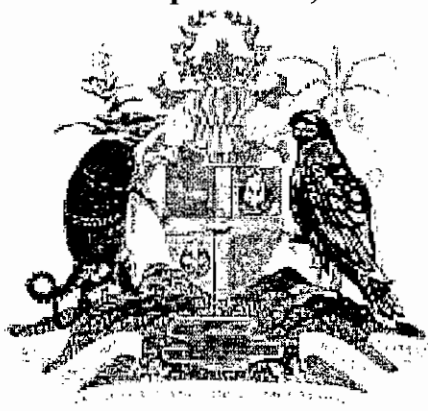


The offer described herein will expire at 3:00 p.m. (New York City time) on October 7, 2005, unless extended or earlier terminated.

OFFERING MEMORANDUM

Dated September 9, 2005



Grenada

Offer to Exchange

U.S. Dollar Bonds Due 2025 (the “*New U.S.\$ Bonds*”)

E.C. Dollar Bonds Due 2025 (the “*New E.C.\$ Bonds*”)

(collectively, the “*New Bonds*”)

for

Schedule A Claims and Schedule B Claims (as defined herein)

(collectively, the “*Eligible Claims*”)

Grenada hereby offers to exchange the New Bonds for the Eligible Claims on the terms set forth herein. The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Grenada and will rank equally with all other existing and future unsubordinated and unsecured debt of Grenada. The New Bonds will be backed by the full faith and credit of Grenada. This offer is a key part of Grenada’s comprehensive debt management program.

A holder of an Eligible Claim may only participate in this offer by delivering a letter of transmittal or letter of acceptance, as indicated herein, at or prior to 3:00 p.m. (New York City time) on October 7, 2005, unless the offer period is extended by Grenada.

Consummation of this offer and issuance of the New Bonds are subject to enactment of an authorizing law by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended.

Grenada will not consummate this offer or issue any New Bonds unless Eligible Claims in an aggregate principal amount equal to at least 85% of the total principal amount of Eligible Claims (other than Guaranteed Claims (as defined herein)) shall be tendered. This condition may be waived or amended by Grenada in its sole discretion.

The New U.S.\$ Bonds will be issued pursuant to an indenture with JPMorgan Chase Bank, N.A., as trustee for the bondholders, and will be governed by the laws of the State of New York. The New E.C.\$ Bonds will be issued pursuant to a fiscal agency agreement with the Eastern Caribbean Central Bank, as fiscal agent of Grenada, and will be governed by the laws of Grenada.

An investment in the New Bonds involves a high degree of risk. See “Risk Factors” beginning on page 18 of this offering memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”) or the securities laws of any other jurisdiction. The New Bonds will be offered only to qualified institutional buyers in the United States under Rule 144A of the Securities Act and to persons outside the United States under Regulation S of the Securities Act. The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors”.

Delivery of the New Bonds will be made on or about October 28, 2005. The New U.S.\$ Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The New U.S.\$ Bonds will not be listed on any securities exchange. The New E.C.\$ Bonds will be delivered in book-entry form through the facilities of the Eastern Caribbean Central Securities Registry Ltd. Application will be made to list the New E.C.\$ Bonds in the Regional Government Securities Market for trading on the Eastern Caribbean Securities Exchange Ltd.

Dealer Manager for the Offer

Bear, Stearns & Co. Inc.

TABLE OF CONTENTS

Presentation of Certain Information.....	vi
Governing Laws and Enforcement of Civil Liabilities	vii
Forward-Looking Statements.....	ix
Summary	1
Recent Developments	10
Risk Factors	18
Timetable for the Offer	22
Terms of the Offer.....	23
Tender Procedures.....	27
Grenada	35
Economy	43
Financial System	51
Terms and Conditions of the New Bonds	57
Book-Entry Settlement and Clearance	81
Notice to Investors	88
Taxation	91
Jurisdictional Restrictions	92
Official Statements.....	94
Legal Matters	95
Exhibit I — Form of Letter of Transmittal	I-1
Exhibit II — Form of Letter of Acceptance.....	II-1
Schedule A Claims.....	A-1
Schedule B Claims	B-1
Letter from International Monetary Fund	Annex A

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this offering memorandum. You must not rely on any unauthorized information or representations. This offering memorandum is an offer to exchange only the securities described in this offering memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering memorandum is current only as of this date.

This offering memorandum and the related specimens of letter of transmittal ("*Letter of Transmittal*") and letter of acceptance ("*Letter of Acceptance*") attached as Exhibit I and Exhibit II hereto, respectively, are referred to as the "*Offer Materials*". The transactions contemplated by the Offer Materials are referred to as the "*Offer*".

In this offering memorandum, references to the "*Government*" are to the Government of Grenada. References to the "*Dealer Manager*" are to Bear, Stearns & Co. Inc., as Dealer Manager for the Offer; references to the "*Exchange Agent*" are to JPMorgan Chase Bank, N.A., as Exchange Agent for the Offer; and references to the "*Information Agent*" are to D.F. King & Co., Inc., as Information Agent for the Offer.

Grenada is furnishing the Offer Materials to you solely for use in the context of the Offer. After having made all reasonable inquiries, Grenada confirms that:

- the information contained in this offering memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this offering memorandum;
- it holds the opinions and intentions expressed in this offering memorandum;
- it has not omitted other material facts, the omission of which makes this offering memorandum as a whole misleading as of the date of this offering memorandum; and
- it accepts responsibility for the information it has provided in this offering memorandum.

Grenada has not authorized the making or provision of any representation or information regarding Grenada or the Government or the New Bonds to you other than as contained in this offering memorandum. Any such representation or information should not be relied upon as having been authorized by the Government or the Dealer Manager or any of their affiliates. Grenada does not assume responsibility for information other than as provided in this offering memorandum. Neither the delivery of this offering memorandum nor any aspect of the Offer shall under any circumstances imply that there has been no change in the condition (financial or other) of Grenada since the date of this offering memorandum.

The Dealer Manager makes no representation or warranty, expressed or implied, and accepts no responsibility as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, nor should you rely upon anything as, a promise or representation by the Dealer Manager as to the past or the future. By accepting delivery of this offering memorandum, you agree to the foregoing.

You should not consider this offering memorandum as a recommendation by Grenada or the Dealer Manager that you should participate in the Offer. In making an investment decision, you must rely on your own examination and evaluation of Grenada and the terms of the Offer, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as

to whether you are legally permitted to acquire the New Bonds in the Offer under applicable legal investment or similar laws or regulations.

The distribution of the Offer Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Grenada and the Dealer Manager require that you and anyone who receives the Offer Materials inform themselves about and observe such restrictions. The Offer Materials do not constitute, and may not be used for or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which, or to or by any person to or by whom, such offer or solicitation would be unlawful, and the Offer is not being made to, and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Offer or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see “Jurisdictional Restrictions” in this offering memorandum.

Grenada is making the Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The New Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this offering memorandum. By participating in the Offer, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this offering memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for New Bonds, or possess or distribute this offering memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Neither Grenada nor the Dealer Manager shall have any responsibility therefor.

Grenada reserves the right to reject any offer to tender Eligible Claims in exchange for New Bonds, in whole or in part, for any reason.

Tenders of the 9.375% Notes due 2012 may only be made through the submission of Letters of Transmittal in electronic form. Tenders of all other Eligible Claims may only be made through the submission of Letters of Acceptance by hand, mail or facsimile transmission. Grenada reserves the right to reject any Letter of Transmittal or Letter of Acceptance not received in the appropriate form. See “Tender Procedures” in this offering memorandum.

Notice to New Hampshire Residents Only

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire, nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire, constitutes a finding by the Secretary of State that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact, nor the fact that an exemption or exception is available for a security or a transaction, means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this offering memorandum are based upon the latest official data and information available at the date of this offering memorandum. Economic and financial data and statistical information provided in this offering memorandum may be subsequently revised in accordance with Grenada's ongoing review of such data and information, and Grenada is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2004 and 2005 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2004 and all such data and information for 2005 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this offering memorandum are estimates of the Ministry of Finance of Grenada or the Eastern Caribbean Central Bank, which is the central bank for eight member countries in the Eastern Caribbean. Unless otherwise stated, references to a year refer to the relevant calendar year or Grenada's fiscal year, which runs from January 1 to December 31.

Unless otherwise indicated, in this offering memorandum, "*real GDP*" means real gross domestic product at constant 1990 prices calculated at factor cost, which is GDP at 1990 market prices less net indirect taxes. Unless otherwise indicated, "*nominal GDP*" means nominal gross domestic product calculated at factor cost, which is GDP at current market prices less net indirect taxes. However, for purposes of the table under "Summary—Selected Economic Information" and as otherwise specified elsewhere in this offering memorandum, certain nominal GDP amounts are presented using market prices (including net indirect taxes) rather than factor prices (excluding net indirect taxes) in order to facilitate comparisons with GDP figures of other sovereign issuers. References to "*GDP per capita*" are to nominal GDP at market prices, divided by the average population for the relevant year.

In this offering memorandum, references to "*Eastern Caribbean dollars*", "*E.C. dollars*" and "*E.C.\$*" are to the lawful currency of the member countries of the Eastern Caribbean Central Bank; references to "*U.S. dollars*" and "*U.S.\$*" are to the lawful currency of the United States of America. Since 1976, the Eastern Caribbean dollar has been fixed to the U.S. dollar at an exchange rate of E.C.\$2.70 = U.S.\$1.00. Some Eastern Caribbean dollar amounts have been translated into U.S. dollars at such rate in this offering memorandum solely for your convenience. You should not construe such translations as a representation that any such amounts have been, would have been or could be converted at this or any other exchange rate.

Totals in certain tables in this offering memorandum may differ from the sum of the individual items in such tables due to rounding.

GOVERNING LAWS AND ENFORCEMENT OF CIVIL LIABILITIES

Grenada is a foreign sovereign state. Consequently, it may be difficult for you to obtain or enforce judgments against Grenada.

New U.S.\$ Bonds

The New U.S.\$ Bonds and the indenture will be governed by the laws of the State of New York.

In the indenture and the New U.S.\$ Bonds, Grenada will irrevocably submit to the jurisdiction of any U.S. federal or New York state court sitting in The City of New York and any appellate court thereof, over any suit, action or proceeding against Grenada or its properties, assets or revenues with respect to the New U.S.\$ Bonds or the indenture. Except as provided below, Grenada will irrevocably waive and agree not to plead, to the fullest extent permitted by applicable law, any immunity (sovereign or otherwise) from the jurisdiction of such courts in connection with any action arising out of or in connection with the New U.S.\$ Bonds or the indenture. Without limiting the generality of the foregoing, Grenada will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Grenada reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Grenada in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Grenada is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action. Grenada will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New U.S.\$ Bonds or the indenture in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

Final and conclusive judgments against Grenada for the payment of a sum of money rendered by a U.S. federal or New York state court are not directly enforceable in Grenada by the Supreme Court of Grenada and the West Indies Associated States (also known as the Eastern Caribbean Supreme Court). However, you can bring an action in the Eastern Caribbean Supreme Court to obtain a judgment of such court on a final and conclusive judgment against Grenada for the payment of a sum of money rendered by a U.S. federal or New York state court sitting in The City of New York. The Eastern Caribbean Supreme Court will recognize and enforce a final and conclusive judgment rendered by a U.S. federal or New York state court sitting in The City of New York under common law principles applied by such court, provided: (1) in the case of a judgment in personam: (a) that the original court was a court of competent jurisdiction according to the rules of conflict of laws applied by the Eastern Caribbean Supreme Court; (b) the judgment is not impeachable on the ground that it was obtained by fraud, or that its recognition or enforcement would be contrary to Grenada principles of public policy, or that it was obtained in proceedings which were contrary to natural justice; and (c) the judgment is for a definite sum of money (other than a sum payable in respect of taxes or penalties) and that it finally and conclusively determines the rights and liabilities of the parties to it so as to be *res judicata* where pronounced and that such judgment has not been satisfied; (2) in the case of a judgment in rem relating to movables, that the movables were located in the United States at the time of the proceedings; and (3) in the case of a judgment in rem relating to immovables, that the immovables were located in the United States at the time of the proceedings.

The registration of a judgment may be set aside if the Eastern Caribbean Supreme Court determines that the matter in dispute in the proceedings in the original court had, prior to the date of the

judgment in the original court, been the subject of a final and conclusive judgment by a court having jurisdiction of the matter.

