

Private & Confidential

Director of Finance, Economic Affairs, and Investment
Ministry of Finance, Economic Affairs, and Investment
Government Headquarters
Bay Street
St Michael
Barbados

30 May 2018

ENGAGEMENT LETTER

Dear Director of Finance, Economic Affairs, and Investment

We would be pleased to provide the Government of Barbados, acting through the Ministry of Finance, Economic Affairs, and Investment (the “**Government**”), with financial advice relating to the design and execution of an optimal debt restructuring strategy. This strategy will seek to ensure that Barbados’s debt burden is firmly placed on a sustainable footing in conjunction with the new fiscal framework to be introduced by the Government, thereby strengthening the public finances and improving the growth prospects for the country. We will also be pleased to provide the Government with whatever other financial advice it may reasonably require as part of its efforts to rebuild Barbados’s economy.

The purpose of this agreement (including the attached Schedule, the “**Agreement**”) is to confirm the understanding and agreement between the Government and White Oak Advisory Limited (“**White Oak**”) as to the terms on which such advice will be provided.

1. Scope of Work

As part of a work programme designed to guide and support the Government’s efforts to resolve Barbados’s structural public debt overhang and extensive arrears problem, we would expect to provide the following, amongst other things:

- Gathering of 'raw' domestic and external debt information from the Central Bank of Barbados (CBB), the Ministry of Finance, Economic Affairs and Investment (MFEI), and from any other public bodies that may have incurred borrowing that is not captured in the centralised records
- Analysis and verification of the available public debt data, with a special emphasis on the contingent liabilities of the public sector, including debts guaranteed by the Government; a non-legal review of the documentation supporting specific debt items will also be undertaken, with a focus on key clauses (collective action clauses, acceleration and cross-default provisions, etc.)
- Classification of the public debt by creditor category, public sector borrower, and instrument type; determination of the arrears position of individual public sector borrowers, if applicable; fresh projections of public sector debt service obligations until final maturity will be generated, using appropriate forward market methodologies in the case of floating-rate instruments
- Analysis of Barbados's key debt indicators in an international comparative context
- Construction of a computer model designed to simulate public debt dynamics under different macroeconomic assumptions; variables to be adjusted in order to model alternative medium-term fiscal scenarios will include GDP growth, the primary fiscal balance, and below-the-line financing on different terms
- Assistance with all negotiations between Barbados and the IMF, if applicable
- In consultation with the MFEI and CBB (and the IMF, if applicable), determination of 'baseline' fiscal scenario and the variations to be modelled, taking into account any additional liabilities that may have to be assumed by the GoB going forward (i.e. unfunded pension liabilities, CLICO/BAICO-related outlays, etc.); overlay the output from the verified public debt database onto each scenario in order to establish effect on overall financing balances and the trajectory of key debt indicators
- Analysis of the likely balance-of-payments counterpart to each fiscal scenario modelled; general review of external debt obligations of the Barbadian private sector, to the extent that such data is available
- Determination of the Government's expected payment capacity going forward, on the basis of the most plausible range for each of the macroeconomic variables to be tested
- Identification of the strategic debt restructuring alternatives that are expected to be available to the Government for each creditor category,

followed by a considered assessment of the advantages and disadvantages likely to be associated with each

- Under each strategic alternative to be analysed, the considerations to be touched upon are likely to include:
 - Whether the strategy should be applied to both the domestic and external debt, or just to the domestic
 - Likely impact on future fiscal and external financing balances, and on the evolution of debt dynamics
 - Timing considerations
 - Degree of IMF involvement likely to be required, if any
 - Burden-sharing and inter-creditor considerations
 - Likely impact on Barbados's credit rating and market standing
 - Degree to whether the latest innovations in sovereign debt restructuring/refinancing (such as the use of partial multilateral guarantees) can be incorporated to good effect
 - Execution considerations
- Advice on the definition of the scope of the expected restructuring, in terms of the level of cash flow/debt relief to be targeted by the Government, and of the debtor categories to be included in the exercise (drawing attention to burden sharing and inter-creditor equity considerations where necessary)
- Advice on ensuring that the design of an IMF programme (if applicable) is compatible and supportive of the selected debt restructuring strategy
- Assistance with the identification of holders of any Government bonds and other instruments to fall within the scope of the exercise (if not already completed during the diagnostic phase)
- Advice on formulation of an appropriate communication strategy
- Assistance with establishing initial contacts and engaging with the affected creditor categories
- Assistance in the preparation of background documents and presentations to be made to creditors, international financial institutions, and other relevant parties

