18-hole golf course, a 30,000 square foot spa, and a 200,000 square foot convention center. Since its inception, Baha Mar has been touted as “the largest single-phase resort development in the western hemisphere” and an economic engine for the Bahamas, with projections that it could grow the country's gross domestic product by 12.8%.ⁱⁱ

However, after missing multiple grand opening deadlines since 2014, Baha Mar is now in trouble. By the date of bankruptcy filing, the resort complex was 97% complete according to the developer, still not ready to open.

The floundering resort project had caused the most serious economic damage to the small island country since the global financial crisis. Thousands of local workers who expected to work at the resort were unemployed. Bahamians who had returned to the country for jobs there felt they needed to leave again. Standard & Poor's downgraded the Bahamas' credit rating to BBB-, one level above junk status, and warned that further downgrades were possible depending on “the handling of the Baha Mar project.”ⁱⁱⁱ All this has greatly strained the government's balance sheet. The tourism industry, considered the pillar for the island nation's economy, was stagnant. Unemployment nationally was 15% and the rate was 20% or higher among young Bahamians.

In a news release, the developer blamed the bankruptcy on “the financial consequences of the repeated delays by the general contractor and the resulting loss of revenue.”^{iv} The delay left Baha Mar with costs of around \$4 million per month after hiring 2,000 staff to work at the resort.^v In mid-2015, BMD Holdings was forced to consider bankruptcy filing as it approached its budget limit while scrambling to maintain upkeep on the property without incoming guests to generate revenue.^{vi} Intent on minimizing CCA's engagement in continuing the construction and on negotiating a settlement with both CCA and the Export-Import Bank of China (EXIM Bank)—

the project's largest funder who provided \$2.45 billion in construction loans—BMD Holdings filed for bankruptcy in Delaware. Chapter 11 of the US Bankruptcy Code allows a debtor to propose a plan of reorganization to keep its business alive and pay creditors over time, as opposed to Bahamian law, which follows the British system and allows only for asset liquidation but would not protect the best interests of the debtor in the proceedings.

Until the bankruptcy filing, Prime Minister Christie — who claimed to have initiated the project and counted on the jobs it would provide to lift his political reputation — had kept an uncharacteristically low profile as disputes between the developer and CCA multiplied. In his 2013 budget address, Christie said Baha Mar would “usher in a new dimension in Bahamian and regional tourism and is expected to provide 8,000 permanent jobs and 430,000 stopover visitors.”^{vii}

Although he was annoyed that BMD Holdings did not consult or even alert him before filing for bankruptcy, that action now requires Christie to decide on the next step: He could side with the developer and abrogate its agreement with CCA at the peril of greatly displeasing the Chinese government-backed EXIM Bank. Or he could support the Chinese contractor's efforts to continue construction while asking the Bahamian court to dismiss the developer's filing and return the case to Bahamian courts and liquidate the company.

If he chooses the first option, the government and developer BMD Holdings Ltd. would alienate the Chinese contractor and creditor. They would have to restart the contracting process, deal with a new contractor and bear possible unintended risks of shoddy work and further delays. If Christie backs the Chinese contractor, he would very likely destroy the relationship with the developer who would be disenfranchised through asset liquidation. The government would then have to rely completely on the Chinese contractor, which would then have little incentive to improve its old practices.

How should Prime Minister Christie proceed?

The Bahamian Economy and Government

Located only 180 miles from Miami, The Commonwealth of the Bahamas is an archipelagic state in the Caribbean Sea of the Atlantic Ocean consisting of more than 700 islands and more than 2000 rocks and cays. The Bahamas has a population of 392,718, a total area of 13,878 km² and a coastline of 3,540 km.

The site of Columbus' first landfall in the New World in 1492, the Bahamas was a British colony until 1973 and remains a member of the Commonwealth. The nation is a parliamentary constitutional monarchy headed by Queen Elizabeth II in her role as Queen of the Bahamas. Legislative power is vested in a bicameral parliament comprised of an Assembly and Senate. The Prime Minister is the head of government and is the leader of the party with the most seats in the Assembly. Executive power is exercised by the Cabinet, selected by the Prime Minister and drawn from his supporters in the Assembly.

