

ANGUILLA NATIONAL TOURISM INVESTMENT LIMITED

PRESS STATEMENT

The Valley
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PURCHASE OF CAP JULUCA BY GENCOM – TERMS OF MOA INFERIOR TO ANTIL-AUBERGE-FIRESKY'S PROPOSALS

Time and options ran out for ANTIL (its partner, Auberge-Firesky and the small group of fervent supporters) in its quest to maximize the opportunity to economically empower the People of Anguilla and acquire a quite significant 34% stake in the ownership of Cap Juluca.

On August 23, 2007 the Government of Anguilla (GOA) and Gencom, through a subsidiary company, Genhall Juluca Limited (Developer), signed an investment agreement (MOA) granting approval to Gencom to acquire Cap Juluca, renovate the existing property and develop additional accommodations and facilities on specified sections of the undeveloped portions of the leased Crown lands. The opportunity for the People of Anguilla to participate meaningfully, as owners, in deciding the future of Cap Juluca, for Anguillians to continue to grow and excel in the senior management levels and to climb to the highest levels of management in Anguilla's tourism industry, suffered a major setback on August 23rd.

And yet, ANTIL's efforts have not all been in vain. None other than the Minister of Tourism, the Honourable Victor Banks, has paid public tribute to the positive influence which ANTIL's efforts had on the final outcome of the negotiations between the GOA and Gencom. Those terms and conditions of the MOA conceded by Gencom, that will be to the advantage and benefit of the Government and People of Anguilla, might have been much fewer and much less significant, had it not been for ANTIL's and its supporters' efforts, against major odds, and the efforts of likeminded Anguillians, notably Mr. Sheridan Smith, proprietor of the luxurious Sheriton Estates.

ANTIL is greatly disappointed, despite all its efforts and those of its partner, Auberge-Firesky, that it failed to win favour with the Anguilla Government and in particular the Chief Minister. ANTIL responded positively to the stated policy objectives of the Government and went on record publicly, in writing and orally, declaring its commitment to championing the economic empowerment of the People of Anguilla. ANTIL aimed to bring to reality and ensure that the conditions set by the Government for the successful purchaser of Cap Juluca would be adhered to. However, the ANTIL-Auberge-Firesky partnership went much further, treating the Government's conditions as minimum standards, expanding on them, particularly in the Heads of Agreement that address the treatment of Cap Juluca's management and staff, under ANTIL-Auberge-Firesky's ownership.

ANTIL firmly believes that in time the People of Anguilla, as a whole, will come to appreciate and respect what it set out to achieve on behalf of all Anguillians, by seeking to acquire Cap Juluca on a joint venture basis with Auberge-Firesky.

GOA-GENCOM MOA ASSESSED – ANTIL'S EFFORTS FORCE CONCESSIONS

ANTIL compares below the key terms and conditions in the GOA-GENCOM MOA with the criteria set out by the GOA to be met by buyers of Cap Juluca and with the key terms and

conditions of the ANTIL-Auberge-Firesky Heads of Agreement. Other major terms and conditions of the MOA are also examined and compared with the ANTIL-Auberge-Firesky proposals in their Heads of Agreement.

Table 1: GOA-GENCOM MOA Compared with GOA’S Key Criteria and Commitments in ANTIL-Auberge-Firesky’s Heads of Agreement

GOA Conditions	GOA-GENCOM	ANTIL-Auberge	Comments
200 max. extra rooms	265 max. extra rooms	200 max. extra rooms	ANTIL-Auberge is at GOA max.; Gencom is 32.5% higher (65 rooms).
Preservation of Cap Juluca brand	International branded chain to brand and manage resort; no mention of preserving brand in MOA	Cap Juluca brand to be maintained and improved as a unique property; Heads of Agreement HOA commits to enhancing the brand.	RitzCarlton Ritz Reserve likely operator - limited boutique resort record; Auberge Resorts proven developers/operators of award winning stand alone boutiques.
Significant equity for Anguillians – min. 20%	GOA to acquire 20% stake in Developer company with board seat(s)	34% equity for ANTIL, three of seven seats on Board of Directors.	GOA’s 20% equity in MOA 70% lower than ANTIL’s 34% in HOA.
Cove dunes and Pond east of ‘cut’ to sea, to be ceded for Nat. Park.	Min. 12 acres - dunes, 72 Pond to go to Nat. Trust for Nat. Park east of ‘cut’.	Cove Nat. Park to be entire Cove Pond and dunes east of ‘cut’.	Substantial victory for Anguillians and ANTIL.
Mr. Friedland to sell 100% of equity in Cap Juluca.	MOA recitals refer to 100% buy out of equity held by Friedland.	ANTIL-Auberge HOA contemplated complete buy out of Friedland.	Key victory if Gencom, Friedland fulfill assurances to GOA.

