



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement

To the House of Assembly

By

The Hon. Everard T. Richards, JP, MP

Minister of Finance

Government Guarantee Morgan's Point Limited

Date: 5th December, 2014

Mr. Speaker, in accordance with Section 2 AA (3) of the Government Loans Act 1978 I rise this morning to inform this Honourable House of the execution of an irrevocable Government Guarantee to Arch Reinsurance Limited on behalf of the Morgan's Point Limited. Honourable Members will recall that on September 13th 2013 I issued a Ministerial Statement advising that I had examined options to assist the Morgan's Point developers, Morgan Points Limited (MPL) to obtain financing for the project, and to this end had issued a letter of comfort to MPL to confirm the Government's strong support for the Project and willingness to provide a limited financial guaranty for the project.

I can now confirm that Government has provided a guarantee to Arch Reinsurance Limited on behalf of the MPL to provide credit support for a \$5,000,000 loan. This loan is for the purpose of meeting reasonable expenses incurred by MPL in connection with the First Phase of the Morgan's Point Project including expenses relating to architecture, design, construction engineering and professional advice and services. The Government has guaranteed the full and prompt payment of the principal of and interest on the Loan.

Mr. Speaker, as Honourable Members are aware Government is committed by way of various agreements to the remediation of lands conveyed to MPL for the construction and operation of a boutique style hotel, condominium residences, sewage treatment plant, and other facilities. MPL had previously advised Government that the environmental remediation issues at Morgan's Point were impeding its ability to secure satisfactory construction financing for Phase 1 of the project. In that regard, MPL has requested that the Government provide credit enhancement for the financing of Phase 1 of the Project in the form of a limited financial guaranty.

Mr. Speaker, it is generally not the policy of the Ministry of Finance to issue guarantees to the private sector unless the matter is of national importance. However, the island has not seen a new hotel development for some time and the Government strongly supports this Project and the economic benefits that it will bring to Bermuda. With the America's Cup announcement we must do even more to attract local and foreign capital to our shores to develop our tourism product. At a Tourism Summit held last year in Bermuda it was noted that our competitors are doing a great deal to attract financing for hotel projects, some Governments are going so far as to guarantee the debt in order to finalize the acquisition of the required financing for the project.

Mr. Speaker, I am confident that if satisfactory financing is obtained this development will turn a brown field site into a stunning new resort leading Bermuda back into the forefront of the hospitality industry. Once constructed, the project will create numerous jobs. Additionally, the total build will generate significant revenue for the Bermuda Government.

Mr. Speaker, I am pleased that Arch Reinsurance has shown confidence in the project and the tourism sector and Government is delighted that it could assist in making this happen. I am sure that further commitments will come as soon as the project's plans are fully prepared, submitted and approved.

Mr. Speaker, it is also important to note that the guarantee agreement includes conditions typically included in non-affiliated financial guarantees. As previously mentioned, this action should not be considered precedent setting and is only being considered because of the environmental remediation issues at the Morgan's Point site.

Mr. Speaker, with the America's Cup on the Horizon the Government is eager for the Project to proceed and succeed, and is looking forward to working with the Developer to achieve that objective.

Thank you, **Mr. Speaker.**