New E.C.\$ Bonds

The New E.C.\$ Bonds and the fiscal agency agreement will be governed by the laws of Grenada. Under Grenada's constitution, Grenada is subject to the jurisdiction of the Eastern Caribbean Supreme Court and actions in connection with or arising out of the New E.C.\$ Bonds or the fiscal agency agreement may be brought in this court. For more information on Grenada's judicial system, see "Grenada—Constitution and Government—Judicial System".

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements that reflect Grenada's current views with respect to future events. The words "expects", "intends", "anticipates", "believes", "projects", "estimates" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Grenada or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Grenada and globally;
- the actual rates of growth, if any, for GDP and other economic indicators of Grenada in any relevant year or other period;
- the financial condition of Grenada or the Eastern Caribbean Central Bank;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Grenada or the Eastern Caribbean Central Bank;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Grenada;
- the financial condition and liquidity of banks and other financial institutions in Grenada;
- climatic or geological occurrences;
- trade and tariff policies of Grenada's trading partners;
- declines in the Government's tax revenues;
- receipt of bilateral donor pledges;
- Grenada's ability to execute its comprehensive debt management program;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect the Government's ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this offering memorandum.

All forward-looking statements contained in this offering memorandum are qualified in their entirety by these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Grenada disclaims any obligation or undertaking to update publicly or revise any forward-looking statement contained in this offering memorandum, whether as a result of new information, future events or otherwise. Future events or circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this offering memorandum and may not contain all of the information that may be important to you. You should read this summary together with the more detailed information elsewhere in this offering memorandum.

Selected Economic Information

	2000	2001	2002	2003	2004	2004
	<i>(in millions of E.C.\$⁽¹⁾)</i>					<i>(in millions of U.S.\$⁽¹⁾)</i>
Domestic Economy						
Nominal GDP at factor cost	E.C.\$ 904.3	E.C.\$ 878.2	E.C.\$ 899.4	E.C.\$ 964.3	E.C.\$ 960.0	U.S.\$ 355.6
Real GDP at factor cost	701.2	670.7	676.3	715.6	693.9	257.0
Percent change in real GDP at factor cost	7.0%	(4.4)%	0.8%	5.8%	(3.0)%	-
Nominal GDP at market prices ⁽²⁾	1,105.7	1,067.1	1,092.2	1,180.9	1,158.5	429.1
GDP per capita at market prices ⁽²⁾	10,905.0	10,398.0	10,553.0	11,267.0	11,289.0	4,181.1
Consumer price index (annual rate of change)	3.4%	(0.7)%	2.3%	1.6%	2.5%	-
External Economy						
Exports	E.C.\$ 224.0	E.C.\$ 171.7	E.C.\$ 113.4	E.C.\$ 123.0	E.C.\$ 98.6	U.S.\$ 37.0
Imports	596.5	531.4	489.8	611.4	643.6	238.4
Goods balance	(372.5)	(359.7)	(376.4)	(488.4)	(545.0)	(201.9)
Services balance	176.5	138.0	123.7	140.7	198.7	73.6
Current account balance	(227.7)	(266.1)	(317.9)	(384.5)	(124.5)	(46.1)
Direct investment	(74.5)	(90.0)	(158.8)	(244.7)	(126.9)	(47.0)
Capital and financial account balance	258.9	242.4	368.2	371.0	204.5	75.7
Overall balance of payments	17.8	15.8	84.3	(34.6)	126.2	46.7
Public Finance						
Current revenues	E.C.\$ 297.2	E.C.\$ 284.9	E.C.\$ 292.5	E.C.\$ 330.0	E.C.\$ 301.2	U.S.\$ 111.6
Current expenditures	230.7	258.0	285.4	291.6	329.5	122.0
Grants	32.6	45.2	23.5	82.9	88.2	32.7
Capital expenditures ⁽³⁾	135.2	162.6	244.4	179.1	93.8	34.7
Overall fiscal balance (deficit) (including grants)	(36.1)	(90.5)	(213.8)	(57.8)	(33.9)	(12.7)
Public Debt						
Domestic debt	E.C.\$ 181.6	E.C.\$ 189.8	E.C.\$ 216.1	E.C.\$ 292.2	E.C.\$ 329.8	U.S.\$ 122.1
Percent of GDP at market prices ⁽²⁾	16.4%	17.8%	19.8%	24.7%	28.5%	-
External debt	336.3	384.5	683.0	734.0	874.7	324.0
Percent of GDP at market prices ⁽²⁾	30.4%	36.0%	62.5%	62.2%	75.5%	-
Total debt excluding guarantees	517.9	574.3	899.1	1,026.2	1,204.5	446.1
Total debt including guarantees ⁽⁴⁾	685.3	847.7	1,227.9	1,308.8	1,479.8	548.1
Tourism						
Stay-over visitor arrivals (in thousands)	316.5	227.6	271.4	294.2	366.0	-
Total visitor expenditures	E.C.\$ 481.5	E.C.\$ 440.0	E.C.\$ 469.1	E.C.\$ 470.3	E.C.\$ 418.7	U.S.\$ 155.1

(1) Unless otherwise indicated.

(2) For purposes of this table (and to facilitate comparisons with GDP figures of other sovereign issuers), certain nominal GDP amounts as specified are presented using market prices (including net indirect taxes) rather than factor prices (which exclude net indirect taxes).

(3) For 2002, includes E.C.\$123.6 million which was paid in 2002 to extinguish lease arrangements on the national stadium and ministerial complex.

(4) Grenada guarantees some obligations of state-owned enterprises and of certain private sectors entities. Grenada's total debt of approximately E.C.\$1.5 billion in 2004 includes guaranteed obligations of state-owned enterprises and certain private sector entities totaling E.C.\$275.3 million.

Source: Ministry of Finance

The Offer

Issuer Grenada.

The Offer Grenada is inviting holders of Eligible Claims listed on Schedule A ("*Schedule A Claims*") and Schedule B ("*Schedule B Claims*") to this offering memorandum to tender their Eligible Claims in exchange for newly-issued New Bonds on the terms and subject to the conditions set forth in this offering memorandum and the related form of Letter of Transmittal or Letter of Acceptance, as applicable.

The Offer expires at 3:00 p.m., (New York City time) on October 7, 2005, unless extended by Grenada in its sole discretion. We refer to the date on which the Offer expires as the "*Expiration Date*".

Grenada will announce the results of the Offer in St. George's on the third business day following the Expiration Date or as soon as practicable thereafter.

The New Bonds will be issued on or about October 28, 2005, unless the Expiration Date is extended or terminated. We refer to the date on which the New Bonds will be issued in exchange for tendered Eligible Claims as the "*Closing Date*".

See "Timetable for the Offer".

Consummation of the Offer and issuance of the New Bonds are subject to enactment of an authorizing law by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended. Grenada cannot assure you that such a law will be passed by the Parliament. In the event that Parliament fails to enact such a law, the Offer will be terminated and the New Bonds will not be issued.

Schedule A Claims and

Schedule B Claims Schedule A Claims are Eligible Claims comprised of certain debt of Grenada denominated in U.S. dollars.

Schedule B Claims are Eligible Claims comprised of certain debt of Grenada denominated in E.C. dollars.

Schedule A Claims are entitled to be exchanged only for the New U.S.\$ Bonds, and Schedule B Claims are entitled to be exchanged only for the New E.C.\$ Bonds.

Consideration to Be Received for

Eligible Claims Tendered..... Subject to the terms and conditions set forth in this offering memorandum, if the Offer is completed, you will receive for each Eligible Claim validly tendered pursuant to this Offer:

For Schedule A Claims:

New U.S.\$ Bonds in a face amount equal to (i) the outstanding principal amount of the tendered Schedule A Claims plus (ii) accrued but unpaid interest on such Eligible Claims through September 15, 2005 calculated at the normal contractual rate without reference to any overdue or penalty margins.

For Schedule B Claims:

New E.C.\$ Bonds in a face amount equal to (i) the outstanding principal amount of the tendered Schedule B Claims plus (ii) accrued but unpaid interest on such Eligible Claims through September 15, 2005 calculated at the normal contractual rate without reference to any overdue or penalty margins.

Grenada will issue a press release and post a notice on its website at www.gov.gd prior to or on September 30, 2005 announcing the past due interest amounts with respect to each series of Eligible Claims to be used in determining the consideration to be received for tendered Eligible Claims. On or after such date, you may contact the Exchange Agent at its telephone number on the back cover page of this offering memorandum to obtain information about the capitalization of interest with respect to your series of Eligible Claims.

See “Terms of the Offer—Consideration to Be Received for Eligible Claims Tendered”.

Minimum Level of Overall Participation

Required for Completion of Offer..... Grenada may not close the Offer or issue any New Bonds unless Eligible Claims in an aggregate principal amount equal to at least 85% of the total principal amount of Eligible Claims (other than Guaranteed Claims) shall be tendered. This condition may be waived or amended by Grenada in its sole discretion. Any such amendment or waiver will be accompanied by withdrawal rights for tendering holders as provided in “Tender Procedures—Irrevocability; Withdrawal Rights”. If such a waiver or amendment occurs Grenada will, if necessary, extend the Expiration Date so that there will be at least five business days remaining on the Offer.

Tendering Eligible Claims by

Submission of Letters of Transmittal
or Letters of Acceptance

You or the custodial entity through which you hold your Eligible Claims must transmit at or prior to 3:00 p.m. (New York City time) on the Expiration Date a properly completed Letter of Transmittal or Letter of Acceptance, as applicable. Tenders of 9.375% Notes due 2012 may only be made through submission of Letters of Transmittal in electronic form. Tenders for all other Eligible Claims may only be made through the submission of Letters of Acceptance by hand, mail or facsimile transmission.

A description of the procedures for submitting Letters of Transmittal and Letters of Acceptance can be found in “Tender Procedures” in this offering memorandum.

Withdrawal Rights.....

Any tender for exchange may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Thereafter, they shall become irrevocable. A description of the procedures for withdrawing tenders can be found in “Tender Procedures—Withdrawal Rights” in this offering memorandum.

Voting Proxies

By tendering an Eligible Claim outstanding under each of the following series:

RBTT Merchant Bank Ltd. 7.15% Bonds due 2014, Series A;

Unit Trust Corporation 7.75% Bonds due 2012, Series A;

Unit Trust Corporation 7.45% Bonds due 2012, Series B;

Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series B; and

National Commercial Bank of Grenada Limited 9.75% Bonds due 2013,

each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring prior to or on the Closing Date in favor of one or more resolutions that would have the effect of amending the relevant series to conform its maturity date and interest rate to

those of the New Bonds. If the voting requirements under a series are met, the amendments to such series will take effect at the closing of the Offer on the Closing Date.

Jurisdictional Restrictions on the Offer Grenada is making the Offer only in jurisdictions where and to the extent it is legal to make the Offer. See “Jurisdictional Restrictions”.

Without limiting the generality of the preceding paragraph, the Offer is being made in the United States solely to holders of Eligible Claims that are “qualified institutional buyers” (within the meaning of Rule 144A under the Securities Act).

Exchange Agent..... JPMorgan Chase Bank, N.A.

Information Agent D. F. King & Co., Inc.

Risk Factors..... An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for New Bonds, you should read carefully all of the information contained in this offering memorandum, including, in particular, “Risk Factors” beginning on page 18 of this offering memorandum.

Further Information Any questions or requests for assistance concerning the Offer may be directed to the Information Agent or the Exchange Agent at their respective telephone numbers on the back cover page of this offering memorandum.

The International Monetary Fund (IMF) has issued a letter, dated July 6, 2005, in support of the Offer. A copy of the IMF’s letter is attached to this offering memorandum as Annex A.

The New Bonds

New Issue New U.S.\$ Bonds and New E.C.\$ Bonds. Schedule A Claims are entitled to be exchanged only for the New U.S.\$ Bonds, and Schedule B Claims are entitled to be exchanged only for the New E.C.\$ Bonds.

Currency The New U.S.\$ Bonds will be denominated for purposes of both interest and principal in U.S. dollars, and the New E.C.\$ Bonds will be denominated for purposes of both interest and principal in E.C. dollars.

Interest Rate..... The New Bonds will accrue interest, payable semiannually in arrears, from September 15, 2005 at the interest rates per year set forth below:

<u>From (and including):</u>	<u>To (but excluding):</u>	<u>Interest Rate</u>
September 15, 2005	September 15, 2008	0.85%
September 15, 2008	September 15, 2011	2.00%
September 15, 2011	September 15, 2013	4.00%
September 15, 2013	September 15, 2015	5.50%
September 15, 2015	September 15, 2025	8.00%

Interest Payment Dates Each March 15 and September 15, commencing on March 15, 2006.