Perry Christie, a former athlete and longtime member of Parliament, served as prime minister from 2002 to 2007 and from 2012 to 2017.

The Bahamas is among the wealthiest countries in the Caribbean region with a GDP per capita of \$31,300. The nation's economy is almost entirely dependent on tourism and financial services to generate foreign exchange earnings. Tourism accounts for an estimated 60% of GDP and employs about half the Bahamian workforce.^{viii} At a fixed exchange rate of one to one, the US dollar is accepted with the local currency. The country is strongly influenced by the US economic climate;^{ix} the US is its largest trading partner and the source of more than 80% of its visitors. The Bahamas joined the World Bank in 1973 but currently has no outstanding Bank loans; its last loan dates to the 1990s.

Beginning in the early 1990s, facing severe recession, the government introduced an economic reform program, which emphasized fiscal responsibility, privatization of government-owned hotels, investment promotion, infrastructure development and economic diversification. A long period of solid growth with modest inflation followed as the US emerged from recession.^x

The Bahamian economy stalled in 2001–02, reflecting the economic downturn in the US and a consequent drop in tourism. Solid growth with modest inflation resumed in 2003 until the world economic downturn caused a sharp fall in tourism and offshore financial services. The economy moved sharply into recession, shrinking by more than four percent in 2009, then recovered starting in 2010. The year 2012 saw growth of 1.0%, 0.7% in 2013, continuing at over 1% p.a. in 2014–15.^{xi}

The Bahamas and China

In the past decade or so China has raised its profile in the Caribbean region, including in the Bahamas. Since the Bahamas switched support from Taiwan to China in 1997, the relationship between the two countries has steadily improved. Prime Minister Christie visited China in the fall of 2014, promising to open an embassy in Beijing soon even though there was no Bahamian embassy in neighboring Haiti. Like many island countries in CARICOM (representing 20 developing Caribbean nations), the Bahamas views China as a “third world” ally against the US in the globalization process.^{xii}

Keen to enhance its influence in the Bahamas—which is right in the US's backyard—China has been increasing its investments in the country through both public and private channels. China is a member of the Caribbean Development Bank, contributing almost 6 per cent of its total capital, as well as millions of dollars worth of concessional loans and technical assistance to regional borrowers,^{xiii} including those from the Bahamas. The country is an officially sanctioned destination for Chinese tourists, resulting in significant aid in the form of Chinese tour groups.^{xiv} In February 2014, the Bahamian-China Visa Exemption went into force, allowing visa-free reciprocal travel for citizens of both nations.

Along with official Chinese aid, which includes an offer of \$30 million for a sports stadium in the Bahamas, there has been plenty of investment from the private sector. The Hong Kong multinational Hutchison Whampoa has made billion-dollar investments in the country in recent

years. Hutchison is the world's top port developer and operator and is a part of Cheung Kong (Holdings) Ltd whose chairman is Li Ka-shing, Asia's richest man. Li founded the company in 1950 and is said to have close ties with Chinese leadership. Hutchison also owns Freeport Harbour Company and the Grand Bahama International Airport. COSCO, the state-owned Chinese container company, has registered ships under the Bahamian flag and wants to expand Freeport's dry dock facility to handle bigger vessels. COSCO is linked to the state-owned China International Trust and Investment Corporation (CITIC); Li Ka-shing is also a board member of CITIC.^{xv}

The latest real estate development marked by Chinese investment is The Pointe, a \$250m resort at the western tip of Nassau's bustling downtown, an area steeped in Bahamian history and just steps from the port where major international cruise ships anchor. The Pointe is wholly owned and is under construction by CCA. The government decided to break ground with CCA in 2015 while Baha Mar remained unfinished and BMD Holdings Ltd. was in the midst of a commercial dispute with CCA.

China's influence also extends to Bahamian national economic planning. During the first ministerial meeting of the CELAC-CHINA (Community of Latin American and Caribbean States) Forum in Beijing in January 2015, Christie announced that he planned to request funding from China to support the country's national budget and refinance and restructure the Bahamas' debt,^{xvi} although no further detail has been disclosed on any progress since then.

