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Mr. Levan Tarkashvili
Director of
Sportshenservice™ LLC
Tbilisi, Georgia

Mr. Tariel Khechikashvili
Minister
Ministry of Youth and Sport Affairs of Georgia
Tbilisi, Georgia

Dear Sirs,

As you know, according to the agreement N160 on state procurement, Behlen Industries LP is obliged to provide construction of three, two-hall sports complexes in the city of Gori, Telavi and Batumi. It is also known to you that the contractual term of completion of construction works is July 1, 2017.

Unfortunately, during the design works and construction process due to the reasons independent from the Contracting Parties some problematic issues have arisen, which were impossible to predict and therefore, no solutions could be found in advance.

In this report we will discuss the main problems that we had to deal with as mentioned above in the course of the entire project and construction works:

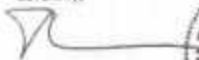
1) Difficulties, identified as a result of geological survey in the areas designated for construction, in particular:

- Batumi: the high level of groundwater and III category very weak soil from seismic point of view was observed in Batumi, which led to the construction of various foundation piles with different depth and diameter (delivery of ballast is still in process);
- Gori: the high level of groundwater was observed (as well as in Batumi), the muddy and swampy soils had to be replaced by large volumes of dry soil and the ballast; the river level was elevated due to severe climatic conditions and the ballast deliveries were carried out with delays (delivery of ballast is still in process);
- Telavi: the object is located in a ravine, which is characterized by a sharp inclination, therefore, it became necessary to arrange the terraces. We were forced to remove large quantities of mounds of rock debris, construction and other wastes from the territory and bring the appropriate quality ballast (the ballast is still in place);

- 3) The different types of technologies and requirements were made in compliance with Georgian standards and current normative acts.
- 4) Archeological research and preparation of relevant conclusions were conducted for all construction sites (such necessity was determined later and no such obligation existed initially).
- 5) Additional expert surveys and conclusions concerning the architectural part of the building and fire safety were required. The above mentioned expertise was conducted in the current year.
- 6) Heavy climatic conditions, abundant rainfalls significantly hampered the work process.
- 7) Design-preparation of Behlen structures were delayed due to the fact that the seismicity of the construction should be in line with their location. This led to additional geological studies.
- 8) Objective delays of marine transportation of construction materials from Canada.
- 9) Outdoor territory accommodation had to be carried out independently, by local self-governing bodies, meaning that the contractor companies have to conduct works in a parallel regime, which creates some inconvenience in the work process and requires agreed actions of the parties.

All the above mentioned issues led to the increase of the project implementation period. Please extend the term of validity of the contract until December 29, 2017, in order to fully complete all of the construction works related to the sport facilities.

Cordially,


Sean Lepper
Vice President and General Manager
Behlen Industries LP