Principal Amount..... For each series of New Bonds, an amount equal to (i) the principal amount due in respect of the Schedule A Claims or the Schedule B Claims (as the case may be) tendered and accepted in the Offer and (ii) accrued but unpaid interest thereon through September 15, 2005 calculated at the normal contractual rate without reference to any overdue or penalty margins.

Maturity Date September 15, 2025 (subject to the “Debt Management” provision below).

Debt Management In the case of the year ended December 31, 2021, and thereafter in each subsequent year through the year ended December 31, 2024, Grenada must, by the next interest payment date immediately following such year end, retire (through repurchases in the open market, debt exchanges, debt-for-equity conversions, optional redemption or otherwise) a face amount of each series of the New Bonds equal to 20% of the original amount of that series. See “Terms and Conditions of the New Bonds—New U.S.\$ Bonds—Debt Management” and “—Redemption” with respect to the New U.S.\$ Bonds and “Terms and Conditions of the New Bonds—New E.C.\$ Bonds—Debt Management” and “—Redemption” with respect to the New E.C.\$ Bonds.

Optional Redemption..... Grenada may acquire (for cancellation) New Bonds in the secondary market, and may redeem New Bonds at par (together with accrued interest), in whole or in part, at any time after the original issuance date of the New Bonds. See “Terms and Conditions of the New Bonds—New U.S.\$ Bonds—Redemption” with respect to the New U.S.\$ Bonds and “Terms and Conditions of the New Bonds—New E.C.\$ Bonds—Redemption” with respect to the New E.C.\$ Bonds.

Modifications..... Each series of the New Bonds will contain collective action clauses applicable to that series. See “Terms and Conditions of the New Bonds—New U.S.\$ Bonds—Modifications” with respect to the New U.S.\$ Bonds and “Terms and Conditions of the New Bonds—New E.C.\$ Bonds—Modifications” with respect to the New E.C.\$ Bonds.

Ranking Each series of the New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Grenada, will rank equally in right of payment with all of Grenada’s existing and future unsubordinated and unsecured debt and will be backed by the full faith and credit of Grenada.

Further Issuance..... Grenada may, from time to time, create and issue further bonds having the same terms as and ranking equally with either series of the New Bonds in all respects and such further bonds will be consolidated and form a single series with the corresponding series of New Bonds.

Constitutive Documents:

New U.S.\$ Bonds..... The New U.S.\$ Bonds will be issued under an indenture.

New E.C.\$ Bonds..... The New E.C.\$ Bonds will be issued under a fiscal agency agreement.

The Government will make copies of the indenture and the fiscal agency agreement available for inspection at the Ministry of Finance, Financial Complex, The Carenage, St. George’s, by not later than September 16, 2005, and a copy of the indenture or the fiscal agency agreement will be provided upon request to any holder of an Eligible Claim.

Withholding Tax..... Grenada will make all payments on the New Bonds without withholding or deducting any Grenadian taxes, unless required by law. If Grenadian law requires Grenada to withhold or deduct taxes, Grenada will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the New Bonds—New U.S.\$ Bonds—Taxation” with respect to the New U.S.\$ Bonds and “Terms and Conditions of the New Bonds—New E.C.\$

Bonds—Taxation” with respect to the New E.C.\$ Bonds.

Negative Pledge Covenant Grenada may not create or suffer to exist any lien (with the exception of certain permitted liens) on its revenues or assets to secure Public Debt (as defined herein) unless Grenada also causes such lien to secure equally and ratably the obligations of Grenada with respect to each series of the New Bonds.

Events of Default; Acceleration The following events, among others, shall be Events of Default under each series of New Bonds:

(i) Failure to pay interest or principal, or make a partial redemption payment as provided under “Debt Management” above, on that series of New Bonds (with a 30-day grace period);

(ii) Cross-acceleration in respect of Public Debt (excluding Eligible Claims) issued, or amended as to payment terms, on or after the original issuance date of the New Bonds with a threshold of U.S.\$25 million or equivalent in other currencies and such acceleration shall not have been rescinded or annulled;

(iii) Failure by Grenada to satisfy, discharge, contest in good faith or obtain a stay of execution of any judgment against Grenada or its assets (other than any such judgment rendered in respect of an Eligible Claim) for the payment of money exceeding U.S.\$50 million within a period of 60 days;

(iv) Invalidity of that series of New Bonds, or, in the case of the New U.S.\$ Bonds, the indenture, or, in the case of the New E.C.\$ Bonds, the fiscal agency agreement; and

(v) Failure to maintain membership in the International Monetary Fund (with a 60-day grace period).

Holders of 25% or more of principal amount of the New U.S.\$ Bonds may instruct the Trustee in writing to accelerate such series following the occurrence of an Event of Default.

Holders of 25% or more of principal amount of the New E.C.\$ Bonds may, by written notice to the Government and the Eastern Caribbean Central Bank, accelerate such series following the occurrence of an Event of Default.

Governing Laws:

New U.S.\$ Bonds The New U.S.\$ Bonds and the indenture will be governed by the law of the State of New York. Grenada will submit to the jurisdiction of U.S. federal and New York state courts in New York City and courts in Grenada.

New E.C.\$ Bonds.....	The New E.C.\$ Bonds and the fiscal agency agreement will be governed by the laws of Grenada.
Restrictions on Resale	The New Bonds have not been registered under the U.S. Securities Act and will be subject to restrictions on resale under applicable law. See "Notice to Investors". The New U.S.\$ Bonds will be subject to contractual transfer restrictions.
Listing:	
New U.S.\$ Bonds.....	The New U.S.\$ Bonds will not be listed on any securities exchange.
New E.C.\$ Bonds.....	Application will be made to list the New E.C.\$ Bonds in the Regional Government Securities Market for trading on the Eastern Caribbean Securities Exchange Ltd.
Denomination	New U.S.\$ Bonds will be issued in denominations of U.S.\$100 and higher integral multiples of U.S.\$100 in excess thereof. New E.C.\$ Bonds will be issued in denominations of E.C.\$ 100 and higher integral multiples of E.C.\$100 in excess thereof.
Form and Settlement:	
New U.S.\$ Bonds.....	Grenada will issue the New U.S.\$ Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of either a nominee for DTC or a common depository for Euroclear and Clearstream, as the case may be, and will deposit such global securities on or before the Closing Date with a custodian for DTC or a common depository for Euroclear and Clearstream.
New E.C.\$ Bonds.....	Grenada will issue the New E.C.\$ Bonds in electronic book-entry form on the Closing Date through the facilities of the Eastern Caribbean Central Securities Registry Ltd., which will maintain a record of ownership with respect to the New E.C.\$ Bonds. Grenada will not issue global securities or physical certificates evidencing the New E.C.\$ Bonds.
Trustee, Registrar, Transfer Agent and Paying Agent for New U.S.\$ Bonds....	JPMorgan Chase Bank, N.A.
Fiscal Agent for New E.C.\$ Bonds	Eastern Caribbean Central Bank.
Registrar, Transfer Agent, and Paying Agent for New E.C.\$ Bonds.....	Eastern Caribbean Central Securities Registry Ltd.

RECENT DEVELOPMENTS

Hurricane Ivan and Its Aftermath

On September 7, 2004, Grenada was struck directly by a massive hurricane — Hurricane Ivan. Hurricane Ivan reached rare, top-intensity Category 5 force three times as it traveled across the Caribbean Sea and was the worst hurricane to hit Grenada since Hurricane Janet in 1955. Ivan is the sixth most severe hurricane in Caribbean history and the southernmost major hurricane on record.

Hurricane Ivan caused 29 deaths and, within two weeks of the passage of the hurricane, the accident and emergency departments of Grenada's two largest hospitals reported that 680 persons had been treated for various injuries. Cases of gastroenteritis in children began to surface as the shortage of water became acute — almost the entire population was without access to potable water in the immediate aftermath of Hurricane Ivan. In response, the Ministry of Health distributed rehydration kits, complementing the Department of Public Health's rapid efforts to build community water tanks.

Effects on Grenada

In terms of economic consequences, Hurricane Ivan was one of the world's most severe natural disasters in recent decades. The storm inflicted extensive damage to property, crops and infrastructure in Grenada. The total damage to Grenada is estimated to be in excess of E.C.\$2.4 billion, more than 200% of Grenada's 2003 nominal GDP. By way of comparison, the 2004 IMF study, "Macroeconomic Implications of Natural Disasters in the Caribbean", has found that, on average over the last 30 years, the damage to eastern Caribbean countries hit by natural disasters has been about 2% of gross domestic product.

Nearly 90% of the houses in the country (approximately 28,000 houses) were damaged, of which approximately 30% were so badly damaged as to require complete replacement. The cost of repairs and replacement of housing to restore it to pre-hurricane conditions has been estimated to be around E.C.\$1.4 billion. Damages to the education sector were also severe; the estimated cost of repairs in the sector is E.C.\$196 million. The destruction to the education sector is a particularly hard setback to the Grenadian society, as many resources and much emphasis have been placed on education as a means of improving the nation's economy and society. Over 30,000 students were affected in the aftermath of Ivan.

The productive sectors of the Grenadian economy were also decimated. The damage to tourism facilities resulted in the closure of many hotels, precipitating massive job layoffs. The estimated cost to Grenada's tourism sector is E.C.\$406 million. About 70% of hotel rooms in Grenada were rendered inoperable.

The trees producing nutmeg, Grenada's principal export commodity, were largely destroyed by the storm. Approximately 70% of the nutmeg producing acreage in the country was ruined. The nature of the damage ranged from toppling, uprooting, snapping and defoliation to scorching. Since nutmeg trees require five to eight years to grow to maturity, this sector of the economy cannot be resuscitated in the near term. Although stockpiles of nutmeg (estimated at 18 months) may mitigate the downturn in the near term, once current stocks are exhausted, a concomitant reduction in foreign exchange earnings is expected. Because the nutmeg industry employed approximately 30,700 persons either directly or indirectly prior to the storm, the negative effect of the damage to Grenada's nutmeg trees on the economy has been, and will be, significant.

In 2004, Grenada's economy contracted by approximately 3.0% in real GDP terms, a sharp reversal from the pre-hurricane growth forecast of 4.0%. The disruption to tourism and agriculture, both

highly labor-intensive sectors, caused unemployment to rise significantly immediately after Hurricane Ivan. As of December 31, 2004, the unemployment rate was approximately 30.0%.

While some workers have since been reabsorbed in sectors such as reconstruction and repair work, unemployment remains high. Women appear to be experiencing greater difficulty than men in finding new jobs. The Government and aid agencies are trying to remedy the situation by providing training to women in construction and other skills. As of April 30, 2005, Grenada's total unemployment rate was an estimated 20.0%.

Grenada's Immediate Response

The Government has responded to this crisis with a multi-faceted action plan.

- In the immediate aftermath of the hurricane, the National Emergency Relief Organization of Grenada undertook initial relief and disaster management efforts including distributing food and water as quickly as possible. The United Nations Development Programme (UNDP) and other international organizations lent support to the National Emergency Relief Organization's efforts. In the first quarter of 2005, the National Emergency Relief Organization was replaced by a new agency called the National Disaster Management Agency. With technical and financial support from the Caribbean Disaster Emergency Response Agency and the Canadian International Development Agency, the National Disaster Management Agency is currently being equipped and will be responsible for all aspects of disaster management and mitigation. The National Disaster Management Agency's goals include strengthening institutional and professional capacity to integrate hazard mitigation practices in development planning in Grenada.
- In collaboration with the United Nations Economic Commission for Latin America and the Caribbean, the Eastern Caribbean Central Bank and the Organisation of Eastern Caribbean States Secretariat, Grenada officials conducted a complete assessment of the damage wrought by Hurricane Ivan. The results of this assessment were presented at specially organized donor conferences. See "—Response of the International Community" below.
- The Government launched a program to reconstruct and rehabilitate Grenada. The total cost of the reconstruction program for the first three years (from 2005 through 2007) is estimated to be E.C.\$639.2 million, which is expected to be financed primarily by multilateral and bilateral donations.
- The Government established an Agency for Reconstruction and Development to coordinate the overall reconstruction and development program. This agency provides technical support to various government ministries in order to ensure timely and efficient implementation of the reconstruction program. Its mandates also include resource mobilization and reporting to the donor community on the progress of Grenada's reconstruction.
- The Government also passed legislation establishing the Grenada Reconstruction and Development Fund. See "Economy—Reconstruction Fund" below.
- An Emergency Housing Recovery Plan was prepared. One of the first tasks of the Plan was to conduct a survey on housing needs in Grenada and identify low-income citizens who do not have the adequate financial means to repair their homes. As of June 20, 2005, 5,000 families had received assistance under the Material Assistance Program for repairs of their homes, 260 families received houses, and a further 85 houses are under construction. The Government also established a loan facility for vulnerable households. The maximum loan

under this facility is E.C.\$40,000 and the interest rate is 3.0%. As of June 20, 2005, 148 families had received disbursements under this program. In addition, the Government, with the support of the Government of Venezuela, has commenced work on the establishment of a new residential housing settlement in Lacalome expected to total approximately 130 homes. Construction has commenced on 35 homes.