Chinese investment in the Bahamas came at a time when Washington D.C. paid relatively little attention to the Caribbean region, preoccupied as it was with the financial crisis and conflicts in the Middle East and Asia. As a result, the US was unable to provide the development resources that the Bahamas sought.

The Bahamian public, however, has expressed reservations about the growing Chinese influence. There have been rising concerns in recent years about the government's increasing reliance on Chinese investment, which some fear will undermine long-standing relations with the US. There is also a stronger call for more transparency on Chinese investments within the country — the Bahamian government has kept much of that information from public release. Since the US is the nation's largest trade partner and “the key to [Bahamian] prosperity,”^{xvii} the government's priority should be to “balance its all-important relations with the United States, focus on things that really matter and eschew the glamour of foreign travel and the excitement of geopolitical games.”^{xviii}

The Baha Mar Venture Takes Shape

Baha Mar originated from a grand vision. In 2001, impacted by the downturn of the global economy and the consequent fall in the number of tourists visiting the country, the real GDP growth of the Bahamas plunged by 1.5%, from 5% in 2000 to 3.5% in 2001. Prime Minister Christie saw the sharp drop as evidence of the country's economic vulnerability to an unpredictable international environment. His goal was to strengthen the island's position as a major resort attraction for US visitors in particular and invigorate its tourist economy,

accelerating economic growth and insulating the country to a degree from future economic shocks.

He honed in on Cable Beach on the island of New Providence. Cable Beach was one of the most popular international beachfront destinations in the 1960s but had languished by the turn of the century and its outdated facilities needed a major upgrade. Christie named Sarkis Izmirlian as CEO of BMD Holdings Ltd. Then just 32, Izmirlian seemed a natural choice to help upgrade the island's aged downtown.

A Swiss-born businessman and the son of a billionaire peanut tycoon living in the Bahamas, Izmirlian was a prominent island resident. He agreed with Christie: "I saw a real opportunity to create something special here," he said in a television interview some years before the project floundered. "Cable Beach had a lot of potential, but it needed a big vision to create a great destination which would complement [the] Atlantis [Resort] and be big enough to compete against places like Orlando."^{xxix} His concept to revitalize Cable Beach involved completely redeveloping the area by consolidating nearly 1,000 acres of land with 3,000 feet of beachfront, re-routing Nassau's main road around the perimeter of the property, and erecting a state-of-the-art resort anchored by four new luxury hotels and a Las Vegas-style casino. He believed that the project would bring significant new tourism revenue and jobs to the region.^{xx}

Izmirlian committed to investing in the project as well as assuming responsibility for soliciting financing, negotiating complex single-phase development contracts, and overseeing construction.^{xxi} In April 2005, Izmirlian's newly formed Baha Mar Development Holdings Ltd. sank nearly \$900 million into Baha Mar and acquired three aging hotels on the Cable Beach strip with a \$200 million loan from the Bank of Nova Scotia. In November 2005, the company announced the 1,000-acre mega-project after agreement with the Christie administration on the \$1 billion-plus development.^{xxii}

In addition to renovating and rebranding the Crystal Palace and Cable Beach Hotels and closing the venerable Nassau Beach, Izmirlian committed to build several new hotels, a casino, retail village, convention center, expanded golf course and beach and pool amenities.^{xxiii} Side agreements included deferred taxes, a \$20 million contribution from the Ministry of Tourism, and a commitment to upgrade Nassau's airport and other infrastructure. Another agreement permitted transfer of hundreds of acres of public land worth an estimated \$150 million.^{xxiv}

Ironically, Baha Mar's massive scale (Exhibit 1) also doomed its chances for success. Trouble surfaced when the developer was unable to raise \$400 million in capital, show evidence of further financing, produce detailed plans, or attract world-class partners by the agreement's deadline of October 2006.^{xxv}

With an election approaching, Christie scrambled and by early 2007 Baha Mar was reconceived as a joint venture with Harrah's Entertainment of Las Vegas. As the price tag rose to \$2.6 billion (including more than a quarter of a billion dollars in government concessions), promoters once again hailed the resort as unprecedented in scope and character.^{xxvi}

