

**Comprehensive Debt
Restructuring
BBD Debt Exchange Offer
INSTITUTIONS**

Government of Barbados

14 September 2018



Introduction

On 7 September 2018, the Government of Barbados (GoB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GoB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. The restructuring is a central pillar of the economic reform and rehabilitation programme that is being supported by the International Monetary Fund through a four-year Extended Fund Facility.

This document summarises the terms of the exchange offer that apply to **Institutions** holding Treasury Bills, Treasury Notes, Debentures, Loans, and Bonds issued or owed by the GoB, as well as Loans and Bonds issued or owed by SOEs and entities that receive transfers from the state budget ("**Eligible SOEs**").

All holders of Treasury Bills, Treasury Notes, Debentures, loans and bonds owed by the GoB, and loans and bonds owned by Eligible SOEs ("**Affected Debt**") will receive letters during the course of the week commencing 10 September 2018 providing further details of the exchange offer, as well as instructions for participating in the exchange offer. The relevant acceptance forms must be submitted by holders of the Affected Debt no later than **5:00pm, on Friday 5 October 2018**. It is expected that the new debt instruments ("**Exchange Instruments**") will be issued to participating holders by the end of October 2018.

Description of Exchange Instruments

Liquidity Reserve Fund Treasury Bills

Structure: 90-day Treasury Bill issued by the Government of Barbados

Interest Rate:

- ❖ 0.5% per annum for first 10 years
- ❖ Market rates thereafter

Natural Disaster Clause: No

Series B

- Structure:* 11 Series B amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years
- Interest Rate:*
- ❖ 1.0% per annum for first 3 years
 - ❖ 2.5% per annum for year 4
 - ❖ 3.75% to maturity
- Interest Payments:* Quarterly, with first payment 31 December 2018
- Principal Repayments:* The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip

Series B (continued)

*Allocation of Aggregate Principal
Amount Amongst Strips:*

5-Year: 7.49%
6-Year: 7.78%
7-Year: 8.07%
8-Year: 8.38%
9-Year: 8.70%
10-Year: 9.03%

11-Year: 9.37%
12-Year: 9.72%
13-Year: 10.10%
14-Year: 10.48%
15-Year: 10.88%

Natural Disaster Clause:

Yes

Series C

- Structure:* 11 Series C amortising strips issued by the Government of Barbados, with maturities of 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 years
- Interest Rate:*
- ❖ 1.0% per annum for first 3 years
 - ❖ 2.5% per annum for year 4
 - ❖ 3.75% to maturity
- Interest Payments:* Quarterly, with first payment on 31 December 2018
- Principal Repayments:* The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip

Series C (continued)

*Allocation of Aggregate Principal
Amount Amongst Strips:*

5-Year: 7.49%
6-Year: 7.78%
7-Year: 8.07%
8-Year: 8.38%
9-Year: 8.70%
10-Year: 9.03%

11-Year: 9.37%
12-Year: 9.72%
13-Year: 10.10%
14-Year: 10.48%
15-Year: 10.88%

Natural Disaster Clause:

No

Series D

<i>Structure:</i>	20 Series D amortising strips issued by the Government of Barbados, with maturities of 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 years
<i>Interest Rate:</i>	<ul style="list-style-type: none">❖ 1.5% per annum for first 5 years❖ 4.25% per annum for years 6-10❖ 6.0% per annum for years 11-15❖ 7.5% per annum until maturity
<i>Interest Payments:</i>	Quarterly, with first payment on 30 November 2018
<i>Principal Repayments:</i>	The principal of each strip will be repaid in four equal quarterly instalments in the final year prior to maturity commencing on 30 November 2033 with the exception of the final strip, which will be repaid in three instalments with a final payment on 31 August 2053
<i>Principal Allocation Per Strip:</i>	5% of aggregate principal per strip
<i>Natural Disaster Clause:</i>	Yes

Series E

<i>Structure:</i>	25-year amortising bond, issued at a discount of 37.5% to the aggregate face value of eligible claims tendered, including a five-year grace period on principal repayments
<i>Interest Rate:</i>	<ul style="list-style-type: none">❖ 4.0% per annum for first 3 years❖ 8.0% thereafter
<i>Payment Frequency:</i>	Monthly
<i>Payment Method:</i>	Monthly payments of interest in years 1-5; level payments of principal and interest (mortgage-style) thereafter
<i>Natural Disaster Clause:</i>	Yes

Series F

<i>Structure:</i>	Four-year bond, including 6-month grace period followed by 42 equal monthly principal repayments
<i>Interest Rate:</i>	0% per annum
<i>Payment Frequency:</i>	Monthly
<i>Natural Disaster Clause:</i>	Yes

Series G

<i>Structure:</i>	50-year amortising bond, including a 15-year grace period on principal repayments
<i>Interest Rate:</i>	<ul style="list-style-type: none">❖ 4.0% per annum for first 15 years❖ 6.0% per annum for years 16-20❖ 7.5% per annum for years 21-25❖ 8.0% per annum thereafter
<i>Interest Capitalisation:</i>	100% for first five years
<i>Interest Frequency:</i>	Quarterly, with first cash payment on 31 October 2023
<i>Repayment Method:</i>	Equal, quarterly amortisations beginning 31 October 2033 and ending on 31 July 2068
<i>Natural Disaster Clause:</i>	Yes

Natural Disaster Clause

Series B, Series D, Series E, Series F, and Series G instruments to be issued to institutions as part of the GoB's exchange offer will include a clause that would offer both creditors and the Government some protection against future debt distress caused by a major natural disaster.

