

RESOLUTION

The Minister of Finance and the Public Service to move:

"BE IT RESOLVED THAT with reference to Ministry Paper No. _____, dated November 18, 2009, this Honourable House of Representatives approves the granting of a Government Guarantee, under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act, in respect of the Tranche-B Credit Facility to be arranged by NCB Capital Markets Ltd., through a *Private Placement* arrangement, in the amount of **ONE THOUSAND, EIGHT HUNDRED MILLION DOLLARS (\$1,800.0 million)**, the proceeds of which will be used by Air Jamaica Limited in support of its financing requirements for the approved Business Plan for 2009/2010".

MINISTRY PAPER No. _____

GOVERNMENT GUARANTEE OF \$1,800.0 MILLION LOAN TO AIR JAMAICA LTD THROUGH A PRIVATE PLACEMENT BEING ARRANGED BY NCB CAPITAL MARKET LTD.

INTRODUCTION

1. The Honourable House of Representatives is being asked to consider and approve an amendment to a previously approved Government of Jamaica guarantee, under the provisions of the Approved Organisations and Authorities Loans (Government Guarantee) Act (the Act), in respect of a loan in the amount of One Thousand, Eight Hundred Million Dollars (\$1,800.00 million), to be arranged by NCB Capital Markets Ltd. for Air Jamaica Ltd., the proceeds of which will be utilised to finance the Business Plan of Air Jamaica for the fiscal year 2009/2010.

BACKGROUND

2. The House of Representatives will recall that at its sitting on June 09, 2009, approval was granted for the issuance of a Government of Jamaica Guarantee for a number of loans, from both local and external financial institutions, in an aggregate amount of US\$101.8 million to be made to Air Jamaica Ltd. The House's approval was given in response to the Resolution in support of Ministry Paper No. 51, dated June 08, 2009

3. Among the financial institutions approved by the House for receipt of the Government Guarantee, was NCB Capital Markets Ltd. which committed to provide Air Jamaica Ltd. with the Jamaica Dollar equivalent of US\$34.4 million, in two (2) tranches on the following terms:

- Type of Facility - J\$ Secured Variable Note
- Loan Amount - \$3,100.0 million (i.e. US\$34.4Mn) in two (2) tranches as follows:
 - Tranche A - \$1,760.0 million

- Tranche B - \$1,340.0 million
- Tenure - Twenty Four (24) months
- Interest Rate - Fixed at **22.51%** for 3-mths, thereafter 6-mth Treasury *plus* 2.0% p.a.
- Principal repayment - Bullet at maturity
- Commitment Fee - 0.50%
- Security - Government Guarantee

THE ISSUE

4. Subsequent to the approval granted by the House, NCB Capital Markets Ltd. was only able to provide \$1,300.0 million of the agreed \$1,760.0 million for Tranche A. NCB Capital Markets Ltd. advised that the reduced disbursement under Tranche A resulted from less than favourable market conditions (in terms of liquidity) and delays in the review and finalisation of the loan documentation.

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5. NCB Capital Markets Ltd. further advised that it was unable to provide the full amount of its commitment of \$3,100.0 million from its own resources, and presented an alternative proposal that would require the remainder of its commitment to be sourced from the local market through a *Private Placement* arrangement. The amount to be sourced will include the undisbursed balance of Tranche A (i.e. \$460.0 million) and the original amount for Tranche B (i.e. \$1,340.0 million) for a total of \$1,800.0 million.

*Private
Placement*

6. The terms and conditions of the *Private Placement* proposal were reviewed by the Ministry of Finance and the Public Service and found to be acceptable, as they represented significant improvements over the initial offer, notwithstanding the increase in the commitment fee. The following is the summary of the proposed terms for the *Private Placement*:

- Issuer - Air Jamaica Ltd
- Arranger & Lead Broker - NCB Capital Markets Ltd.
- Type of Facility - J\$ Secured Variable Note, to be sold via a *Private Placement*

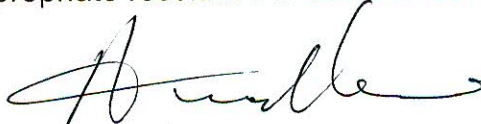
- Tranche-B Amount - \$1,800.0 million
- Tenure - Twenty Four (24) months
- Interest Rate - Fixed at **19.04%** for 6-mths, thereafter
6-mth Treasury *plus* 2.0% p.a.
- Principal repayment - Bullet at maturity
- Commitment Fee - 0.55%
- Security - Government Guarantee

RECOMMENDATION

7. The Honourable House is accordingly being asked to consider and approve:

- I. the guarantee of the repayment of principal and the payment of interest in respect of the Tranche-B Credit Facility to be arranged by NCB Capital Markets Ltd., through a *Private Placement* arrangement, in the amount of **ONE THOUSAND, EIGHT HUNDRED MILLION DOLLARS (\$1,800.0 million)**, for Air Jamaica Limited, under the provisions of the Approved Organisations and Authorities Loans (Government Guarantee) Act, and under general terms as set out under paragraph 6 above and to be finalised in the appropriate Secured Variable Rate Note Purchase Agreement; and
- II. exemption of the facilities from the payment of duties or fees payable under the Stamp Duty Act.