However, despite “vigorous negotiations,” a deal was not finalized before the May 2007 general election when Christie was replaced as prime minister by Hubert Ingraham (although Christie would return to the position in 2012). The new prime minister launched an immediate project review^{xxvii} and while the new government eventually decided to abide by the 2005 terms, Baha Mar sought further negotiations. By February 2008, Ingraham unveiled a supplemental agreement that trimmed some of the concessions given three years earlier. Yet skepticism about the project’s viability lingered.^{xxviii} “There is high expectation by the Bahamian public about the Baha Mar project,” Ingraham acknowledged in March 2008. “We will do all we can to facilitate it, but I do not want to oversell it.”^{xxix}

By the time the 2008 global financial crisis hit the island country, Baha Mar was still just a project on paper. Izmirlian spent years trying to identify and engage investors without success, meaning construction had not even begun. The economic meltdown caused Harrah’s, the only investor, to get cold feet and pull out of the partnership, again jeopardizing the entire project.^{xxx} With Harrah’s departure, Izmirlian was unable to raise capital in the financial markets unless a third party was to step in, a long shot in the highly uncertain economic climate.

At this juncture, the Chinese government-backed investor offered to help. In March 2009, China Construction America (CCA), a subsidiary of the world’s second largest contractor, China State Construction Engineering Corporation (CSCEC), met with Izmirlian and directed him to the Export-Import Bank of China (EXIM Bank), which promotes trade and investment under the direction of Beijing.^{xxxi} The EXIM Bank agreed to provide Izmirlian with \$2.45 billion in construction loans with the proviso that CCA would be the project’s general contractor and construction manager. The EXIM Bank specified that Izmirlian would not be able to fire the Chinese builder no matter what, and that Chinese workers would build the resort.^{xxxii} Izmirlian agreed to take the offer and the CCA promptly invested \$150 million in addition to the EXIM Bank loans.

The parties signed a facility agreement on May 31, 2010; the project contemplated \$3.5 billion in financing (Exhibit 2) which included:

- A \$2.45 billion secured debt facility provided by EXIM Bank;
- A \$150 million preferred equity commitment provided by CCA, a subsidiary of CSCEC;
- An \$850 million common equity investment by the developer. The common equity investment consisted of cash, land for the project along Cable Beach and the three hotels, as well as other commitments;^{xxxiii} (Exhibit 3)
- The facility agreement also contemplated a group restructuring of BMD Holdings and its subsidiaries (Exhibit 4)

Ingraham then jetted off to China to firm up the details and Parliament, putting political differences aside, unanimously approved the revised project.^{xxxiv} Following the previous side letters, government concessions to Baha Mar included:

- Commitment to a \$50 million infrastructure upgrade including re-routing Nassau's main road around the property's perimeter, retrofitting the airport and co-investing with Baha Mar in its golf court;
- A 20-year property tax exemption worth about \$407 million, halving the casino's income tax to 5% for 21 years;
- Exemption from all import taxes during the construction phase, worth about \$286 million; and
- Returning the annual license fee to support marketing and commercial promotions

The deal also included thousands of work permits for Chinese construction workers, which generated public resentment in the Bahamas, as well as accusations from Sol Kerzner's Atlantis Resort, another mega-resort of comparable size in Nassau, that Baha Mar received more favorable terms.^{xxxv} "Among the many requirements that the government imposed [on us] was a strict rule that at least 70 per cent of the total construction labor force would be Bahamian," Kerzner commented. "However, this new [Baha Mar] deal will constitute a complete reversal of [that] standard."^{xxxvi}

These complaints eventually subsided and soon, flush with Chinese money, Baha Mar officials broke ground on Cable Beach in February 2011. Subcontractors were hired, and the resort launched a high-profile employee recruitment and training program. Izmirlian announced that four Baha Mar hotels would open by late 2014.^{xxxvii}

The Road to Bankruptcy

BMD Holdings' bankruptcy filing does not bode well for any party to the project: CEO Izmirlian faces a credit crunch; the reputation of the Chinese firm may suffer despite strenuous efforts to establish itself as a trustworthy global partner; and the later the resort opens, the bigger the economic hit to the Bahamas and the greater the political fallout for Christie's government.