Careful examination of Table 1 above reveals that to a significant degree the MOA incorporates the GOA’s criteria for the sale of Cap Juluca. The two issues addressed in the MOA that most closely reflect the GOA’s conditions are the terms of agreement on the Cove National Park and the complete divestment by Mr. Friedland of his equity interests in Cap Juluca. However, steps need to be taken to ensure that these two conditions are fulfilled and brought to fruition and do not turn out to be hollow and worthless and a deception played on the People of Anguilla.

The terms of agreement in the MOA on the acquisition by the GOA of 20% of the equity in the Developer, Genhall Juluca Limited, meet the minimum percentage equity set by the GOA of not less than 20% to be held by the Government and/or the People of Anguilla. Gencom showing its disdain for Anguillians informed ANTIL in a meeting facilitated by the Chief Minister Hon. Osbourne Fleming, that the maximum equity participation by Anguillians that they were prepared to accept was 5%. They further stated that the Anguillian investment partner(s) would have absolutely no membership on the board of directors or any other avenue to have a say in the direction of the business. The fact that Gencom has now accepted the GOA’s participation at 20% is due to a great extent to the unrelenting pressure by ANTIL agitating and advocating for a significant equity stake for Anguillians to become part owners of the company that acquires Cap Juluca. This is a victory for ANTIL’s efforts. And yet the equity stake for and by Anguillians could have been much larger at 34% had ANTIL-Auberge-Firesky been given the opportunity to purchase Cap Juluca.

The GOA’s attempt to limit the scale of expansion at Cap Juluca to 200 additional rooms did not achieve much success. The MOA provides for up to 265 additional rooms an increase of 65 rooms or 32.5 percent over the GOA’s 200 room limit. This is way beyond the additional rooms that would be considered statistically to be within the 200 room limit. 10 % or 20 additional rooms

would normally be considered as the limit. Without ANTIL and its supporters and strategic allies keeping up the pressure, the number of additional rooms could have exceeded 300.

The MOA ignores the preservation of the Cap Juluca brand. It will soon be a RitzCarlton Reserve or Mandarin Oriental or One and Only or Luxury Collection. Gone will be the unique touch of homegrown Anguillian hospitality that made Cap Juluca the top Caribbean luxury boutique vacation retreat.

ANTIL'S OTHER MAJOR CONCERNS EXCLUDED FROM GOA'S CONDITIONS

Other issues of major concern to ANTIL include, (1) security of employment for Cap Juluca's Anguillian and Caribbean management and staff and their participation in the profits from the real estate development and hotel operations; (2) environmental impacts, especially on neighbouring properties, notably Sheriton Estates in; (3) the number of Cap Juluca's existing 98 rooms that the Developer must retain in its ownership; (4) application of the GOA's moratorium on the commencement of large foreign investment tourism projects and any extensions thereof to the expansion of Cap Juluca; and (5) the tax concessions and other incentives to be granted to Gencom.

The protection and security of employment for Cap Juluca's staff, especially its Anguillian and Caribbean employees, is inadequately dealt with in the MOA. The only non-standard provision in the MOA dealing with labour issues affecting the staff employed as at the date of execution of the MOA is tagged to the agreements regarding the renovation of existing tourism facilities. It is not included in Part IV, Developer's Covenants. The language suggests that this is not a major issue. It states in part "... the Developer commits to maintaining the employee complement as exists at the time of execution of this MOA, during the renovation and redevelopment period".

Cap Juluca's Anguillian and Caribbean management and staff have been shut out from sitting at the table and sharing in the fruits of the redevelopment, expansion and operation of the hotel. All estimates by ANTIL-Auberge-Firesky show that the project, especially the real estate business, has a huge profit potential. That is why provisions were boldly included in the Heads of Agreement for the management and staff to share in an up front US\$1.0 million gratuity on the closing of the purchase. The Heads of Agreement most notably also made provision for 15% of distributed profits to be allocated to management and staff. The MOA was printed in the Anguillian press in its entirety for all to read. There is no reference whatsoever in the GOA-GENCOM MOA to any commitment by the Developer (Genhall Juluca, that is Gencom in disguise) to awarding the employees with US\$1.0 million, much less to sharing in the projected profits .