- Advice on the preparation of proposals to be put to each affected creditor category, drawing on our knowledge of the relevant international precedents and our familiarity with the associated creditor preferences and sensitivities
- Advice with all matters associated with the formation of a bondholder creditor committee (if applicable)
- Assistance with all stages of your consultations and negotiations with affected creditors, including bondholders, the NIS, the CBB, commercial banks, and official bilateral creditors, as appropriate
- Assistance with all stages of your consultations with local entities and individuals to whom arrears may be outstanding, as appropriate
- Assistance with all interactions with the IMF, the CDB, the World Bank, the IADB, and other multilateral partners throughout the execution stage of the process, with an emphasis on ensuring that these stakeholders remain supportive of Barbados's debt strategy and objectives at all times
- Advice with the structuring of any special features that the Government may wish to incorporate into its exchange offer, such as partial multilateral guarantees, GDP-linked coupon features, hurricane clauses, etc.
- Liaising with Barbados's external legal counsel at all times
- Advice with the valuation and assessment of any counter-proposals presented to the Government by its creditors
- Assistance with finalising the terms of the restructuring agreement(s), and with building creditor support for such terms
- Assistance with all stages of the execution of the reprofiling agreements through the launch of an exchange offer by the Government and amendments to original loan agreements, as appropriate
- Advising on the matters relating to public relations with credit rating agencies before, during, and after the execution of the chosen strategy
- Provision of financial advice with respect to other issues that may arise in relation to the Government's debt management goals, as appropriate

Within the terms of this Agreement, we will also be pleased to provide the Government with any such advice that it may reasonably request on other financial matters associated with the authorities' reform agenda, including the restructuring of state-owned enterprises, the structuring and negotiation of financing for

infrastructure projects, the sale of state assets (if appropriate), and addressing the problems at LIAT (if appropriate).

For the avoidance of doubt, White Oak shall not provide legal or accountancy advice.

2. Term

Either party may terminate this Agreement at any time subject to 30 days' written notice. Termination or expiry of this Agreement will not affect any legal rights or obligations that may already have accrued to either party under this Agreement and, in particular, all opinions, reports, and advice due and outstanding, shall be submitted to the Government, and accrued fees and expenses shall be due and payable. In addition, paragraphs 5 to 8 (inclusive) and the provisions contained in the attached Schedule shall survive any such termination.

3. Fees and Expenses

In consideration of the advisory services outlined above, the Government shall pay White Oak fees comprising:

- (a) A monthly retainer of US\$85,000, payable by monthly instalments in arrears. This retainer will commence on 30 May 2018;
- (b) A success fee payable in US dollars of 45 basis points (0.45%) to be charged on the principal amount of, and any accrued but outstanding interest on, debts owed by the Government and its public sector that are denominated in currencies other than the Barbados dollar and that are reprofiled, restructured, cancelled, redeemed, repurchased, refinanced, exchanged and/or the terms of which are amended (any such event being a "**Transaction**"), other than debts owed to official bilateral creditors. The success fee will be invoiced immediately following the closing of any exchange offer or the signing of any amendment to the original documentation, as appropriate; and
- (c) A success fee payable in US dollars of 40 basis points (0.40%) to be charged on the principal amount of, and any accrued but outstanding interest on, debts owed by the Government and its public sector that are denominated in Barbados dollars and that are reprofiled, restructured, cancelled, redeemed, repurchased, refinanced, exchanged and/or the terms of which are amended (any such event being a "**Transaction**"). The success fee will be invoiced immediately following the closing of any exchange offer or the signing of any amendment to the original documentation, as appropriate; and
- (d) A success fee payable in US dollars of 20 basis points (0.20%) to be charged on the principal amount of any non-debt domestic arrears that are

resolved, with our assistance, on the basis of the issuance of bonds, debentures, Treasury Bills or other such instruments to the party to whom the arrears are owed, or through a cash payment including a negotiated discount to face value; for the avoidance of doubt, a success fee will only become payable on the resolution of non-debt arrears in instances where the Government has expressly requested the assistance of White Oak.

In addition, the Government agrees to fully reimburse White Oak for all out-of-pocket expenses that are reasonably incurred in connection with the advisory services to be provided under this Agreement. Out-of-pocket expenses, which will comprise travel-related expenses and minor incidentals, will be periodically billed as a separate item.

