MINISTRY PAPER 21

GUARANTEE ARRANGEMENTS IN RESPECT OF GOVERNMENT'S ACQUISITION OF MAJORITY SHAREHOLDINGS IN PEGASUS HOTELS OF JAMAICA LIMITED

In order to ensure the completion and operation of the Pegasus Hotel, the Government of Jamaica on 8th November, 1972 concluded a Memorandum of Agreement with British Airways Associated Companies Limited and Trust Houses Forte International Limited to cover trading losses and servicing of the contingent liabilities of Pegasus Hotels of Jamaica Limited up to a maximum of $1.5 million. This was in addition to a previous guarantee given to loan financing of $2.0m of the total $4.3m loan capital originally injected in the hotel.

2. In summary, the arrangements as regards the injection of $1.5m loan capital as from 1972 were as follows:

(i) BAAC and THFI to lend to PHJL (in such proportion as they mutually determine) up to a maximum of J$1 million to enable PHJL to complete the construction of the hotel, equip it and commence operations. This loan should be interest free during the first three years of the hotel's operation and thereafter bear interest at 8% per annum repayable over 15 years. BAAC and THFI would have an option within 12 months after the first three years of operations to convert the loan into ordinary shares at par in an amount equivalent to the loan or to have the loan guaranteed by the Government.

(ii) The Government during the first three years of operations to lend to PHJL as and when required not more than J$1.5m to enable PHJL to meet:

(a) the interest payable by PHJL on its loans from IFC and Barclays Bank on the due dates;

(b) the interest payable on a loan of £250,000 sterling to be made by Hill Samuel & Company Limited of London, England;

(c) trading losses as certified by PHJL'S Auditors on a quarterly basis.

The above loan should during the first 3 years of operation be free of interest but thereafter (subject to the rights hereinafter mentioned) should bear interest at 8% per annum and should be repayable to Government over 15 years by instalments to be determined by Government. It would be secured by a second charge on the assets of PHJL ranking after the IFC and Barclays Bank loans which are secured by first mortgage debentures.

NATIONAL LIBRARY OF JAMAICA

The Government would have the right within a period of 12 months after the first 3 years of operation to convert such loan into ordinary shares at par or in the alternative it may with the concurrence of BAAC and THFI request the transfer of ordinary shares of PHJL owned by BAAC and THFI in satisfaction of the value of said loan. In exchange, the Government would assign to BAAC and THFI its rights against PHJL in respect of the loan. The exchange price would be determined by an independent party satisfactory to BAAC, THFI and the Government.

(iii) The Government would have the right to nominate a person to be a Director of PHJL during such period as the Government may have any outstanding liability to guarantee the debts of PHJL.

3. In keeping with the foregoing, the Government on 8th April, 1976, concluded another Memorandum of Agreement with BAAC and THFI pursuant to which Government:

(i) has acquired 1,399,151 stock units of $1.00 each in Pegasus Hotels held by BAAC for a consideration of $1.0 million;

(ii) has acquired 699,577 stock units of $1.00 each in Pegasus Hotels held by Trust Houses for consideration of $0.5m;

(iii) has assigned its rights to require Pegasus Hotels to issue to it a debenture for $1.5 million, and Pegasus will instead issue direct to BAAC and THFI respectively 8% second mortgage debenture in the amounts of $1.0m and $0.5m respectively; effectively this means that BAAC is now deemed to have loaned to PHJL the sum of $1.0m and THFI is now deemed to have loaned to PHJL the sum of $0.5 million;

(iv) has agreed to guarantee the BAAC and THFI loans at (iii) above under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act.

4. In addition in keeping with the arrangements outlined at paragraph 2(i) above, BAAC and THFI have loaned amounts of $550,591 and $275,296 respectively (totalling $825,887) to facilitate completion of the hotel.

5. The House of Representatives is accordingly asked to approve under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act, the guarantee of the repayment of principal and payment of interest on the following loans to Pegasus Hotels of Jamaica Limited secured by 8% second mortgage debentures and repayable in 29 equal semi-annual instalments on 1st June and 1st December from 1st December, 1976 to 1st December, 1990.

(i) $1.0m from British Airways Associated Companies Limited and $0.5m from Trust Houses Forte International Limited, in keeping with the arrangements outlined at paragraph 2(ii) above.

(ii) $550,591 from British Airways Associated Companies Limited and $275,296 from Trust Houses Forte International Limited in keeping with the arrangements outlined at paragraph 2(i) above.

In due course I will move an appropriate resolution.

Attached is a list of outstanding guarantees.