- Approximately 20 school buildings are under repair, with more in the planning stage. In addition, a Schools Rehabilitation Program has been prepared by the Ministry of Education and Labor and will be implemented over the next three years. The approximate cost of the program is E.C.\$165 million, of which E.C.\$32 million will be spent in 2005.
- An Agriculture Emergency Resuscitation Program was launched in October 2004. As of January 31, 2005, more than 5,000 acres had been cleared of fallen trees and debris in preparation for replanting of nutmeg and cocoa. Over 3,000 farmers have been provided with planting materials, fertilizers and labor support. About 2,000 acres of land have been replanted with short-duration crops (e.g., cultivars having a life-cycle of 90 days or less). In addition, bananas, which may be harvested nine months after planting, are also being replanted. Phase II of this program, which began in May 2005, involves nationwide replanting of nutmeg and cocoa. In the first quarter of 2005, the Agriculture Emergency Resuscitation Program was replaced by a new project called the Agriculture Emergency Recovery Project.
- In forestry, experts are currently developing strategies for recultivating watershed and forest areas.
- A new Cruise Ship Complex terminal opened in December 2004. The Government strongly encouraged cruise ships to return to Grenada as soon as possible. The total arrivals of cruise ships in 2004 increased by 54.5% to 226,944 visitors, as compared to 2003. Cruise arrivals are expected to increase to 270,000 visitors in 2005. Tourist attraction sites and hotels are being rehabilitated.
- The Government provided tax relief on building materials for a five-month period from October 2004 to February 2005 to enable residential homeowners and the business community to recover in the shortest possible time.
- The Government arranged for psychological briefing and counseling for approximately 4,000 persons. Eleven medical clinics and two community centers are being repaired.
- The Government has streamlined nonessential expenditures and redirected U.S.\$25 million (5.8% of 2004 nominal GDP) in capital expenditures from existing projects to more pressing reconstruction and rehabilitation needs. In the 2005 budget, the Government introduced a set of fiscal measures to raise revenue in an attempt to narrow the fiscal gaps. See “Economy—Fiscal Policy Strategy”.

Response of International Community

The international community responded promptly and generously to Grenada's situation. The Government initiated two donor conferences to solicit donor pledges for Grenada's recovery: the first conference was held on October 4, 2004 in Washington, D.C.; and the second was held on November 19, 2004 in Grenada. As of July 31, 2005, total pledges from multilateral and bilateral donors reached U.S.\$274.1 million (approximately 63.0% of 2004 nominal GDP) – U.S.\$117.8 million from multilateral donors and U.S.\$156.3 million from bilateral donors.

The following table shows donor funding pledge information as of July 31, 2005.

Donor Funding Pledge Information

<u>Donor Organization</u>	<u>Total Funding Pledges</u>	<u>Funds Disbursed as of July 31, 2005</u>
	<i>(in millions of U.S.\$)</i>	
Bilateral		
U.K. Department of International Development.....	U.S.\$ 10.0	U.S.\$ 10.0
U.S. Agency for International Development.....	42.8	13.1
People's Republic of China ⁽¹⁾	90.0	6.2
Republic of China (Taiwan).....	4.5	4.5
Canadian International Development Agency	5.9	5.9
Trinidad & Tobago	1.6	1.6
Barbados	0.5	0.5
New Zealand	0.1	0.1
Greece	0.1	0.1
Australia	0.1	0.1
Qatar.....	0.1	0.1
France.....	0.6	0.0
Total Bilateral	<u>U.S.\$156.3</u>	<u>U.S.\$ 42.2</u>
Multilateral		
Caribbean Community (CARICOM).....	U.S.\$ 25.0	U.S. \$ 25.0
Caribbean Development Bank ⁽²⁾	40.0	18.9
International Monetary Fund ⁽²⁾	4.4	4.4
World Bank ⁽²⁾	24.9	3.6
European Union	18.8	1.2
UN Food and Agriculture Organization.....	0.4	0.4
UN Development Programme.....	1.1	0.8
Organization of American States (OAS).....	0.3	0.3
Other	2.9	2.9
Total Multilateral.....	<u>U.S.\$117.8</u>	<u>U.S.\$ 57.5</u>
Total.....	<u>U.S.\$274.1</u>	<u>U.S.\$ 99.7</u>

⁽¹⁾ Total funding pledge includes U.S.\$40 million for a project to rebuild the national stadium and U.S.\$40 million for the reconstruction of 2,000 low-income houses.

⁽²⁾ Caribbean Development Bank, IMF and World Bank amounts are loans at concessionary interest rates, not grants.

Source: Ministry of Finance

Financing Gaps

As of the date of this offering memorandum, the effects of Hurricane Emily have not been completely quantified. Unless otherwise noted, the estimates below do not take into account the effects of Hurricane Emily in July 2005. See “—Hurricane Emily”.

Grenada’s reconstruction program is estimated to require resources of approximately E.C.\$639.2 million during the first three years of the program (from 2005 through 2007), including approximately E.C.\$236.0 million in 2005. However, Government revenues are not expected to keep pace with the planned increase in expenditures. During the final four months of 2004, as a result of Hurricane Ivan the Government collected E.C.\$58.7 million of revenue compared to an expected E.C.\$112.6 million. For the first time in more than decade, a deficit on current operations was recorded, as Grenada moved from a surplus of E.C.\$38.3 million in 2003 to a deficit of E.C.\$28.4 million in 2004. Going forward, the decrease in Government revenues resulting from the economic downturn coupled with the essential expenditures for relief and rehabilitation is expected to place great pressure on the fiscal budget.

Grenada’s economy contracted by 3.1% in 2004 and is expected to expand by only 1.5% in 2005, given the depressed level of activity in the two main sectors, tourism and agriculture. With significant budgetary support, an overall fiscal deficit of E.C.\$33.9 million, or 2.9% of 2004 nominal GDP, was recorded in 2004; the deficit is expected to rise to E.C.\$104.7 million, or 9.0% of 2004 nominal GDP, in 2005.

Government current revenues in 2005 are expected to be approximately E.C.\$341.0 million, or 29.4% of 2004 nominal GDP. Expenditures for 2005 are budgeted at E.C.\$604.8 million, including E.C.\$236.0 million of capital expenditures. The resulting budgetary gap between revenues and expenditures in 2005 is being bridged in large part through donor support. As of July 31, 2005, multilateral and bilateral grants and loans of approximately U.S.\$99.7 million have been received.

Even with these grants, a financing gap of E.C.\$72 million (6.2% of 2004 nominal GDP) is expected to remain for 2005. The main cause of this gap is that, while extraordinary reconstruction expenditures must be undertaken during 2005, the existing revenue base and the high public debt severely constrain additional Government borrowing.

Looking forward, Grenada is expected to face significant financing gaps over the medium term. Shortfalls in donor financing and tax revenues, or a continuation of the current high oil prices, among other factors, would aggravate these financing gaps.

Minimizing the large financing gaps projected for 2005 and beyond will require burden sharing by all stakeholders. The Government has determined that in order to close its financing gaps, it will take a combination of the following:

- actions to address fiscal imbalances and implement growth-enhancing policies;
- creditor support for the Government’s debt restructuring program; and
- donor support.

Comprehensive Debt Management Program

As part of its efforts to cover the projected financing gaps, Grenada has embarked on a comprehensive program to restructure its debt. The Offer described in this offering memorandum is a key part of Grenada's debt management program.

In October 2004, as a consequence of the precipitous decline in revenues that severely undermined Grenada's ability to service its external debt, the Government announced its intention to seek the cooperation of its creditors. The following summarizes Grenada's proposed treatment of its different types of indebtedness. See "Economy—Public Debt" for a list of Grenada's outstanding debt.

Bonded Indebtedness

Grenada has ceased servicing all of its external bonded indebtedness and most of its domestic bonded indebtedness. The following domestic bonded indebtedness has not been subject to the general suspension of payments commenced after Hurricane Ivan, and has continued to be serviced so as not to destabilize the country's domestic financial system:

Grenada 8.00% Development Bonds due 2006/2007; and

Grenada 6.00% Development Bonds due 2008.

All of Grenada's bonded indebtedness (other than the Grenada 6.00% Development Bonds due 2008) are Eligible Claims under the Offer.

Domestic Commercial Loans and Treasury Bills

Similarly, due to concerns over the condition of the domestic banking sector, domestic loans and treasury bills have continued to be serviced. As the IMF indicated in its report "Grenada—2005 Article IV Consultation Concluding Statement" dated May 12, 2005, "signs of stress [on the banking sector] could emerge once banks fully phase out the moratoria on loans that were given after Ivan struck, as the property insurance proceeds that many borrowers have used to stay current on their payments run out, and if unemployed persons have difficulty finding new jobs".

With respect to outstanding commercial loans to the Government, each lender of loans listed in Schedule A and Schedule B is eligible to receive New Bonds in discharge of its Eligible Claims pursuant to the Offer.

External Commercial Loans

Grenada has ceased servicing its external commercial loans. Grenada has two external loans, which are both Eligible Claims in this Offer.

Guaranteed Claims

The Government has given guarantees of certain projects undertaken by both private sector entities and state-owned enterprises. If any such guaranteed claim listed in Schedule A and Schedule B (the "Guaranteed Claims") is called prior to the Expiration Date, the beneficiaries will be eligible to receive New Bonds in an amount equivalent to the face amount of guaranteed obligations, provided that the acceptance of such New Bonds by the beneficiary shall release Grenada from the guarantee and shall subrogate Grenada to the beneficiary's claims against the primary obligor and any collateral security.

If any guarantee (even if it is not included on the Eligible Claims list) is called after the Expiration Date, the Government's policy will be to offer to discharge its obligations in respect of that guarantee by the delivery of New Bonds on terms comparable to those being offered to holders of Eligible Claims, or to offer consideration having a comparable net present value of the New Bonds, as though such call had been made prior to the Expiration Date.

Bilateral and Multilateral Claims

Apart from the restructuring of certain indebtedness through the Offer described herein, Grenada has ceased servicing bilateral loans and approached its bilateral creditors (whose claims total approximately U.S.\$51.2 million, excluding guaranteed debt), requesting that those debts be cancelled in their entirety. Failing that, Grenada intends to request that its bilateral creditors restructure or refinance outstanding claims on terms (when expressed in net present value terms) that are no less favorable to Grenada than those proposed in this Offer.

In January 2005, the Government re-established diplomatic relations with the People's Republic of China. The two Governments signed a memorandum of understanding for assistance to Grenada totaling U.S.\$100 million.

In addition, after Hurricane Ivan struck Grenada, the Caribbean Development Bank, which holds claims against Grenada aggregating E.C.\$174.5 million, agreed to provide financial assistance by approving a concessionary loan of U.S.\$8.1 million to cover Grenada's debt service payments to the Caribbean Development Bank from September 30, 2004 to December 31, 2005. The Caribbean Development Bank also waived counterpart financing requirements for capital projects currently being implemented.

The IMF approved a loan to Grenada of SDR 2.93 million (equivalent to U.S.\$4.4 million) in November 2004. In addition, in January 2005, the IMF reduced the interest rate on this loan from 3.25% to a concessional rate of 0.50% per year.

Grenada has continued to service the claims of the Caribbean Development Bank, the IMF and other multilateral institutions.

In summary, the payment status of Grenada's debt is as follows:

- Grenada has ceased servicing all of its external bonded indebtedness and most of its domestic bonded indebtedness;
- domestic commercial loans and treasury bills continue to be serviced;
- Grenada has ceased servicing its external commercial loans;
- Grenada has ceased servicing bilateral loans; and
- Grenada has continued to service multilateral loans.