According to the statement Izmirlian filed as part of the bankruptcy proceedings, a combination of factors involving the major stakeholders contributed to the impasse.^{xxxviii}

An Inexperienced Contractor

Izmirlian discovered that CCA and CSCEC had little experience in building resort projects this large and complex. Its understaffed construction team did not fulfill promises to partner with more experienced contractors or increase the size of its Chinese construction crew to 5,000, even though the Bahamian government had approved permits for the additional workers. Moreover, from the onset of construction, CCA often failed to provide required progress reports or comply with other reporting requirements that were key to the developer's planning, quality control and insurance coverage.

CCA also lacked sufficient experience to handle delays and cost overruns. The timeline and the cost estimate CCA initially agreed to was very rough and the contract required the firm to unconditionally accept any change order the developer requested with no cost cap. Moreover, given that an independent third-party inspector was absent during the entire process, CCA and BMD Holdings had an extremely difficult time reaching further agreement on a timeline

extension and corresponding payment increases. CCA eventually decided to cover the snowballing cost overruns on its own due to the multitude of changes and delays incurred and to hire fewer workers to reduce the cost.

CCA's lack of experience and professionalism in project management compounded problems. The firm authorized only two employees to update its project monitoring and tracking system — which itself was completely inadequate for such a large-scale project. The result was poor and lagging data quality on the project's progress. Moreover, to hide the fact that it had too few workers at the convention center site, it transferred workers from other locations every time the developer conducted spot checks.

Repeated Plan Changes Led to Missed Deadlines

Izmirlan had initially hired internationally renowned designers but financial pressures soon prompted him to replace the pricey designers halfway through construction. Convinced of the financial benefit of running the casino on its own, BMD Holdings also cancelled its agreement with the hotel manager it had retained, directly hiring casino personnel instead.

Unsurprisingly, these changes proved disruptive. It took time for the new team to understand the old plan before proposing a new one. Also, the development plan included numerous errors, and the frequent concept and operational changes compounded miscommunications, mistakes and incompatibilities, all of which greatly slowed construction. The CCA team sent thousands of emails asking for more clarity but the developer responded very slowly, further delaying construction.

By September 2014, with Perry Christie again the prime minister, it became clear that CCA would not complete the project by the planned December 2014 opening date. In November, the developer, EXIM Bank and CCA met for talks in Beijing. In exchange for receiving \$54 million in advances on disputed claims from the developer, CCA agreed (a) that “upon January 19, 2015, except for the wedding chapel and elevator tower, the rest of the Convention Centre will be Substantially Complete and ready for operational start for paying guests,” and (b) to “Substantial Completion of the Project ... to achieve operational start for paying guests in hotels including amenities” by March 27, 2015. To ensure that it met these new, later milestones, CCA also promised to improve productivity and on-site management. Yet CCA failed to complete the convention center by the January 19, 2015 deadline.

The missed opening date was devastating for Baha Mar, causing the developer financial and reputational damage. The hotel management had to cancel months of room reservations and group meetings worth more than \$6 million. The resort will also have to rehire the 2,070 employees they laid off when it finally opens at a cost of \$4 million per month. It will have to stock the casino vault with \$4.5 million cash and re-launch the aborted global pre-opening ad campaign. Compounding matters, CEXIM Bank has refused to advance the remaining amount of approximately \$112 million available under the prepetition credit facility (the loan agreement together with all instruments and related agreements) absent certain unattainable conditions including additional equity contributions.

Nonetheless, CCA executives began asking the developer to release retainage amounts of approximately \$70 million. (These are funds the debtors are contractually obligated to pay only when the project is “substantially completed.”) CCA also began to submit inflated invoices for work, yet failed to complete construction by March 27, 2015.

Diverging Stakeholder Incentives

The diverging incentives and obligations of the developer, CCA and the EXIM Bank was a key cause for the host of problems that led the project into bankruptcy. The partnership agreement specifies that developer BMD Holdings, which is also the project’s controlling party, holds 100% common stock, giving it nearly complete decision making power even though it was not responsible for project financing. CCA, as the preferential shareholder with less than 5% of the total investment, was entitled to only fixed dividends and had veto power only over key project decisions. From a legal perspective, EXIM Bank should have done better due diligence and acted more independently from CCA. Instead, it had been working closely with CCA, financially supporting the Chinese contractor outside of China.