ERIC O. BELL
Minister of Finance & Planning
February 5, 1979

GUARANTEE OUTSTANDING AMOUNTS AT 31/3/78

NAME OF ORGANIZATION	AMOUNTS AUTHORISED	ESTIMATED OUTSTANDING BALANCE
	J$000	J$000
Points Inter-Continental Hotel	8.684	6.121
Rose Hall Inter-Continental	15.438	12.698
Rose Hall Holiday Inn	6.562	6.195
Pegasus (B.O.A.C.)	2.000	1.664
Jamaica Development Bank	51.400	32.447
Kingston Waterfront	10.132	9.351
Trelawny Resort	15.722	7.861
Rutland Point	8.085	8.085
Jamaica Mortgage Bank	54.451	49.252
Frome Monymusk	14.919	13.496
Mallards Reef	12.690	11.916
Air Jamaica	52.252	38.452
Jamaica Public Service Company	117.658	77.692
Jamaica Telephone Company	76.144	55.241
Port Authority	16.723	15.085
Urban Development Corporation	27.287	20.693
University of the West Indies	3.433	.175
National Housing Corporation	.078	.078
Jamaica Nutrition Holdings	5.775	2.730
Jamaica Soya Products	4.631	2.454
Banana Board	5.189	3.053
Electricity Authority	4.725	2.835
New Kingston Hotel	2.285	.977
Water Commission	20.790	5.991
Jamaica Railway Corporation	4.033	-
TOTAL	541.880	385.342

RATES OF EXCHANGE

1. U.S. Dollar - U.S. $1.00 = J$1.050
2. Pound Sterling - £1.00 = J$1.951250
3. Canadian Dollar - Can. $1.00 = J$0.925625
4. German Mark - DM 1.00 = J$0.511389

GUARANTEE

by

THE GOVERNMENT OF JAMAICA

The Honourable Minister of Finance of Jamaica (hereinafter called "the Minister") FOR AND ON BEHALF OF the Government of Jamaica (hereinafter called "the Government") in accordance with the provisions of the Approved Organisations and Authorities Loans (Government Guarantee) Act (hereinafter called "the Act") and with the prior approval of the House of Representatives IN PURSUANCE of an Agreement dated the 8th day of November, 1972 and a further Agreement Supplemental thereto dated the 8th day of April, 1976 (hereinafter collectively called "the Agreement") between the Government of the first part British Airways Associated Companies Limited (hereinafter called "British Airways") of the second part Trust Houses Forte International Limited (hereinafter called "Trust Houses") of the third part and Pegasus Hotels of Jamaica Limited (hereinafter called "the Company") of the fourth part HEREBY GUARANTEES the due payment of all principal or interest payable by the Company to British Airways and Trust Houses respectively under and secured by two 8% Second Mortgage Debentures each dated the 28th day of October, 1977 in the amounts of J$1,000,000.00 and J$500,000.00 respectively (hereinafter called "the said Debentures") and promises within 15 days after written demand by the registered holder addressed to the Financial Secretary in the Ministry of Finance to pay at the place of payment specified in the said Debentures and each or either of them as the case may be all sums of principal and interest due thereunder (hereinafter referred to as "the indebtedness").

The obligation of the Government hereunder is independent of the obligation of the Company and a separate action or actions may be brought and prosecuted against the Government whether action is brought against the Company or whether the Company be joined in any such action or actions.

British Airways and Trust Houses and each of them or other the registered holders or holder of the said Debentures from time to time (hereinafter called "the debenture holders") shall be at liberty without thereby affecting their respective rights hereunder and without discharging or in any way whatsoever affecting the liability of the Government hereunder at any time and from time to time to give them time for payment or grant indulgence to the Company or to accept compositions from or make any other arrangements with the Company in respect of the indebtedness or any part thereof under the said Debentures or either of them as the debenture

holders or either of them may think expedient or abstain from enforcing or realizing the security of the said Debentures without obtaining the consent of or giving any notice to the Minister it being the intention of the Minister that this Guarantee shall be a continuing Guarantee and shall remain in full force and effect until such time as the indebtedness shall have been fully satisfied.

The Government waives any right to require the debenture holders to:

(a) proceed against the Company;

(b) proceed against or exhaust any security held from the Company; or

(c) pursue any other remedy in the debenture holders' power whatsoever.

The Government waives any defence arising by reason of any disability of the Company. Unitl the indebtedness of the Company to the debenture holders shall have been paid in full, the Government shall have no right of subrogation, and waives any right to enforce any remedy which the debenture holders now have or may hereafter have against the Company and waives any benefit of, and any right to participate in, any security now or hereafter held by the debenture holders.

The Government waives all presentments, demands for performance, notice of non-performance, protests, notice of protest, notice of dishonour, and notices of acceptance of this Guarantee and of the existence, creation or incurring of new indebtedness.

Upon the occurrence of any default under the said Debentures, any and all indebtedness of the Company now or hereafter due to the Government shall be subordinated to the indebtedness and such indebtedness of the Company to the Government, if the debenture holders so request, shall be collected, enforced and received by the Government as trustee for the debenture holders and be paid over to the debenture holders on account of the indebtedness.

Any notice or demand on the Government may be given by registered mail addressed to the Financial Secretary in care of the Ministry of Finance 30 National Heroes Circle, Kingston 4, Jamaica, and if so mailed shall be deemed to have been received seven (7) days following the mailing thereof.

Dated the day of 197

THE GOVERNMENT OF JAMAICA

BY:.....

Minister of Finance