All of Grenada's external bonded indebtedness, domestic commercial loans and external commercial loans, and all but one domestic bonded indebtedness issuance, are Eligible Claims in this Offer. Treasury bills are not Eligible Claims. Bilateral and multilateral claims are not Eligible Claims. Five of Grenada's seventeen guaranteed claims are Eligible Claims. However, Grenada may make the Offer to additional claim holders.

Grenada does not currently intend to pay any non-tendered Eligible Claims unless resources become available to do so. The Government may decide, however, to continue normal debt servicing of domestic commercial loans and certain domestic bonds to the extent that the Government concludes that failure to do so could destabilize the financial sector.

Hurricane Emily

Hurricane Emily, a Category 1 storm with winds of 90 miles (145 kilometers) per hour, passed directly over Grenada on July 14, 2005, exacerbating the severe losses suffered as a result of Hurricane Ivan which hit the country less than one year before. Initial estimates by the Organization of Eastern Caribbean States are that the total damages inflicted by Hurricane Emily approximate E.C.\$140 million, or 12.9% of 2004 nominal GDP.

Hurricane Emily affected about 38% of the overall population. Most of the damage was concentrated in housing and, to a lesser extent, infrastructure and agriculture. Approximately 2,700 houses sustained damage as a result of Hurricane Emily, of which approximately 175 were completely destroyed, while approximately 900 had their roofs damaged. The majority of persons who suffered damage to their houses had either completed or were near completion of rebuilding after Hurricane Ivan.

The Organization of Eastern Caribbean States has determined that much of Emily's damage to infrastructure, including hospitals, police stations, secondary roads and bridges, resulted from landslides, heavy sedimentation of rivers, erosion and gulying of riverbanks. Hurricane Ivan had destroyed much of Grenada's vegetation and the period of time that elapsed between the two storms (ten months) was insufficient to permit natural rehabilitation of watersheds.

Agriculture was the productive sector most affected by Hurricane Emily. Despite being decimated by Hurricane Ivan and further damaged by Hurricane Emily, agriculture continues to play a significant role in the economic and social development of the country providing employment, generating foreign exchange earnings, contributing to food security and ensuring a sustainable environment through good management practices. This sector remains highly vulnerable to physical climatic conditions. One of the most significant effects of Hurricanes Ivan and Emily on the fragile agriculture sector in terms of both short and long-term implications is the loss of the productive capacity of soils through excessive erosion and loss of topsoil.

Before Hurricane Ivan, agriculture had been expected to expand by 4% in 2004 and by 12% in 2005. The post-Ivan/pre-Emily projected rate for the sector in 2005 was a decline of 36%. Emily in turn disrupted a critical path of recovery, causing damage to farms stretching from the southeastern end of Grenada to the north including areas in the interior. According to the Organization of Eastern Caribbean States, agriculture is now expected to decline in 2005 by 43%.

As of the date of this offering memorandum, the assessments of the damages caused by Hurricane Emily are preliminary. We cannot assure you that the additional damages or rebuilding costs will not be significantly greater than initially expected, which would have a material adverse effect on the Government's finances and Grenada's ability to repay its indebtedness, including the New Bonds.

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this offering memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Offer

Treatment of Eligible Claims Not Tendered

Grenada does not intend to pay any non-tendered Eligible Claims unless resources become available to do so. In addition, Grenada does not intend to pay any amount in respect of a non-tendered Eligible Claim if, at the time such payment is due, a payment default then exists under any New Bond. The Government may decide, however, to continue normal debt servicing of domestic commercial loans and certain domestic bonds to the extent that the Government concludes that failure to do so could destabilize Grenada's financial sector.

Illiquidity

Grenada currently does not intend to complete an exchange of Eligible Claims for New Bonds unless at least 85% of the total principal amount of Eligible Claims (other than Guaranteed Claims) shall be tendered. Any remaining Eligible Claims not tendered in the Offer may therefore become illiquid and this may adversely affect the market value of those remaining Eligible Claims. Moreover, there may be no active trading market or published secondary market price quotations for any remaining Eligible Claims.

Possible Failure of the Offer

If the Offer described herein is not completed, Grenada will not have the resources to resume debt servicing on all Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore remain in payment default for an indefinite period of time and Grenada cannot predict whether, or when, it may be able to implement a successful debt management program affecting those instruments.

Risk of Modification of Certain Eligible Claims

By tendering an Eligible Claim outstanding under any of the following issuances:

RBTT Merchant Bank Ltd. 7.15% Bonds due 2014, Series A;

Unit Trust Corporation 7.75% Bonds due 2012, Series A;

Unit Trust Corporation 7.45% Bonds due 2012, Series B;

Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series B; and

National Commercial Bank of Grenada Limited 9.75% Bonds due 2013,

each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring on or prior to the Closing Date in favor of one or more resolutions that would have the effect of amending the relevant series to conform its maturity date and interest rate to those of the New Bonds. If voting requirements are met and such amendments take effect, the payment terms of your non-tendered Eligible Claims in respect of any of the above-mentioned series will be changed in a manner that is adverse to your interest.

Risks Relating to Grenada

Future Financing Gaps

Grenada projects significant public sector financing gaps will exist for both the near and medium term. These gaps will persist even after taking into account the debt service relief that would be conveyed by a successful completion of Grenada's comprehensive debt management program. See "Recent Developments—Financing Gaps" and "—Comprehensive Debt Management Program".

The Government of Grenada is actively engaged in seeking a political and social consensus regarding additional measures that could be taken to close these projected financing gap, but no such consensus has yet emerged. If Grenada fails in its efforts to identify acceptable fiscal adjustment measures (coupled with continuing support from the international community and successful completion of the Offer) sufficient to close these financing gaps, Grenada's ability to service the New Bonds in the future may be adversely affected.

Enforcement of Civil Liabilities

Grenada is a foreign sovereign state. Consequently, it may be difficult to obtain or enforce judgments against Grenada. See "Governing Laws and Enforcement of Civil Liabilities".

Economic, Political or Social Conditions

Grenada is an emerging market economy and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- devaluation or depreciation of the currency;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- climatic or geological occurrences;
- financial crises in other emerging market countries that can have a "contagious" effect on investor appetite for emerging market securities as a class;

- changes in governmental economic, tax or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to either series of New Bonds, may adversely affect the liquidity of, and the trading market for, such series of New Bonds.

Ongoing Economic Crisis

In 2004, Grenada's economy experienced its most significant setback in the country's history as an independent nation when it suffered estimated damages in excess of E.C.\$2.4 billion, over 200% of Grenada's 2003 nominal GDP. Grenada is currently in payment default under several categories of its debt obligations and there is no assurance that the comprehensive debt management program described in this offering memorandum will succeed or that Grenada will achieve macro-economic stability and a sustainable economic recovery.

Climatic or Geological Occurrences

The genesis of Grenada's current economic crisis, and the proximate cause of Grenada's need to seek a restructuring of Eligible Claims in the manner described in this offering memorandum, was the devastation caused by Hurricane Ivan in September of 2004. Grenada is an island nation located in an active geologic zone and in one of the most hurricane-prone regions of the world. Grenada may, at irregular and unpredictable intervals, suffer the effects of earthquakes, volcanic activity, tidal waves and severe storm damage.

Potential Challenges to Grenada's Payments on the New Bonds

Grenada's payments on the New Bonds may be attached, enjoined or otherwise challenged by holders of Eligible Claims that decline to participate in the Offer or by other creditors of Grenada. Creditors have, in recent years, used litigation tactics against sovereign debtors that have defaulted on their sovereign bonds—for example, Peru, Nicaragua and Argentina—to attach or interrupt payments made by these sovereign debtors to, among others, holders of bonds who have agreed to a debt restructuring and accepted new securities in an exchange offer. Grenada may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Grenada cannot assure you that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

Future Access to Financing

Grenada may be unable to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets in order to do so. In the future, Grenada may not be able or willing to access the international or domestic capital markets, and Grenada's ability to service its public debt, including the New Bonds, may be adversely affected.

Parliament Action to Appropriate Funds for Debt Service

The Grenadian Parliament has approved the Government's budget for 2005, and the current administration is committed to moving ahead vigorously with its reconstruction plan. The comprehensive debt management program described in this offering memorandum is an important component of that plan. Governmental budgets (including appropriations for the servicing of external debt) require annual

approval by Parliament. Grenada cannot provide assurances that the Grenadian Parliament will, in the future, appropriate amounts sufficient to maintain full debt service on the New Bonds.

No Established Market for the New Bonds

Each series of New Bonds will be a new issuance of securities without established trading markets. Grenada cannot predict the extent to which investor interest will lead to the development of an active trading market for either series of New Bonds or how liquid those markets may become. Grenada intends to apply to list the New E.C.\$ Bonds in the Regional Government Securities Market for trading on the Eastern Caribbean Securities Exchange Ltd. The New U.S.\$ Bonds will not be listed on any securities exchange. If an active trading market for either series of New Bonds fails to develop or continue, this failure could adversely affect the trading price of such series of New Bonds.

TIMETABLE FOR THE OFFER

The following summarizes the anticipated time schedule for the Offer assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum.

<u>Date</u>	<u>Action</u>
September 9, 2005	<i>Commencement Date of the Offer</i> Issuance of press release announcing the Offer and distribution of the offering memorandum describing the terms of the Offer.
September 9, 2005 – October 7, 2005	<i>Offer Period</i> The Offer is open during this period.
September 30, 2005	<i>Exchange Ratios Publication Date</i> Grenada will issue a press release and post a notice on its website at www.gov.gd prior to or on this date announcing the past due interest amounts with respect to each series of Eligible Claims to be used in determining the consideration to be received for tendered Eligible Claims.
October 7, 2005 at 3:00 p.m. (New York City time)	<i>Expiration Date and Time</i> The deadline for holders of Eligible Claims to deliver completed Letters of Transmittal or Letters of Acceptance, as described in this offering memorandum.
October 12, 2005	<i>Announcement Date</i> Grenada will announce on this date or as soon as possible thereafter the results of the Offer.
October 20 and 21, 2005	<i>Bondholder Meetings</i> Meetings of holders of certain series of Eligible Claims will be held on or about these dates with respect to proposed amendments to the terms of such series.
October 28, 2005	<i>Closing Date</i> On this date or as soon as possible thereafter the New Bonds are issued and the Eligible Claims tendered are thereupon cancelled, and the proposed amendments to certain Eligible Claims will become effective.

Grenada may at its own discretion extend the Offer past the originally scheduled Expiration Date. As a result of any such extension, the Offer Period, Announcement Date, Bondholder Meeting dates and Closing Date may be extended accordingly.

TERMS OF THE OFFER

Grenada is inviting owners of Eligible Claims, also referred to as “holders,” to tender, on the terms and subject to the conditions of this offering memorandum and the related form of Letter of Transmittal or Letter of Acceptance, as applicable, their Eligible Claims in exchange for newly-issued New Bonds. Each such tender for exchange is referred to as a “tender”.

Purpose of the Offer

The Offer has been designed to adjust Grenada’s debt service profile and, in conjunction of its comprehensive debt management program, make it sustainable.

Parliamentary Approval is Required for Consummation of the Offer and Issuance of New Bonds

Consummation of the Offer and issuance of the New Bonds are subject to enactment of an authorizing law by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended. Grenada cannot assure you that such a law will be passed by the Parliament. In the event that Parliament fails to enact such a law, the Offer will be terminated and the New Bonds will not be issued.

Consideration to Be Received for Eligible Claims Tendered

As described in detail below, for Eligible Claims validly tendered and accepted pursuant to this Offer, you will receive on the Closing Date either New U.S.\$ Bonds or New E.C.\$ Bonds.

Schedule A Claims

For each Schedule A Claim validly tendered, you will receive New U.S.\$ Bonds in a face amount equal to (i) 100% of the principal of the tendered Schedule A Claims plus (ii) the accrued but unpaid interest through September 15, 2005 thereon calculated at the normal contractual rate without reference to any overdue or penalty margins.

Schedule B Claims

For each Schedule B Claim validly tendered, you will receive New E.C.\$ Bonds in a face amount equal to (i) 100% of the principal of the tendered Schedule B Claims plus (ii) the accrued but unpaid interest thereon through September 15, 2005 calculated at the normal contractual rate without reference to any overdue or penalty margins.

The New U.S. Bonds

The New U.S.\$ Bonds will be issued under an indenture with JPMorgan Chase Bank, N.A., as trustee for the bondholders, and will be governed by the laws of the State of New York.

