

## **Press Conference Remarks**

By

**The Hon. Curtis L. Dickinson, JP, MP**

Minister of Finance

### **Caroline Bay – Resolution of Loans and Debt Ceiling Increase**

Date: 13 September 2019

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Good morning,

On March 14, 2016, the Government of Bermuda under former Minister of Finance Bob Richards, provided irrevocable guarantee agreements to lenders providing certain credit facilities on behalf of Morgan's Point Limited ("MPL") for use in the construction of a new hotel and condominium project at Morgan's Point. The guarantees provide that the Government would be required to fund the project at a maximum cost of US\$165 million if the borrowers are unable to meet their obligations to the lenders.

Despite the financial viability of this project having been in question for many years, the OBA Government guaranteed much of its lending even as this project continued to be beset with difficulties.

Despite extensive efforts by myself and the Premier to support the developers, they have defaulted on the terms of the loan agreements with their lenders; in particular failing to make any interest payments on the Tranche C loan and their payments and additionally several Bermudian

companies and workers have gone unpaid. We understand that a number of businesses have claims against the developers and the project now known as Caroline Bay has been jeopardized.

While this government did not enter into the deal that placed the people of Bermuda “on the hook” for the debt consequent upon the failure of this development, we are responsible for resolving the negative and unfortunate outcomes from the deal negotiated by the former government. Our first priority is to protect the public purse and Bermuda’s global reputation. Next, we must ensure that once our professional advisors establish exactly what happened that our vulnerable local companies and workers are protected. In this regard, this Government will acquire the valid claims of Bermudian companies, many of whom have suffered financial difficulty, having in good faith provided goods and services on this project. Finally, we must bring this project to conclusion.

To understand how we got to this place we must go back to the history surrounding this project.

In March 2016 the principals of Morgan’s Point announced that they had secured the financing for the first phase of the development through the support of large institutional investors including Arch Reinsurance Ltd, Axis Capital and Validus Reinsurance Ltd.

By November 2016 it had been announced that construction had commenced on the Caroline Bay Marina with a view to having it open and operational in time for the America’s Cup the following year. The Marina was opened in April 2017.

As I said in my prior comments in the House of Assembly, what the people of Bermuda did not know was that even before the marina had opened, the Caroline Bay project was experiencing difficulty. This had to have been known to the OBA Cabinet and the developers who persisted in providing public updates on the project which were inaccurate.

In fact, in January 2018, one of the developer's told The Ritz-Carlton News Room: "Caroline Bay's construction progress is well on its way, and not only is the first phase of the Ritz-Carlton Reserve Residences at The Cove projected to be delivered on time, but the development of the resort community has brought great prosperity to our island."

Contrary to this statement, one month later, in February of 2018, after the Progressive Labour Party had been in office for only 7 months, the developers asked to meet with the then Premier and Minister of Finance to advise that there were significant financing issues and that in all likelihood work would slow down and eventually cease without an injection of further capital.

Since that time, this Government has worked with the developers and has attempted to support all reasonable efforts to secure financing. The Premier has made himself available to meet with several prospective financiers and on every occasion has supported the project and the efforts to secure much-needed financing to complete at least Phase One.

To date, the developers have been unsuccessful in their attempts to secure funding to meet their financial obligations to the Tranche B and Tranche C

lenders. As a result, both the Tranche B and C lenders have demanded repayment in full of their outstanding loans.

In seeking to robustly defend the public purse, the Government has elected to exercise its option, by reason of the defaults, to acquire the interests of both the Tranche B and C loans. The Government has negotiated a Credit Facility with local banks for up to \$200 million; the proceeds of which will be used, in the first instance, to pay the Tranche B and C lenders.

These extraordinary circumstances and the liabilities triggered by these defaults have resulted in the government having no choice but to raise the debt ceiling in order to borrow monies to fund the payments to the Tranche B and C lenders as set out in the guarantees. In preparation for this action, the Ministry of Finance has been in discussion with global ratings agencies. The decision to increase the debt ceiling runs counter to the plan that I outlined in this government's budget statement in February that we had no plans to incur any additional long-term borrowings in this fiscal year. While this turn of events was unplanned, our commitment to being prudent stewards of the public purse remains unchanged.

Later this morning, I will table an amendment to the Government Loans Act 1978 to increase the debt ceiling by \$250 million to \$2.75 billion. This amendment only provides for the authority of the Government to borrow up to the newly established limit and it is important to note that incurrence of debt or long-term borrowing will only take place when absolutely necessary. This matter is one of those cases.