The Government will be responsible for its own legal fees, and the costs of its other advisors.

All invoices shall be payable by the Government within 15 business days of the billing date, with the exception that the Government will retain the option (upon consultation with White Oak) to pay some or all invoices relating to success fees that become payable as per (b), (c), or (d) above at the start of the 2019-20 financial year as it applies to the Government of Barbados.

4. Information and Announcements

The Government will provide White Oak with such access to its officers, its representatives, its ministries and agencies, and such information as White Oak may reasonably require for the purposes of this engagement. The Government shall at all times keep White Oak fully informed of all strategies, developments, and discussions relevant to its engagement and no initiative affecting the engagement will take place without prior consultation with White Oak.

Save as expressly otherwise provided in this Agreement, White Oak shall not be under any duty to verify the accuracy and completeness of information to be used in connection with the provision of the advisory services, and shall be entitled to assume that such information is true, complete accurate and not misleading. The Government will ensure that any communications it makes in the course of the

provision of the advisory services will, to the best of its knowledge of belief, be true, complete and accurate in all material respects and not misleading (whether by omission or otherwise), that any statements of opinion, intention or expectation (including financial projections) contained therein will be honestly held and made after due care and careful consideration and enquiry. Any such communications will comply with applicable law and regulation.

5. Confidentiality

All information received by White Oak from the Government concerning the Government's business or affairs that we believe is not available to the public (or which would be available to the public only as a result of a breach of this Agreement by us) will be held in confidence. White Oak will be entitled to disclose any information (including confidential information) known and/or to produce any documents relating to the Government's business or affairs or any proposed transaction to its professional advisers, its insurers and/or its legal advisers engaged for the purpose of advising us in connection with its engagement or matters arising therefrom and, if requested or required to do so, to any governmental or regulatory agency or authority.

The Government agrees that any opinion or advice (written or oral) rendered by White Oak is provided solely for its benefit and may not be used or relied on by the Government for any purposes other than those connected with the advisory services outlined above.

Such opinion or advice, and the terms of this Agreement (including details of our fees in relation thereto), may not be disclosed to any third party (unless the Government comes under a legal or regulatory obligation to disclose it, in which case the Government will promptly inform White Oak of such obligation as soon as practicable prior to making any disclosure), save to those of the Government's professional advisers as is necessary for the proper performance by them of their services in connection with the advisory services described above. The Government shall use its best endeavours to ensure that any such person observes the obligations of confidentiality in relation to such information as though a party hereto.

6. Limitation of Liability

Please note that you are engaging White Oak to carry out the work, and therefore there is no acceptance or assumption of responsibility by any member, employee and/or consultant of White Oak personally for carrying out your work. As a consequence, no duty of care is owed to you by any member, employee, and/or consultant of White Oak. It is White Oak that will owe you a duty of care in carrying out your work.

Neither White Oak nor any other Indemnified Person (as defined below) shall have any liability (whether direct or indirect and regardless of the legal theory advanced) to the Government, or any person or entity asserting claims on behalf of or in right of the Government related to or arising out of the Agreement, the advisory services, White Oak's engagement hereunder, any transaction or proposed transaction, or any actions taken or omitted to be taken by an Indemnified Person or the Government in connection with the Agreement, except for losses, claims, damages or liabilities incurred by you which are finally judicially determined by a court of competent jurisdiction to have resulted primarily from the wilful misconduct or gross negligence of such Indemnified Person.

To the extent that any Indemnified Person is the subject of a claim by the Government, or any person or entity asserting claims on behalf of or in right of the Government as aforesaid, the total amount of losses, claims, damages or liabilities recoverable from such Indemnified Person will be limited so as to be (i) in proportion to its contribution to the overall fault for such matters, as agreed between the parties, having regard to the relative fault of each Indemnified Person which is subject to such claim (if more than one), the parties hereto and any third party or, in absence of agreement, as finally determined by a court of competent jurisdiction (and ignoring, for these purposes, any limitation or exclusion or restriction on the liability of any third party under any jurisdiction whether arising, without limitation, by virtue of statute or resulting from bankruptcy or insolvency); and (ii) to the extent any exclusion or limitation has been agreed to by the Government or any person or entity asserting claims on behalf of or in right of the Government in respect of the liability of any third party, no more than it would have been had any such exclusion or limitation not been agreed.