The Government will make copies of the indenture available for inspection at the Ministry of Finance, Financial Complex, The Carenage, St. George’s, by not later than September 16, 2005, and a copy of the indenture will be provided upon request to any holder of an Eligible Claim.

The New E.C. Bonds

The New E.C.\$ Bonds will be issued pursuant to a fiscal agency agreement with the Eastern Caribbean Central Bank, as fiscal agent of Grenada, and will be governed by the laws of Grenada.

The Government will make copies of the fiscal agency agreement available for inspection at the Ministry of Finance, Financial Complex, The Carenage, St. George's, by not later than September 16, 2005, and a copy of the fiscal agency agreement will be provided upon request to any holder of an Eligible Claim.

Rounding

To determine the amount of New Bonds that will be exchanged for a specific tender, the principal amount of and capitalized interest on Eligible Claims tendered will be rounded down to the nearest U.S.\$100 or E.C.\$100, as the case may be, of the full amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Exchange Ratio

The calculation of the principal amount of New Bonds to be received as consideration for tenders of Eligible Claims (the "Exchange Ratio") for a particular series of Eligible Claims will reflect the applicable interest rate calculated at the normal contractual rate for such series without reference to any overdue or penalty margins, the date of the last interest payment made in respect of such series, the day-count convention applicable to such series and a deemed interest cut-off date of September 15, 2005 (which date will be the same for all series of Eligible Claims).

For example, in the case of the U.S.\$100 million aggregate principal amount of 9.375% Notes due 2012, the interest rate for such notes is 9.375% per year, the last interest payment on such notes was made on June 30, 2004 and the day-count convention for such notes is a 360-day year comprised of twelve 30-day months. These factors will result in accrued but unpaid interest of U.S.\$113.28 per \$1,000 principal amount of 9.375% Notes due 2012, which will be capitalized in the principal amount of New U.S.\$ Bonds. Accordingly, holders of 9.375% Notes who tender such notes in the Offer will be entitled to receive, after rounding down to the nearest multiple of U.S.\$100, U.S.\$1,113,200 in principal amount of New U.S.\$ Bonds per U.S.\$1,000,000 principal amount of 9.375% Notes due 2012 tendered.

Grenada will issue a press release and post a notice on its website at www.gov.gd prior to or on September 30, 2005 announcing the past due interest amounts with respect to each series of Eligible Claims to be used in determining the consideration to be received for tendered Eligible Claims. On or after such date, you may contact the Exchange Agent at its telephone number on the back cover page of this offering memorandum to obtain information about the capitalization of interest with respect to each series of Eligible Claims.

Minimum Level of Overall Participation Required for Completion of Offer

Grenada will not close the Offer or issue any New Bonds unless Eligible Claims in an aggregate principal amount equal to at least 85% of the total principal amount of Eligible Claims (other than Guaranteed Claims) shall be tendered. This condition may be waived or amended by Grenada in its sole discretion. Any such amendment or waiver will be accompanied by withdrawal rights for tendering holders as provided in "—Irrevocability; Withdrawal Rights". If such waiver or amendment occurs, Grenada will, if necessary, extend the Expiration Date so that there will be at least five business days remaining on the Offer.

Irrevocability; Withdrawal Rights

Any tender for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Thereafter, tenders shall become irrevocable.

In addition, if Grenada terminates the Offer without accepting any tenders for exchange, all tenders for exchange and Letters of Transmittal or Letters of Acceptance, as applicable, shall automatically be deemed to be withdrawn.

Voting Proxies

By tendering an Eligible Claim outstanding under each of the following series:

RBTT Merchant Bank Ltd. 7.15% Bonds due 2014, Series A;

Unit Trust Corporation 7.75% Bonds due 2012, Series A;

Unit Trust Corporation 7.45% Bonds due 2012, Series B;

Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A;

National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series B; and

National Commercial Bank of Grenada Limited 9.75% Bonds due 2013,

each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring prior to or on the Closing Date in favor of one or more resolutions that would have the effect of amending the relevant series to conform its maturity date and interest rate to those of the New Bonds. If the voting requirements under a series are met, the amendments to such series will take effect at the closing of the Offer on the Closing Date.

Offering Restrictions

You are not eligible to receive or review the Offer Materials or to participate in the Offer unless:

(1) you are qualified institutional buyer in the United States and are participating in the Offer under an exemption provided by Rule 144A under the Securities Act; or

(2) you either:

- are not in the United States (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act) and are not a U.S. person (as defined in Rule 902(o) of Regulation S under the Securities Act); or
- are a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-U.S. person (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); and

(3) your receipt and review of the Offer Materials and your participation in the Offer, is otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in “Jurisdictional Restrictions”.

We refer to holders of Eligible Claims who meet the foregoing criteria as “eligible holders”.

For a description of certain restrictions on resale of the New Bonds, see “Notice to Investors” in this offering memorandum.

Representations, Warranties and Undertakings Relating to Tenders of Eligible Claims

See Exhibit I—Form of Letter of Transmittal and Exhibit II—Form of Letter of Acceptance for applicable representations, warranties and undertakings relating to tenders of Eligible Claims.

Business Day

The term “*business day*” for the Offer means any day except a Saturday, Sunday or any other day on which commercial banks in New York City, Basseterre, St. Kitts or St. George’s, Grenada are required or authorized by law to close.

TENDER PROCEDURES

General

IMPORTANT: The procedures for tendering Eligible Claims pursuant to the Offer differ depending on the type of Eligible Claim being tendered. Tenders of 9.375% Notes due 2012 may only be made by submission of Letters of Transmittal in electronic form. Tenders of all other Eligible Claims may only be made by submission of Letters of Acceptance by hand, mail or facsimile transmission. Read carefully this section, and, as applicable, the Form of Letter of Transmittal or Form of Letter of Acceptance, which are attached as Exhibit I and Exhibit II to this offering memorandum, respectively, to understand the procedures for tendering your Eligible Claims.

If you have any questions regarding the process by which you can tender your Eligible Claims, you may contact the Information Agent or the Exchange Agent at the phone numbers listed on the back cover of this offering memorandum.

Procedures for Submitting Letters of Transmittal (for Tenders of 9.375% Notes due 2012 ONLY)

Your Letter of Transmittal must be submitted during the Offer Period. 9.375% Notes due 2012 tendered in the Offer will be “blocked” for transfers to third parties pending settlement.

Your Letter of Transmittal must clearly designate an account at the Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”; and, together, the “Designated Clearing Systems”), as applicable, where the New U.S.\$ Bonds you are entitled to receive can be credited upon settlement of the Offer.

The Exchange Agent is the entity responsible for, among other things, receiving and processing tenders made by holders pursuant to the Offer through the Designated Clearing Systems and, at the settlement of the Offer, delivering the New U.S.\$ Bonds to the tendering holders.

The procedures you must follow to tender 9.375% Notes due 2012 depend upon the manner in which they are held. We set forth below a description of the procedures generally applicable for tenders of 9.375% Notes due 2012, followed by a brief description of specific tender procedures applicable to the Designated Clearing Systems. **In any event, it is your responsibility to inform yourself of, and arrange for timely tender of your 9.375% Notes due 2012 in accordance with, the procedures applicable to the Designated Clearing Systems through which you tender your 9.375% Notes due 2012.**

General Procedures

Beneficial ownership of 9.375% Notes due 2012 held in book-entry form generally represents an interest in a global certificate representing 9.375% Notes due 2012 that is registered in the name of a clearing system or such clearing system’s nominee. These beneficial interests may be held directly if you have an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. We refer to institutions that have an account with the relevant clearing system as “direct participants” in such system. Only these direct participants may submit electronic Letters of Transmittal to the relevant clearing system. If you are not a direct participant, you (or your broker, dealer, bank, trust company, trustee or other custodian on your behalf) must arrange for the direct participant through which you hold your 9.375% Notes due 2012 to submit an electronic Letter of Transmittal on your behalf to the relevant clearing system.

Grenada has designated each of DTC, Euroclear and Clearstream as “Designated Clearing Systems” for purposes of the Offer, either because 9.375% Notes due 2012 are registered in the name of such clearing system (or a nominee of its depository) or Grenada expects a substantial number of tenders to be submitted through these clearing systems.

Grenada has made special arrangements with the Designated Clearing Systems that will allow these clearing systems to submit electronic Letters of Transmittal on behalf of tendering holders directly to the Exchange Agent. These Designated Clearing Systems will be able to perform this function even with respect to the 9.375% Notes due 2012 that are not registered in their name (or in the name of their depository nominee).

For your tender to be effective, a direct participant in a Designated Clearing System through which you tender your 9.375% Notes due 2012 must submit an electronic Letter of Transmittal on your behalf to the relevant Designated Clearing System prior to 3:00 p.m. (New York City time) on the Expiration Date. The Designated Clearing Systems will not submit to the Exchange Agent any electronic Letter of Transmittal received after this time.

Upon receipt of your electronic Letter of Transmittal, the Designated Clearing System will submit your electronic Letter of Transmittal to the Exchange Agent. The receipt of your electronic Letter of Transmittal by a Designated Clearing System will result in the blocking of your tendered 9.375% Notes due 2012 in such clearing system. This will prevent you from being able to transfer your tendered 9.375% Notes due 2012 to third parties.

The Exchange Agent will establish an account at each of the Designated Clearing Systems for purposes of receiving tenders of 9.375% Notes due 2012 pursuant to the Offer. The receipt of your electronic Letter of Transmittal by the Designated Clearing System will constitute instructions to make a book-entry transfer of your tendered 9.375% Notes due 2012 into the Exchange Agent’s account at such clearing system. Your tendered 9.375% Notes due 2012 will be held in the Exchange Agent’s account pending settlement of the exchange on the Closing Date. Upon performing the book-entry transfer of your tendered 9.375% Notes due 2012 into the Exchange Agent’s account, the Designated Clearing System will deliver to the Exchange Agent a confirmation of such book-entry transfer.

None of Grenada, the Dealer Manager, the Information Agent or the Exchange Agent will be responsible for ensuring that any electronic Letter of Transmittal is submitted to or accepted by a Designated Clearing System or for ensuring that the book-entry transfer into the Exchange Agent’s account at the relevant clearing system is effected. If your tendered 9.375% Notes due 2012 are not transferred into the Exchange Agent’s account at the relevant Designated Clearing System prior to the Expiration Date, your tender will be deemed invalid.

By submitting a valid electronic Letter of Transmittal to a Designated Clearing System, tendering holders, and the relevant direct participant on their behalf, shall be deemed to have made the representations and warranties set forth in the Letter of Transmittal to Grenada, the Dealer Manager, the Information Agent and the Exchange Agent.

Special Instructions for Tenders Through DTC

If your 9.375% Notes due 2012 are held or registered in the name of a nominee of DTC, and you do not hold your beneficial interest in these securities through any other Designated Clearing System, you may submit your tender directly through DTC using DTC’s Automated Tender Offer Program system (ATOP system). To effectively tender any such 9.375% Notes due 2012, you must:

- instruct DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC provide instructions to DTC on your behalf, to make a book-entry transfer of the 9.375% Notes due 2012 you tender into the Exchange Agent's account at DTC, in accordance with DTC procedures for such transfers; and
- electronically transmit to DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC electronically transmit to DTC on your behalf, your duly completed electronic Letter of Transmittal through the ATOP system.

Upon completion of these steps, Grenada expects DTC to transfer the 9.375% Notes due 2012 you tender into the Exchange Agent's account at DTC, to deliver to the Exchange Agent a confirmation of such book-entry transfer and, upon verifying your acceptance, to send an "agent's message" to the Exchange Agent for its acceptance of your tender. An "agent's message" is a message transmitted by DTC to, and received by the Exchange Agent as part of DTC's confirmation of the book-entry transfer of your 9.375% Notes due 2012 to the Exchange Agent's account at DTC. The "agent's message" will state that:

- DTC has received an express acknowledgment from a DTC participant tendering 9.375% Notes due 2012 on behalf of the holder of such 9.375% Notes due 2012;
- such DTC participant has received and agrees to be bound by the terms and conditions of the Offer as set forth in the Offer Materials, including the representations and warranties set forth in the Letter of Transmittal; and
- Grenada may enforce such agreement against the DTC participant.

For your tender through DTC to be effective, the Exchange Agent must receive (i) an agent's message as described above no later than the Expiration Date, and (ii) a confirmation of the book-entry transfer of your 9.375% Notes due 2012 into the Exchange Agent's account at DTC no later than the Expiration Date.