A major issue Anguillians must raise and demand an answer is the price that Mr. Friedland will be paid for relinquishing 100% of his ownership of Cap Juluca. The question also must be raised and a truthful answer given as to the investment he made in obtaining ownership of Cap Juluca. It will then be possible for one and all to judge the equity, fairness and reasonableness of the deal made between Gencom and Friedland and facilitated by the Government. It will be possible to judge whether the empowerment of Anguillians was not sacrificed to enable financial greed by Friedland and Gencom, Whitehall and Goldman Sachs to reign supreme and Cap Juluca's brand to be sacrificed to the relentless quest for enormous profits in a kind of perverted "gold rush".

The MOA acknowledges that an Environmental Impact Assessment for the expansion project has to be undertaken and that the impact on surrounding properties will have to be taken into account. On the specific matter of building height in the area of Cove Beach, where the Developer will be permitted to construct villas, the MOA permits the villas to be built up to a height of 26 feet. ANTIL is concerned about the impact this will have on Sheriton Estates. It is expected that Sheritons' proprietor, Mr. Sheridan Smith, will assess the impact of this on his property. Should it

become necessary, as a result of the objective and indisputable findings of his investigations and the Environmental Impact Assessment, to lobby for a reduction from 26 feet, ANTIL would support Mr. Smith in his efforts, as it has done up to the present.

The destruction of the Cap Juluca brand has been ensured by Government's consent to the sell off of most if not all of the existing Cap Juluca villas after they have been renovated. The MOA appears to require the Developer to retain 31 bedrooms of the existing 98. On closer examination, the Developer is permitted to "...retain ownership of less than thirty-one (31) of the ninety-eight (98) existing bedrooms,..... if the Developer determines in its reasonable judgement that additional sales are necessary or prudent in connection with the funding of the initial renovation activities or the project as a whole.....". It is quite clear that from the MOA that the Developer could sell off all of the existing Cap Juluca villas on Maundays Bay. This is the final blow to the Cap Juluca brand. They are not required to retain any of the existing villas whatsoever, so long as they hold ownership of 15% of the total rooms in the project.

The current moratorium on the commencement of foreign majority owned large tourism projects expires at the end of April 2008. It should have an insignificant effect on the Cap Juluca MOA. However, there has been strong representation made to the GOA for an extension of the moratorium. It is noted that the MOA states that the expansion phase of the project will not commence until 2010. It is also to be noted that the MOA permits expansion to commence at any time. It does so by making an exception from the 2010 expansion start year for up to 54 of the 85 villas or 63.53% of the expansion phase of the development programme, to commence before August 2009 at the Developer's discretion. The MOA further exempts the project from any future restrictions or moratoria on the commencement of new construction of projects.

The MOA is not clear on the length of the lease. Is it for 125 years or for twice that? Is the language deliberately left vague so as to create indefiniteness opening the way for conflicting interpretations to be validated. The GOA and the Developer need to inform the public whether the lease is effectively for 250 years divided into two terms of 125 years each by the inclusion of automatic renewal rights exercisable by the Developer in its sole discretion. If this is the case, it is a 250 year lease hidden in language deliberately designed to be overlooked by the public.

ANTIL'S FUTURE ROLE IN RELATION TO CAP JULUCA

Is there a future role for ANTIL in relation to Cap Juluca? Who knows? ANTIL is committed therefore to monitoring developments at Cap Juluca. ANTIL will serve as a watch dog to sound the alarm if and when attempts are made to whittle away the terms and conditions in the MOA that are favourable to the interest of the Government and People of Anguilla. ANTIL will continue to communicate and dialogue with the public on issues involving Cap Juluca as they arise. The real challenge for the Government is to ensure that the terms and conditions of the MOA are adhered to by Gencom, a challenging task as experience with the Temenos Golf Resort and Residences and the Viceroy Resort and Residences projects have shown thus far. ANTIL and all Anguillians committed to preserving and increasing the levels of control and decision making of Anguillians within the economy must be watchful. ANTIL will be watchful.

ANTIL will turn the focus of its energies to pursuing economic empowerment for Anguillians through other ventures in tourism. Research and analysis will now be initiated on a number of other potential 100% Anguillian owned and controlled and joint Anguillian and foreign tourism ventures.