The developer and CCA also held conflicting interests in the project. BMD Holdings tended to focus more on how to generate profits than on how to control costs. The loan obligated the EXIM Bank to pay the developer monthly. CCA also received a direct monthly payment for construction charges that was not routed through the developer’s account. As a result, BMD Holdings had no leverage over the contractor’s cost overruns since it was not requested to provide extra warrants. Yet the future revenue of Baha Mar would impact the developer’s profit margin, as opposed to CCA or EXIM Bank, which was entitled to fixed sums regardless of the resort’s revenues. Therefore, the developer was incentivized to insist on high standards for construction and adopt other measures that could enhance the resort’s future profitability without adequate concern for the impact of those standards on cost and repayment. At the same time, CCA’s core business interests were highly concentrated in its construction contracts. The higher its construction charges, the more revenue it could gain as general contractor—which runs counter to the interest of other parties in the project. EXIM Bank decided to approve the loan because it put its faith in CCA’s special status and influence as the largest construction enterprise in China. But it did not control the development plan or resulting construction charges of the development plan, which lay in the hands of BMD Holdings. All these factors together led to bankruptcy: the developer’s high aspirations and inattention to cost, CCA’s focus on how to minimize the cost overruns and ensure its profitability during construction and the EXIM Bank’s inability to intervene in the entire process despite being the major financier.

Prime Minister Christie’s Dilemma

Once considered the island country’s biggest economic hope, the stalled Baha Mar had become an eyesore on Cable Beach and a huge economic blow to the Bahamas with significant political consequences. As noted above, thousands of people who were hired to work at the resort lost their jobs when it failed to open. Public support for Christie’s administration was waning, and rumors that government officials were accepting bribes and colluding with the Chinese partners further undermined Christie’s chances in the 2017 election.

Christie's current goals are fourfold: to rescue and complete the resort, minimize additional financial losses, stabilize the island's economy, and shore up his political reputation.

Simply put, he has two options. If he backs BMD Holding's bankruptcy filing, the developer would be able to restructure the project at its discretion and likely replace CCA as the general contractor. Christie is unsure how long the restructuring process would take, and working with a new contractor will likely incur additional, unpredictable costs. The government might need to invest more capital in the project or craft new terms to help the struggling developer get back on its feet. The creditor EXIM Bank will likely be disgruntled, although the extent to which this would impair the Bahamas' broader relationship with China is uncertain. In the worst-case scenario, China might suspend its financial and economic assistance to the island country. The Pointe, the other project that CCA has been building, might face an uncertain future as well.

Should Christie decide to protect Chinese interests in the project, he would have the Bahamian court take hold of the bankruptcy filing and liquidate the asset. By doing so, he would essentially discredit BMD Holdings, which would lose control over the asset while the EXIM Bank would step in and decide which party they would like to sell the asset to. Doing so would entail a difficult search for a new investor, especially since considerations influencing the choice are political as well as economic. However, CCA might be motivated to complete the rest of the project if the EXIM Bank becomes the de-facto owner and wishes to gain its fair share in the liquidation. Christie would be making a bet with his political life. If things move quickly and the project is finished in time, he could probably salvage his political reputation by fulfilling his promise to complete Baha Mar. If he fails again however, he would likely pay a heavy price politically for alienating the local developer in favor of a foreign contractor.

There might be a third option for Christie if his administration could manage to act as a mediator and forge a middle ground between the developer, CCA and EXIM Bank.

Which option should Christie choose? What role should the Bahamian government play in this process? Should Christie let the developer proceed with the US bankruptcy filing, expect to reconstruct BMD Holdings and abrogate the contract with its Chinese partners? Or should he ask the Bahamian court to intervene, taking charge of the filing to liquidate Baha Mar? More importantly, how can he ensure better government oversight going forward over both the contract and construction in order to properly align the incentives of all parties and keep the project from derailing again?