This 'natural disaster' clause would allow for the capitalisation of interest and the deferral of scheduled amortisations falling due over a two-year period following the occurrence of a major natural disaster. The trigger for a natural disaster 'event' would be a payout to the Government above US\$5 million by the Caribbean Catastrophe Risk Insurance Facility (CCRIF), under the Government's catastrophe insurance policy.

Full details will be provided in the letters to holders of the Affected Debt.

Eligibility

Banks

<i>Liquidity Reserve Fund Treasury Bills:</i>	15% of Treasury Bills, Treasury Notes, and Debentures held as part of banks' reserve requirements as of 30 September 2018
<i>Series B:</i>	85% of Treasury Bills, Treasury Notes, and Debentures held as part of banks' reserve requirements as of 30 September 2018
<i>Series D:</i>	All other loans and bonds owed by the GoB and Eligible SOEs
<i>Past Due and Accrued Interest:</i>	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal (purchase price of Treasury Bills will be basis for calculation of accrued interest)
<i>Non-Eligible SOEs:</i>	Government guarantees to be lifted

Life Insurers (except members of Sagicor Group)

Series B: 15% of Treasury Notes and Debentures

Series D:

- ❖ 85% of Treasury Notes and Debentures
- ❖ All other loans and bonds owed by the GoB and Eligible SOEs

Past Due and Accrued Interest: Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

Non-Eligible SOEs: Government guarantees to be lifted

General Insurers (except members of Sagicor Group)

<i>Series C:</i>	100% of Treasury Bills, Treasury Notes, and Debentures
<i>Series D:</i>	All other loans and bonds owed by the GoB and Eligible SOEs
<i>Past Due and Accrued Interest:</i>	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal
<i>Non-Eligible SOEs:</i>	Government guarantees to be lifted

Other Institutions: Group 1

<i>Definition:</i>	Charities, churches, cooperatives, credit unions, non-financial companies, and trust companies
<i>Series B:</i>	All Treasury Bills, Treasury Notes, and Debentures
<i>Past Due and Accrued Interest:</i>	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

Other Institutions: Group 2

<i>Definition:</i>	All institutions that are not banks, life or general insurers, or classified under Other Institutions Group 1
<i>Series B:</i>	All Treasury Bills
<i>Series D:</i>	All Treasury Notes, Debentures, and loans and bonds owed by the GoB and Eligible SOEs
<i>Past Due and Accrued Interest:</i>	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

National Insurance Scheme (NIS)

<i>Series B:</i>	100% of Treasury Bills
<i>Series E:</i>	All other non-arrears claims on GoB and Eligible SOEs
<i>Past Due and Accrued Interest:</i>	Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal
<i>Non-Eligible SOEs:</i>	Government guarantees to be lifted

Sagicor Group

Series G: 100% of eligible claims on GoB and Eligible SOEs

Past Due and Accrued Interest: Past due and accrued interest through to 30 September 2018 to be capitalised and added to principal

Non-Eligible SOEs: Government guarantees to be lifted

Arrears: Group 1

<i>Definition:</i>	Arrears owed to the National Insurance Scheme (NIS) by the GoB and SOEs
<i>Series F:</i>	50% of all arrears owed to the National Insurance Scheme by the GoB and SOEs
<i>Series B:</i>	50% of all arrears owed to the National Insurance Scheme by the GoB and SOEs
<i>Past Due and Accrued Interest:</i>	Not applicable

Arrears: Group 2

Definition: Vetted BBD arrears of \$500,000 or above owed by the GoB and SOEs owed to private sector entities (including VAT rebates)

Series F: All arrears claims

*Past Due and
Accrued Interest:* Not applicable

Arrears: Group 3

Definition: Non-VAT arrears owed to the University of the West Indies (UWI)

Series B: All arrears described above, after a 50% discount to face value

*Past Due and
Accrued Interest:* Not applicable

SOE Classification

Eligible SOEs

- ❖ Barbados Conference Services Limited
- ❖ Barbados Water Authority
- ❖ Barbados Tourism Authority
- ❖ Barbados Transport Board
- ❖ Queen Elizabeth Hospital
- ❖ Caribbean Broadcasting Corporation
- ❖ New Life Investment Corporation
- ❖ National Housing Corporation
- ❖ University of West Indies

NOTE: Bullet bonds owed by Barbados Port and Needham's Point (both non-Eligible SOEs) in 2024 and 2021, respectively, to be reprofiled on bespoke terms or exchanged for Series D instruments concurrently with the Comprehensive Debt Restructuring