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FINANCING ARRANGEMENTS FOR ACQUISITION OF SKYLINE HOTEL

Skyline Hotel, owned by Knutsford Towers Limited, (KTL) opened for business on June 3, 1970 under a management agreement with Skyline International Limited of Canada. It broke even on its operation during the period July 1971 to August 1973; thereafter, it started losing money due to greater competition, spiralling costs and continued low occupancy levels. The operators were, therefore forced into the decision of closing the hotel and offered the property for sale to the Government.

2. The successful conclusion of the Commonwealth Heads of Government meeting in May 1975, indicated considerable benefits in terms of reduced security, transportation and accommodation problems, to be derived in holding large scale conferences and conventions in New Kingston with three large hotels viz, Pegasus, Skyline and Sheraton, in close proximity to each other. The matter was referred by the Economic Council to a committee, which, after careful consideration, advised in favour of acquisition.

3. Negotiations were, therefore, undertaken by the Urban Development Corporation on behalf of Government and it has been agreed that the vendors (KTL) would sell the Hotel to National Hotels & Properties Limited (NHP), - a subsidiary of UDC - at a total cost of J$2,978,500. This purchase price is equivalent to $14,000 per room which is well below the replacement cost for such a structure.

4. The sale was on the distinct understanding that the parent company of KTL - Pan Jamaican Investment Trust Limited - would procure for UDC a loan from a syndicate of lenders to finance the purchase. Accordingly, a Loan Agreement was signed on 13th November, 1975 providing for a loan of J$2,978,500 from thirteen (13) lenders listed in the Schedule on page 15 of the Loan Agreement (tabled) on the following terms:-

(i) The loan is to be evidenced by a Promissory Note in in favour of each of the lenders in the respective amount of loan contributions;

(ii) the loan shall be for a period of seven (7) years (including a two-year grace period) and shall be repayable by five equal annual instalments, each of 14% of the principal and a final balloon payment of the balance of 30%

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on the expiration of seven years from the date of the promissory note;

(iii) interest shall be payable semi-annually at 1½% above London Interbank Rate on six-month deposits in case of Eurodollar sources of loan funds and at 1½% above Prime Bank Rate of Jamaican Commercial Banks in case of local sources of funds;

(iv) the Government of Jamaica shall guarantee the repayment of principal and payment of interest;

(v) all payments of principal, interest and any other sums due hereunder to a Eurodollar Bank shall be free and clear of and without any deduction for taxes, dues and other charges.

5. The National Hotels and Properties Ltd. which will acquire the property, has the following proposal in mind for the utilization of the premises:

(a) The establishment of mini-conference rooms and common service facilities i.e. communications centre, etc. on the first two floors;

(b) The conversion of some three floors into office space for the Ministry of External Affairs.

(c) The establishment of hospitality suites on the remaining floors. Such suites could house VIPs and returning Foreign Service Officers. Meals for such persons would of course, be available either at Sheraton or Pegasus hotels.

6. The House of Representatives is accordingly asked to approve under the Approved Organizations and Authorities Loans (Government Guarantee) Act, the guarantee of the repayment of principal and payment of interest, in terms of Loan and Guarantee documents (tabled) on the loan of J$2,978,500 to UDC by the lenders listed in the Loan Agreement on the terms and conditions listed at paragraph 4.

7. Attached is a list of outstanding guarantees. In due course I will move a resolution to this effect.

David H. Coore
Minister of Finance
20th January, 1976.

MF 273/027[I]

APPENDIX

CHAPTER 18 GUARANTEE OUTSTANDING AMOUNTS

AT 31/ 3/ 75

Name of Organization	Amount Authorized	Estimated Outstanding Balances
J.C.S.M.T.S	100,000.00	21,750.00
Munroe & Dickens Trust	60,000.00	8,000.00
Calabar High School	80,000.00	NIL
Manchester School	60,000.00	NIL
Clarendon College	40,000.00	NIL
Serge Island Estates	300,000.00	NIL
Point Intercontinental Hotel	8,629,740.00	8,454,295.56
Rose Hall International Hotels Limited	10,726,363.64	10,726,363.64
Rose Hall (H.I.) Limited	625,000.00	625,000.00
Rose Hall (H.I.) Limited	4,583,334.00	4,583,334.00
Pegasus Hotels Limited (B.O.A.C.)	2,000,000.00	2,000,000.00
Jamaica Development Bank (D.F.C.)	2,000,000.00	2,000,000.00
Jamaica Development Bank	3,363,636.36	2,481,361.82
Kingston Waterfront Hotel	10,629,628.22	6,788,711.18
Trelawny Resorts Limited	7,362,739.00	NIL
Jamaica Mortgage Bank	9,090,909.09	6,096,431.13
Frome/Monymusk Land Company	14,548,994.09	14,477,914.09
Innswood Estates	700,000.00	170,000.00
Grays Inn Sugar Estate	450,000.00	624,211.00
Mallards Reef Hotel Limited	12,016,206.06	9,735,764.85
Air Jamaica (1968) Limited	2,107,355.45	1,068,565.63
Air Jamaica (1968) Limited	2,318,181.82	1,168,750.00
Jamaica Public Service Company Limited	53,775,454.00	32,343,155.46
Jamaica Telephone Company Limited	1,000,000.00	1,000,000.00
Jamaica Telephone Company Limited	16,818,181.82	13,098,458.18
Port Authority	12,727,272.73	12,727,272.73
Kingston & St. Andrew Corporation	750,000.00	750,000.00
	$ 177,862,996.28	$130,948,339.27

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