Additional Information for Tenders through Euroclear or Clearstream

If you hold 9.375% Notes due 2012 through Euroclear or Clearstream you may submit (if you are a direct participant), or arrange to have a direct participant submit on your behalf, an electronic Letter of Transmittal in accordance with the procedures established by Euroclear or Clearstream, as applicable, to participate in this Offer. Participants should refer to the respective notifications of Euroclear and Clearstream for detailed information regarding tender procedures.

Procedures for Submitting Tenders of 9.375% Notes due 2012 Held Through Any Other Clearing System

If you hold 9.375% Notes due 2012 through any other clearing system, you must follow the procedures established and deadlines required by such clearing system in order for your tender to be received by a Designated Clearing System prior to 3:00 p.m. (New York City time) on the Expiration Date. You may contact the Information Agent or the Exchange Agent for assistance in effecting your tender in accordance with the applicable procedures and deadlines for such other clearing systems.

If You Hold 9.375% Notes due 2012 Through a Custodian or Other Securities Intermediary

If your 9.375% Notes due 2012 are held in the name of a custodian or other securities intermediary, such as a broker, dealer, bank trust company or trustee, you must contact such custodian or

other securities intermediary and instruct it to tender your 9.375% Notes due 2012 on your behalf. You should contact your custodian or other securities intermediary well in advance of the Expiration Date, since your custodian may have earlier deadlines by which it must receive your instructions in order to have adequate time to meet the deadlines of the clearing system through which your 9.375% Notes due 2012 are tendered.

Effectiveness of Tenders of 9.375% Notes due 2012

For your tender of 9.375% Notes due 2012 to be effective:

(1) your duly completed electronic Letter of Transmittal must be received by the Designated Clearing System through which you tender your 9.375% Notes due 2012 no later than 3:00 p.m. (New York City time) on the Expiration Date;

(2) the Designated Clearing System through which you tender your 9.375% Notes due 2012 must deliver your duly completed electronic letter of transmittal to the Exchange Agent no later than the Expiration Date; and

(3) your tendered 9.375% Notes due 2012 must be transferred into the Exchange Agent's account at the Designated Clearing System through which you tender your 9.375% Notes due 2012 no later than the Expiration Date.

You and the Designated Clearing System through which you tender your 9.375% Notes due 2012 are responsible for arranging the valid and timely delivery of the electronic Letter of Transmittal to the Exchange Agent. None of Grenada, the Dealer Manager, the Information Agent or the Exchange Agent will be responsible for the submission of tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to direct participants in a Designated Clearing System;
- direct participants (whether on their own behalf or on behalf of holders who are not direct participants) to the Designated Clearing Systems; or
- the Designated Clearing Systems to the Exchange Agent.

Delivery of documents to a custodian, direct participant or clearing system (including the Designated Clearing Systems) does not constitute delivery to the Exchange Agent and is not sufficient for an effective tender. Grenada can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures outlined above for purposes of effecting your tender of 9.375% Notes due 2012, as these procedures are entirely within such parties' discretion.

Procedures for Submitting Letters of Acceptance (for Tenders of Eligible Claims OTHER THAN 9.375% Notes due 2012)

In order to submit a tender, you must submit, or arrange to have submitted on your behalf, a duly completed Letter of Acceptance by hand, mail or facsimile transmission to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance.

The method of delivery of Letters of Acceptance and all other required documents to the Exchange Agent is at your own election and risk, and delivery will be deemed made only when

actually received by any officer of the Exchange Agent who has direct responsibility for the administration of this Offer (“*Authorized Officer*”).

No Letters of Acceptance or other required documents should be sent to any person other than the Exchange Agent.

Letters of Acceptance must be received by an Authorized Officer of the Exchange Agent at or prior to 3:00 p.m. (New York City time) on the Expiration Date. Sufficient time should be allowed to assure timely delivery.

Letters of Acceptance may only be signed by the current record or registered holder or owner of the tendered Eligible Claims. Beneficial owners of Eligible Claims whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of the Letter of Acceptance on behalf of the beneficial owner.

If you are tendering Schedule A Claims in exchange for New U.S.\$ Bonds, your Letter of Acceptance must clearly designate an account at DTC, Euroclear or Clearstream where the New U.S.\$ Bonds you are entitled to receive can be credited upon settlement of the Offer. Beneficial ownership in the New U.S.\$ Bonds may be held directly if you have an account as a participant in DTC, Euroclear or Clearstream, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. See “Book-Entry Settlement and Clearance” in this offering memorandum. You will need an account at DTC, Euroclear or Clearstream or at a participant at DTC, Euroclear or Clearstream to receive New U.S.\$ Bonds at settlement. If you do not have such an account, you may contact the Information Agent or the Exchange Agent at the phone numbers set forth on the final page of the Letter of Acceptance to obtain information on how to establish an account with a participant at DTC, Euroclear or Clearstream.

If you are tendering Schedule B Claims in exchange for New E.C.\$ Bonds, your Letter of Acceptance must clearly designate your name and your account at the Eastern Caribbean Central Securities Registry Ltd. where the New E.C.\$ Bonds you are entitled to receive can be credited upon settlement of the Offer. If you do not already have an account at the Eastern Caribbean Central Securities Registry, a new account will be created for you upon settlement of the Offer. If you wish to hold the New E.C.\$ Bonds in a nominee account at an intermediary, your Letter of Acceptance must designate a broker-dealer licensed to act as an intermediary on the Eastern Caribbean Securities Exchange Ltd. in whose account the New E.C.\$ Bonds you are entitled to receive can be credited upon settlement of the Offer. For a list of licensed intermediaries, see “Book-Entry Settlement and Clearance—New E.C.\$ Bonds”.

By delivering a Letter of Acceptance, you will agree that not less than three Business Days prior to the Closing Date you will deliver by hand or insured registered mail or insured certified mail to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance the original copy of any debt instruments (such as a certificate or promissory note) evidencing a tendered Eligible Claim.

IMPORTANT NOTICE FOR HOLDERS OF GRENADA 8.00% DEVELOPMENT BONDS DUE 2006/ 2007 ONLY: Grenada has established special procedures for tendering Grenada 8.00% Development Bonds due 2006/ 2007 pursuant to the Offer because ownership in these bonds is determined by the bearer of the bonds. **If you intend to tender your Grenada 8.00% Development Bonds due 2006/ 2007 in the Offer, you must deliver by hand your bonds and all coupons for interest appurtenant thereto, accompanied by a duly completed Letter of Acceptance, to an authorized official of the Ministry of Finance at the address set forth on the final page of the Letter**

of Acceptance. Do not send your Grenada 8.00% Development Bonds due 2006/ 2007 or any Letters of Acceptance with respect to such bonds to the Exchange Agent. Upon delivery of these bonds and duly completed Letters of Acceptance, as indicated herein and in the Letter of Acceptance, an authorized official of the Ministry of Finance will provide you with a receipt of delivery (“Receipt of Delivery”) that will indicate your entitlement to receive New E.C.\$ Bonds at the closing of the Offer or, if the Offer is not consummated or your tender is otherwise not accepted, your entitlement to return of the Grenada 8.00% Development Bonds due 2006/2007 that you tendered in accordance with the above-mentioned procedures.

If you encounter difficulties in submitting your Letter of Acceptance, you may contact the Information Agent or the Exchange Agent at the phone numbers listed on the back cover of this offering memorandum.

Irregularities

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any Letter of Transmittal or Letter of Acceptance, as applicable, will be determined by Grenada in its sole discretion, which determination will be final and binding. Grenada reserves the absolute right to reject any and all Letters of Transmittal or Letters of Acceptance not in proper form or for which any corresponding agreement by Grenada to exchange would, in the opinion of Grenada’s counsel, be unlawful. Grenada also reserves the right in its sole discretion to reject any tender in which the tendered Eligible Claim cannot be reconciled with Grenada’s own records. Grenada reserves the absolute right to waive any of the conditions of the Offer or defects in tenders and the relevant Letters of Transmittal or Letters of Acceptance, as applicable. None of Grenada, the Dealer Manager, the Information Agent or the Exchange Agent shall be under any duty to give notice to you, as the tendering holder, of any irregularities in Letters of Transmittal or Letters of Acceptance, as applicable, nor shall any of them incur any liability for the failure to give such notice.

Withdrawal Rights

Any tender for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Thereafter, tenders shall become irrevocable.

Holders may not rescind withdrawals of tendered Eligible Claims. However, withdrawn Eligible Claims may be retendered by following the procedures therefore described in this offering memorandum and the Letter of Transmittal or the Letter of Acceptance, as applicable, at any time prior to 3:00 p.m., New York City time, on the Expiration Date.

In addition, if Grenada terminates the Offer without accepting any tenders for exchange, all tenders for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, shall automatically be deemed to be withdrawn.

Procedures for Withdrawal of Tenders (for Tenders of 9.375% Notes due 2012 ONLY)

You, or a direct participant on your behalf, may withdraw your tender by submitting an electronic withdrawal notice to the Designated Clearing System through which you submitted your tender. Upon receiving such instructions the Designated Clearing System will deliver a notice of withdrawal to the Exchange Agent, and the Exchange Agent will then instruct the Designated Clearing System to transfer the 9.375% Notes due 2012 you wish to withdraw to the direct participant’s account at the clearing system.

If you hold your 9.375% Notes due 2012 through a custodian or other securities intermediary, you must instruct that custodian to arrange for the valid submission of an electronic withdrawal notice to the relevant Designated Clearing System.

Any 9.375% Notes due 2012 properly withdrawn will be deemed to be not validly tendered for purposes of the Offer.

Grenada can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures necessary to withdraw your tender, as these procedures are entirely within such parties' discretion.

Special Instructions for Withdrawal of Tenders Through DTC

If your tender was submitted through a direct participant in DTC, your electronic withdrawal notice must:

- specify the DTC Voluntary Offer Instruction Number, the name of the participant from whose account such 9.375% Notes due 2012 were tendered for exchange and such participant's account number at DTC to be credited with the withdrawn 9.375% Notes due 2012;
- contain a description of the 9.375% Notes due 2012 to be withdrawn (including the principal amount in whole to be withdrawn); and
- be submitted through ATOP by the DTC participant in the same manner as the applicable agent's message, or be accompanied by evidence satisfactory to Grenada that the person withdrawing the tender has succeeded to the beneficial ownership of such 9.375% Notes due 2012.

Procedures for Withdrawal of Tenders (for Tenders of Eligible Claims OTHER THAN 9.375% Notes due 2012)

In order to withdraw your tender, you must submit, or arrange to have submitted on your behalf, a withdrawal notice (by hand, mail or facsimile transmission) to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance.

In order to be valid, a notice of withdrawal must specify the name of the person who tendered the Eligible Claims to be withdrawn (the "Depositor"), the name in which the Eligible Claims are registered if different from that of the Depositor, and the type and the principal amount of Eligible Claims to be withdrawn. If certificates or promissory notes or other original copies of any debt instruments, have been delivered to the Exchange Agent, the name of the holder and the certificate number or numbers or any other identifying items relating to such Eligible Claims withdrawn must also be furnished to the Exchange Agent as aforesaid prior to the physical release of the certificates or promissory notes for the withdrawn Eligible Claims. The notice of withdrawal must be signed by the holder in the same manner as any Letter of Acceptance, or accompanied by evidence satisfactory to Grenada that the person withdrawing the tender has succeeded to the beneficial ownership of such Eligible Claims.

Beneficial owners of Eligible Claim whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of the withdrawal notice on behalf of the beneficial owner.

FOR HOLDERS OF GRENADA 8.00% DEVELOPMENT BONDS DUE 2006/ 2007 ONLY: If you wish to withdraw your tender of Grenada 8.00% Development Bonds Due 2006/ 2007, you must deliver by hand your Receipt of Delivery of such bonds and a notice of withdrawal as indicated above to an authorized official of the Ministry of Finance at the address set forth on the final page of the Letter of Acceptance. Do not send any Receipt of Delivery or notice of withdrawal with respect to these bonds to the Exchange Agent. Upon delivery of your Receipt of Delivery and your notice of withdrawal as indicated above, an authorized official of the Ministry of Finance will return to you the Grenada 8.00% Development Bonds Due 2006/ 2007 indicated in such Receipt of Delivery.

Extension of Offer; Amendments

The Offer will expire at 3:00 p.m. (New York City time) on the Expiration Date, unless Grenada in its sole discretion extends it.

