



## RESTRUCTURING

### **Belize \$547.5m exchange offer**

The Central American sovereign's path out of default showed how borrowers and creditors can reach an amicable agreement

Belize's restructuring was a long time coming. The government first raised concerns over its payments in March 2012, saying it would review its external debt comprehensively, and urgently. Creditors holding around 57% of Belize's largest bond formed a committee to negotiate with the government.

BroadSpan Capital was financial advisor and Arnold & Porter legal adviser to the 22-member creditor group. White Oak Advisory was the government's financial advisor and Cleary Gottlieb its legal advisor.

A few months later, the sovereign set out three options to restructure its \$547.5 million 2029 note, dubbed its superbond. These included a loss of principal value as high as 45%, grace periods on payments, and coupons between 1% and 3.5%.

Investors were unimpressed, and submitted a counteroffer a few months later. The sovereign was equally unsatisfied with what it saw as a short-term fix that did not change the net present value of its debt burden.

Belize ultimately defaulted in August 2012 on the superbond, when it missed a \$23 million coupon payment. Yet by the time the 30-day grace period expired, the two sides had agreed a discussion framework, and the borrower paid half of the interest owed in a sign of good faith.

Still, it took several months more before creditors and the government reached a final agreement. In February 2013, Belize launched a debt exchange offer: it would swap the 2029 bond into a new 2038 that would amortize from August 2019.

The new note would pay 5% interest for four years, then step up to 6.767% – still much lower than the 8.5% coupon on the defaulted bond. The bonds were exchanged at 90% of par value, plus accrued interest.

The deal was contingent on a 75% take-

up rate from bondholders, which would also ensure a collective action clause took effect. Ultimately, creditors submitted 86.2% of the bond to the offer.

The size of the deal, Belize's ability to reach a negotiated solution, and the fact that it was completed in around a year make it stand out as Restructuring of the Year, giving it an edge over the Trump Ocean Club, which came a close second.

In that transaction, Newland International Properties became the first Panamanian borrower to use a US Chapter 11 bankruptcy protection process after missing a coupon payment in November 2011. The \$200 million bond financed an ambitious high-rise building in Panama – the Trump Ocean Club – that had struggled in the wake of the financial crisis. LF