Notwithstanding any other provision of this Agreement, in the event of any failure, interruption or delay in the performance of our obligations resulting from acts, events or circumstances not reasonably within our control, including but not limited to industrial disputes, natural disasters, terrorism, acts or regulations of any governmental or supranational bodies or authorities and breakdown, failure or malfunction of any transportation, telecommunications or computer services, we shall not be liable or have any responsibility for any kind for any loss or damage thereby incurred or suffered by the Government.

7. Miscellaneous

This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

The Government has all requisite power and authority to enter into this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly authorised by all necessary action on your part and has been duly executed and delivered by you and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms.

8. Law and Jurisdiction

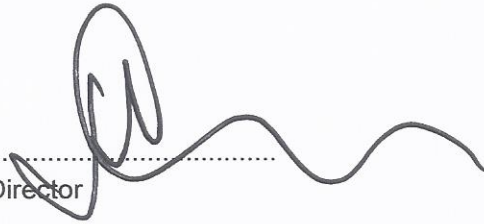
This Agreement shall be governed and construed in accordance with the laws of England and Wales and all disputes and differences arising thereunder shall be subject to the exclusive jurisdiction of the courts of England.

If the foregoing correctly sets forth our understanding and agreement, please so indicate by signing and returning this Agreement immediately and keeping a copy or duplicate for your records.

Yours sincerely,

WHITE OAK ADVISORY LTD

Signed by: SEBASTIAN ESPINOZA
For and on behalf of White Oak Advisory LTD Director



THE GOVERNMENT OF BARBADOS, ACTING THROUGH THE MINISTRY OF
FIANCE, ECONOMIC AFFAIRS, AND INVESTMENT

By: IAN S.I.C. CARRINGTON

Name: ICarrington

Title: DIRECTOR OF FINANCE, ECONOMIC AFFAIRS AND INVESTMENTS

Date: 18th June 2018

SCHEDULE

Indemnity

Notwithstanding any other provision in this Agreement, the Government agrees that it will on demand indemnify and hold harmless White Oak and each of its Affiliates (as defined below) past, present and future (each of White Oak and its Affiliates, an “**Indemnified Person**”) to the fullest extent lawful (on an after tax basis), from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, the advisory services, White Oak’s engagement hereunder, any transaction or proposed transaction, or any actions taken or omitted to be taken by an Indemnified Person or you in connection with the Agreement. In addition, the Government agrees to reimburse each Indemnified Person for any reasonable legal or other expenses reasonably incurred in respect thereof at the time such expenses are incurred in connection with investigating, preparing, pursuing, defending, settling or compromising any action, suit, inquiry, investigation or proceeding, pending or threatened, brought by or against any person arising out of or related to the Agreement, the advisory services, such engagement, transaction or proposed transaction, such actions or omission; provided, however, the Government shall not be liable under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined by a court of competent jurisdiction to have resulted primarily from the wilful misconduct or gross negligence of such Indemnified Person.

The Government shall promptly notify White Oak if it becomes aware of any matter that may give rise to a claim under this indemnity. The Government shall not, without the prior written consent of White Oak (not to be unreasonably withheld) (i) effect any settlement or release from liability in connection with any matter for which an Indemnified Person could be entitled to indemnification hereunder, unless such settlement or release contains a release of the Indemnified Persons reasonably satisfactory in form and substance to White Oak, or (ii) take any action which would reasonably be likely to prejudice the position of any Indemnified Person in connection with such matter or under this indemnity.

The indemnity, reimbursement, and other obligations and agreements of the Government set forth in this Agreement (i) shall apply, for the avoidance of doubt, to any services provided by White Oak in connection with this engagement prior to the date hereof and to any subsequent modifications of this Agreement, (ii) shall be in addition to any obligation or liability which the Government may otherwise have to any Indemnified Person (including, but not limited to, under common law), (iii) shall remain operative and in full force and effect regardless of any investigation made by or on

behalf of any party hereto or any Indemnified Person or any person controlling or



controlled by any of them, and (iv) shall survive the completion of the services described in, and any expiration or termination of the relationship established by, this Agreement.

“Affiliate” means in relation to a person (i) any other person from time to time that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with such person; and (ii) the directors, officers, partners, employees and agents of such person and the persons referred to in sub-paragraph (i) above.

“Control” (including the terms “controlling”, “controlled by” and “under common control with”) for these purposes means the possession, direct or indirect, of the power to direct or cause the direction of the management policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise and the term “person” is deemed to include any partnership.