8. I will move the appropriate resolution in due course.



Audley Shaw, M.P.
Minister of Finance and the Public Service
December 01, 2009

**GOVERNMENT GUARANTEED LOANS OUTSTANDING BALANCES
UNDER THE APPROVED ORGANIZATIONS AND AUTHORITIES
LOANS (GOVERNMENT GUARANTEED) ACT
AS @ 30th SEPTEMBER, 2009 (J\$)**

DOMESTIC DEBT

ENTITY	AMOUNT AUTHORISED	AMOUNT DISBURSED	AMOUNT REPAID	AMOUNT OUTSTANDING	No. of Loans
AIR JA	\$ 6,455,257,200.00	\$ 3,655,257,200.00	\$ -	\$ 3,655,257,200.00	5
CWTC	\$ 3,296,093,200.00	\$ -	\$ -	\$ -	1
DBJ	\$ 600,000,000.00	\$ 600,000,000.00	\$ 150,006,000.00	\$ 449,994,000.00	1
JMB	\$ 500,000,000.00	\$ 500,000,000.00	\$ -	\$ 500,000,000.00	1
JUTC	\$ 425,000,000.00	\$ 425,000,000.00	\$ -	\$ 425,000,000.00	1
NWC	\$ 2,406,325,436.00	\$ 2,406,325,436.00	\$ 603,953,161.01	\$ 1,802,372,274.99	3
NROCC*	\$ 3,552,000,000.00	\$ 3,552,000,000.00	\$ -	\$ 8,457,142,856.14	1
PAJ	\$ 7,429,572,240.00	\$ 7,429,572,240.00	\$ 660,083,285.42	\$ 6,769,488,954.58	2
PCJ	\$ 1,425,337,600.00	\$ 1,425,337,600.00	\$ 427,601,573.98	\$ 997,736,026.02	1
SLB	\$ 1,774,170,000.00	\$ 1,757,040,000.00	\$ 763,592,222.25	\$ 993,447,777.75	1
TOTAL	\$ 27,863,755,676.00	\$ 21,750,532,476.00	\$ 2,605,236,242.66	\$ 24,050,439,089.48	17

LEGEND

AIR JA	Air Jamaica
CWTC	Central Wastewater Treatment Company
DBJ	Development Bank of Jamaica
JMB	Jamaica Mortgage Bank
JUTC	Jamaica Urban Transit Company Limited
NWC	National Water Commission
NROCC	National Road Operating and Constructing Company
PAJ	Port Authority of Jamaica
PCJ	Petroleum Corporation of Jamaica
SLB	Students Loan Bureau

EXCHANGE RATES

US\$1 = JA\$ 89.0836
€ = JA\$129.58820
(as @ 2009/09/30)

N.B.

* Linked to CPI; includes inflation- compensating amount in the form of capitalised interest.

**Debt Management Unit
9th November, 2009**

JAMAICA GOVERNMENT GUARANTEED LOANS STOCK OF EXTERNAL DEBT By Creditor in USD September 30,2009					
ENTITY	CURRENCY	LOAN AMOUNT Original Currency	AMOUNT DISB. Original Currency	AMOUNT REPAID Original Currency	DISB. OUTSTANDING US\$ Equivalent
Air Jamaica	USD	US\$450,000,000	450,000,000.00	28,571,429.00	421,428,571.0
Port Authority (PA)	JPY	JPY266,368,381	266,368,381.00	253,104,320.00	150,258.4
	GBP	GBP 757,532	757,532.00	364,317.00	640,624.0
	CHF	CHF 3,613,628	3,613,628.00	1,871,166.00	1,686,797.7
	EUR	EUR 18,664,003	18,664,003.00	6,025,844.00	18,907,419.0
	USD	USD\$260,711,457	259,625,879.00	152,220,389.00	107,405,490.0
					128,790,589.1
Jamaica Telephone Co.	USD	US\$21,500,000	21,500,000.00	16,799,844.50	4,700,155.5
Development Bank of Jamaica (DBJ)	USD	US\$77,000,000	77,000,000.00	42,311,313.90	34,688,686.1
	EUR	EUR 108,860,000	108,860,000.00	102,947,655.18	8,742,515.5
	EUR	EUR 204,386,447	204,386,447.00	-	299,981,190.8
					343,412,392.3
Urban Development Corporation (UDC)	USD	US\$5,000,000	5,000,000.00	1,730,703.00	3,204,839.0
Coffee Industry Board (CIB)	EUR	EUR 3,300,000	1,830,762.00	865,322.40	1,725,907.0
National Water Commission (NWC)	EUR	EUR 26,092,686	26,092,686.00	7,113,657.65	27,943,061.6
	USD	US\$4,818,180	4,818,180.00	3,212,120.00	1,606,060.0
					29,549,121.6
Clarendon Alumina Production Ltd.	USD	US\$200,000,000	200,000,000.00	-	200,000,000.0
University of the West Indies (UWI)	USD	US\$3,350,102	3,350,102.00	2,159,841.00	1,190,261.0
Caribbean Housing Finance Corporation	GBP	GBP 10,000,000	10,000,000.00	9,000,000.00	1,683,361.9
TOTAL					1,135,685,198.4
TOTAL J\$					101,170,925,940.4

USD United States Dollars
 JPY Japanese Yen
 GBP Great Britain Pound
 CHF Switzerland Francs
 EUR European Currency
 NROCC National Road Operating and Constructing Company

Debt Management Unit
 November 17,2009