Appendices

Exhibit 1: Baha Mar Project Development Plan



Exhibit 2: Project Investment Budget

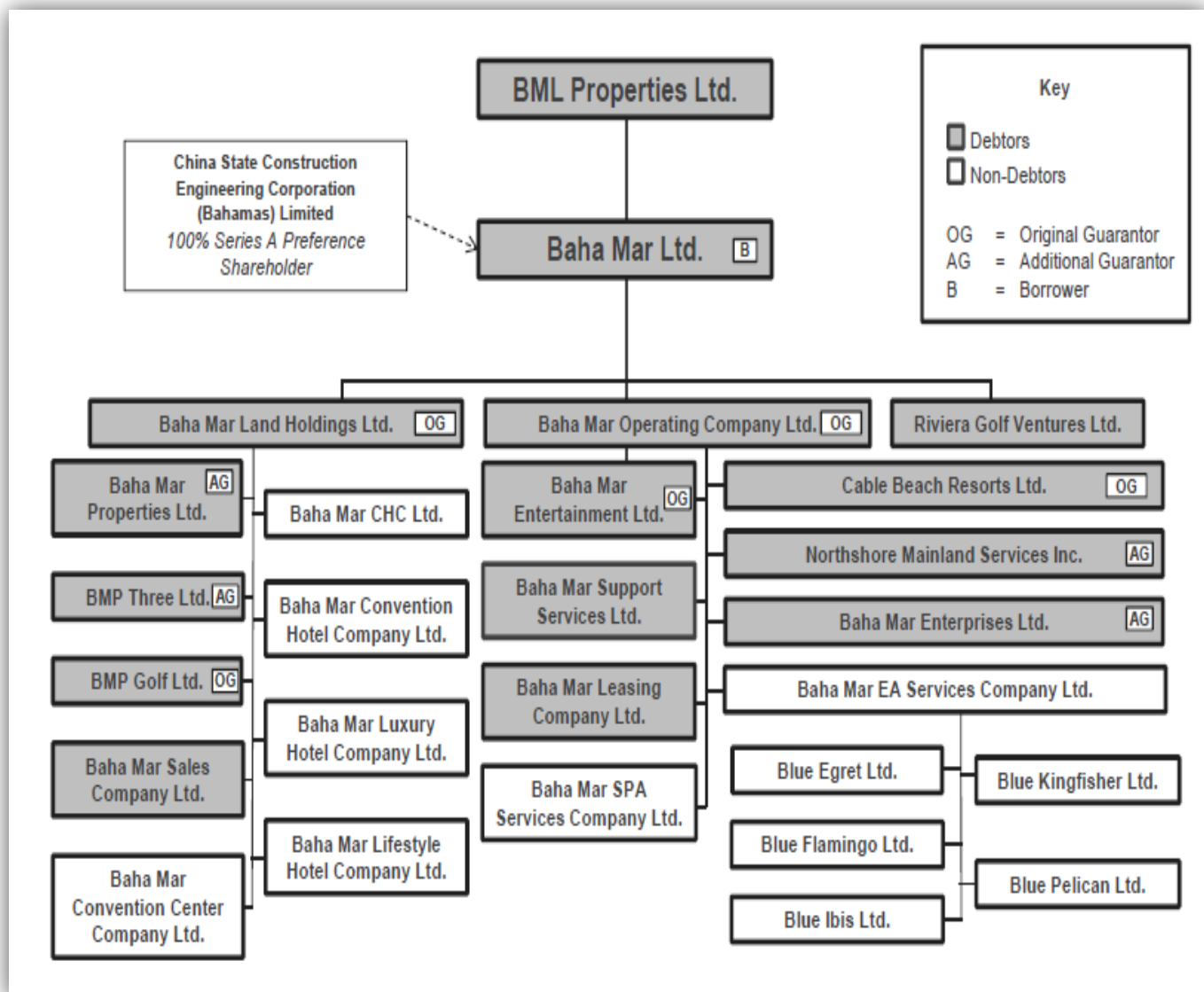
Item	Budget (USD in thousands)	Total (USD in thousands)
Construction Gross Cost	1,748,423	
Inflation and Accident Reserves	265,626	
Sub-Total	2,014,048	2,014,048
Design and Development Cost	329,500	
Capital for Opening	100,000	
Government's Pre-Opening Investment (negative)	-20,000	
Financing Cost	330,358	
Sub-Total	739,858	2,753,906
Hotel and Land	745,000	
Total	745,000	3,498,906

Exhibit 3: Sources of Capital and Capital Allocation

No.	Provider	Legal Property	Sum (USD in millions)	Form of Capital
1	EXIM Bank	Debt	2,450	Cash
2	CCA	Preferential Stock	150	Cash
3	Developer (Baha Mar)	Common Stock	850	Land, old hotels, cash
Total			3,450	----

Source: Compiled through public press and legal documents, incld. Baha Mar-First Day Declaration, Case 15-11402-KJC Doc 3, In the United States Bankruptcy Court For The District OF Delaware.

Exhibit 4: Organization Structure for Baha Mar



Endnotes

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- ⁱ Hotel News Now, *Tracking Baha Mar's Development Trek*, <http://www.hotelnewsnow.com/Articles/27571/Tracking-Baha-Mars-development-trek>.
- ⁱⁱ Ibid.
- ⁱⁱⁱ The New York Times, *Bahamas Mega-Resort Stands Empty*, http://www.nytimes.com/2016/02/03/realestate/commercial/bahamas-china-baha-mar.html?_r=0.
- ^{iv} Hotel News Now, *Tracking Baha Mar's Development Trek*, <http://www.hotelnewsnow.com/Articles/27571/Tracking-Baha-Mars-development-trek>.
- ^v Independent, *Baha Mar: The hotel that threatens to bankrupt the Bahamas*, <http://www.independent.co.uk/news/business/analysis-and-features/baha-mar-the-hotel-that-threatens-to-bankrupt-the-bahamas-a6803546.html>.
- ^{vi} Ibid.
- ^{vii} Tribute 242, *Tough Call: Deadlock at Baha Mar*, <http://www.tribune242.com/news/2015/jun/17/tough-call-deadlock-baha-mar/>.
- ^{viii} Wikipedia, *Economy of the Bahamas*
- ^{ix} The commonwealth.org, *Bahamas, The: Economy*, <http://thecommonwealth.org/our-member-countries/bahamas/economy>.
- ^x Ibid.
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- ^{xii} The Nassau Institute, *The Bahamas-China Paradox*, <http://www.nassauinstitute.org/articles/article493.php?view=print>.
- ^{xiii} Ibid.
- ^{xiv} Ibid.
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- ^{xvi} Tribune 242, *Time For Mr Christie To List China's Investments In The Bahamas*, <http://www.tribune242.com/news/2016/may/09/time-mr-christie-list-chinas-investments-bahamas/>.
- ^{xvii} The Nassau Institute, *The Bahamas-China Paradox*, <http://www.nassauinstitute.org/articles/article493.php?view=print>.
- ^{xviii} Ibid.
- ^{xix} Tribune242.com, *Tough Call: Deadlock at Baha Mar*, <http://www.tribune242.com/news/2015/jun/17/tough-call-deadlock-baha-mar/>.
- ^{xx} Baha Mar-First Day Declaration, Case 15-11402-KJC Doc 3, In the United States Bankruptcy Court For The District OF Delaware.
- ^{xxi} Ibid.
- ^{xxii} Tribune242.com, *Tough Call: Deadlock at Baha Mar*, <http://www.tribune242.com/news/2015/jun/17/tough-call-deadlock-baha-mar/>.
- ^{xxiii} Ibid.
- ^{xxiv} Ibid.
- ^{xxv} Ibid.
- ^{xxvi} Ibid.
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- ^{xxix} Ibid.
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- ^{xxxi} Ibid.
- ^{xxxii} Ibid.
- ^{xxxiii} Baha Mar-First Day Declaration, Case 15-11402-KJC Doc 3, In the United States Bankruptcy Court For The District OF Delaware.
- ^{xxxiv} Ibid Tribune242.com, *Tough Call: Deadlock at Baha Mar*, <http://www.tribune242.com/news/2015/jun/17/tough-call-deadlock-baha-mar/>.
- ^{xxxv} Ibid.

xxxvi Ibid.

xxxvii Ibid.

xxxviii Baha Mar-First Day Declaration, Case 15-11402-KJC Doc 3, In the United States Bankruptcy Court For The District OF Delaware.