At any time before the expiry of the Offer, Grenada may, in its sole discretion:

- extend the Offer past the originally scheduled Expiration Date, or
- amend the Offer from time to time in any fashion.

The Government may not close the Offer or issue any New Bonds unless Eligible Claims in an aggregate principal amount equal to at least 85% of the total principal amount of Eligible Claims (other than Guaranteed Claims) shall be tendered. This condition may be waived or amended by Grenada at its own discretion. If such a waiver or amendment occurs, Grenada will, if necessary, extend the Expiration Date so that there will be at least five business days remaining on the Offer. Any such waiver or amendment shall be accompanied by withdrawal rights as set forth in “—Irrevocability; Withdrawal Rights”.

Publication

Grenada will publish notices concerning the Offer on the website www.gov.gd. You may also obtain all information contained in such notices by contacting the Information Agent.

Settlement

The Closing Date for the Offer will be October 28, 2005 or as soon as practicable thereafter, unless the Offer is extended, in which case a new Closing Date, if necessary, will be announced by press release issued by or on behalf of Grenada and at the website www.gov.gd.

On the Closing Date (if you have tendered your Eligible Claims in accordance with this offering memorandum and the Letter of Transmittal or Letter of Acceptance, as applicable, at or prior to 3:00 p.m. (New York City time) on the Expiration Date):

- you, or the record or registered holder or owner on your behalf, must deliver to Grenada good and marketable title to your Eligible Claims, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind; and
- in return you will receive, solely in book-entry form through the facilities of DTC or the Eastern Caribbean Central Securities Registry Ltd., as applicable, the New Bonds you are entitled to receive pursuant to the Offer. If you are entitled to receive New E.C.\$ Bonds, the Eastern Caribbean Central Securities Registry Ltd., will issue a statement showing the registry position to each holder within five Business Days of receipt of the necessary information from the Exchange Agent. The Exchange Agent is not responsible for any incorrect or incomplete information provided by tendering holders of Eligible Claims in Letters of Transmittal or Letters of Acceptance.

GRENADA

History, Geography, Population and Society

General

Grenada consists of three islands between the Caribbean Sea and Atlantic Ocean, located at 12.7 degrees north latitude and 61.4 degrees west longitude. Grenada is approximately 1,620 miles southeast of Miami, 80 miles north of Trinidad and 160 miles southwest of Barbados. Grenada is one of the smallest independent countries in the Western hemisphere, with an area of 133 square miles, roughly twice the size of Washington, D.C.

Grenada consists of three islands:

- Grenada is the largest island, with a width of 12 miles and a length of 21 miles. Its topography is rugged, with a narrow coastal plain and eroded volcanic mountains, the highest of which is Mount Saint Catherine, at 2,756 feet. It is divided into six parishes: St. George, St. Mark, St. Patrick, St. Andrew, St. John and St. David.
- Carriacou has an area of 13 square miles and is much less mountainous than Grenada.
- Petite Martinique is about 586 acres and is dominated by a 750-foot high mountain in the middle of the island.

Grenada has a tropical climate, tempered by northeast trade winds with average temperatures between 75 and 87 degrees Fahrenheit. The lowest temperatures occur between November and February. Most of Grenada's rainfall is between June and December; the driest season is between January and May. Grenada lies south of the usual track of hurricanes, but when hurricanes do occur, as in 1955, 1979, 1980 and 2004, these storms often cause extensive damage. Grenada is close to an underwater volcano (Kick'em Jenny) which is active and has erupted at least twelve times since 1939, but which has not, to date, caused Grenada any material damage. Kick'em Jenny last erupted in December 2001. A major hurricane, earthquake, tsunami or other climatic or geological occurrence could have a material adverse effect on Grenada and, as a result, on Grenada's financial condition and its ability to meet its debt service and other obligations, including with respect to the New Bonds.

The capital of Grenada is St. George's, which is on the southwest coast of Grenada. Including its surrounding areas, St. George's has a population of approximately 37,700 persons, and is Grenada's largest port.

As of December 31, 2004, Grenada had an estimated population of 104,490 persons, evenly divided between males and females. Most of Grenada's population is of African descent, though there are some descendants of the early Arawak and Carib Indians. A few East Indians and a small community of the descendants of early European settlers reside in Grenada. Approximately 65% of Grenada's population is under the age of 30. Grenada's official language is English, and its principal religious denominations are Roman Catholic, Anglican and Seventh Day Adventist.

History

Before the arrival of Europeans, Carib Indians inhabited Grenada. Columbus landed on Grenada in 1498 during his third voyage to the New World and named the island "Concepción". The origin of the

name "Grenada" is obscure, but it is likely that Spanish sailors renamed the island for the Spanish city of Granada. By the early 18th century, the name "Grenada", or "la Grenade" in French, was in common use.

Partly because of the presence of the Carib Indians, Grenada remained uncolonized for more than 100 years after its discovery, as early English efforts to settle the island were unsuccessful. In 1650, a French company founded by Cardinal Richelieu purchased Grenada from the English and established a small settlement. After several skirmishes with the Carib Indians, the French brought in reinforcements from Martinique and defeated them.

The island remained under French control until its capture by the British in 1762 during the Seven Years' War. The Treaty of Paris formally ceded Grenada to Great Britain in 1763. Although France regained control of Grenada in 1779, the Treaty of Versailles restored the island to Britain in 1783. Grenada remained British for the remainder of its colonial period.

During the 18th century, Grenada's economy underwent an important transition. Like much of the rest of the West Indies, settlers originally cultivated sugar on estates using slave labor. In 1782, Sir Joseph Banks, the botanical adviser to King George III, introduced nutmeg to Grenada. Grenada's soil and climate were uniquely suited to growing the spice and, because Grenada was a closer source of spices for Europe than the Dutch East Indies, Grenada assumed a new importance to European traders. The collapse of the sugar estates and the introduction of nutmeg and cocoa encouraged the development of smaller land holdings, and Grenada developed a land-owning yeoman farmer class. Slavery was outlawed in 1834.

In 1833, Grenada became part of the British Windward Islands Administration. The Governor of the Windward Islands administered Grenada for the remainder of its colonial period. In 1958, the Windward Islands Administration was dissolved, and Grenada joined the Federation of the West Indies. After that federation collapsed in 1962, the British Government unsuccessfully attempted to form a small federation out of its remaining dependencies in the Eastern Caribbean region. Following this failure, the British and the islands developed the concept of associated statehood. Grenada assumed full autonomy over its internal affairs in March 1967 under the Associated Statehood Act of 1967. The British Government granted Grenada full independence on February 7, 1974.

After obtaining independence, Grenada adopted a modified Westminster parliamentary system based on the British model. A Governor General is appointed by and represents the British monarch (Grenada's head of state), and a Prime Minister is both leader of the majority party and the head of government. Sir Eric Gairy was Grenada's first Prime Minister.

On March 13, 1979, the New Joint Endeavor for Welfare, Education and Liberation (New Jewel) movement ousted Gairy in a nearly bloodless coup, and established the People's Revolutionary Government headed by Maurice Bishop, who became Prime Minister. His Marxist-Leninist government established close ties with Cuba, the Soviet Union and other communist bloc countries, and suspended Grenada's Constitution.

In October 1983, a power struggle within the Government resulted in the house arrest and subsequent murder of Bishop and several members of his cabinet by elements of the People's Revolutionary Government. Following a breakdown in civil order, U.S. President Ronald Reagan dispatched a U.S. military force to Grenada on October 25, 1983 in response to an appeal from the Governor General and a request for assistance from the Organisation of Eastern Caribbean States. Troops from Barbados, Dominica, Jamaica, St. Lucia and St. Vincent also participated in the force, which took control of Grenada and facilitated a return to parliamentary democracy.

The Governor General named an interim advisory council to administer the country until the country held general elections in December 1984. The New National Party led by Herbert Blaize won 14 out of 15 seats in free and fair elections, formed a democratic government and restored Grenada's Constitution.

The New National Party continued in power until 1989, but with a reduced majority. Five New National Party parliamentary members, including two cabinet ministers, left the party between 1986 and 1987 to form the official opposition, the National Democratic Congress.

In August 1989, Prime Minister Blaize broke with the New National Party to form a new party, The National Party. This split in the New National Party led to the formation of a minority government until constitutionally scheduled elections in March 1990. Prime Minister Blaize died in December 1989, and Ben Jones succeeded him as Prime Minister until after the elections.

The National Democratic Congress emerged from the 1990 elections as the strongest party, winning seven of the 15 available seats. Nicholas Braithwaite added two members of The National Party and one Grenada United Labour Party member to create a ten-seat majority coalition. The Governor General appointed Nicholas Braithwaite as Prime Minister.

In parliamentary elections on June 20, 1995, the New National Party won eight seats and formed a government headed by Dr. Keith Mitchell. The New National Party affirmed its hold on power when it took all 15 parliamentary seats in the January 1999 elections with 62.4% of the popular vote (the National Democratic Congress garnered 24.9% of the popular vote and the Grenada United Labour Party received 12.1%). One member of the House of Representatives split from this group in July 2000 to join the Grenada United Labour Party.

Following general elections in November 2003, the New National Party retained Parliament, but with a reduced majority, claiming eight of the 15 parliamentary seats. The National Democratic Congress received the remaining seven parliamentary seats. The New National Party received 46.6% of the votes and the National Democratic Congress received 44.1% of the votes. Dr. Keith Mitchell was returned to office for a third term, the first time a party has won three consecutive elections since Grenada's independence in 1974.

Social Indicators

The following table sets forth selected comparative social indicators for Grenada and a number of other Caribbean and Central American countries.

Selected Social Development Indicators

	Grenada	Jamaica	Panama	Guatemala	Dominican Republic	Costa Rica
Rank in UNDP Human Development Index out of 177 countries (1)	93	79	61	121	98	45
Life expectancy at birth in years (2)	73.2	75.8	75.0	66.1	67.1	78.6
Adult illiteracy rate (%) (3)	5.6	12.4	7.7	30.1	15.6	4.2
GDP per capita, purchasing power parity (in U.S.\$) (1)	7,280	3,980	6,170	4,080	6,640	8,840
GDP per capita (in U.S.\$) (1)	4,205	3,371	4,535	2,010	2,075	4,335
Infant mortality per 1,000 live births (2)	18	17	18	35	29	8

(1) 2004 data

(2) 2003 data

(3) 2002 data

Sources: United Nations Human Development Report 2004, World Bank World Development Indicators 2005, IMF Staff

Constitution and Government

General

The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on February 7, 1974. The Constitution prescribes Grenada's form of government and guarantees fundamental rights and individual freedoms. Constitutional amendments require the affirmative vote of a two-thirds majority of each house of Parliament and passage by referendum. Legislation requires passage by both Houses of Parliament and royal assent by the Governor General.

Grenada is a parliamentary democracy closely modeled on the British Westminster model. Queen Elizabeth II of the United Kingdom is the head of state, who, as sovereign of Grenada, has adopted the title Queen of Grenada. A Governor General, whom she appoints on the recommendation of the Prime Minister of Grenada, represents her in Grenada. The Governor General's constitutional functions are largely of a formal or ceremonial nature.

The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The House of Representatives has 15 members elected in accordance with the provisions of the Constitution. The Governor General appoints the Senate's 13 members, ten on the advice of the Prime Minister and three on the advice of the Leader of the Opposition. The Grenadian Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. The electoral system is based on the British model of "one person, one vote" and "first-past-the-post", whereby the party that wins a majority of seats in general elections forms the Government, and the leader of the majority party is invited by the Governor General to become Prime Minister. In the event of an inconclusive election result, the Governor General appoints the person who, in his or her opinion, commands the majority support among the elected members of Parliament. Grenada's Constitution provides citizens with the right to change their government peacefully, and citizens exercise this right through periodic, free and fair elections held based on universal suffrage. There is no local or municipal government in Grenada.

The Constitution provides for a Cabinet consisting of the Prime Minister and the other Ministers. The Governor General appoints the Prime Minister, who is a member of the House of Representatives. The Cabinet currently consists of 11 Ministers plus the Prime Minister and the Attorney General. The Cabinet is the principal organ for the formulation and implementation of Government policy. The Constitution charges the Cabinet with the Government's general direction and control, and it is collectively responsible to the Parliament. The Governor General appoints Cabinet members on the Prime Minister's advice. The Constitution also provides for a Leader of the Opposition whom the Governor General appoints.

Political Parties

Grenada has a recent history of political stability. Grenada's political parties range from the moderate The National Party, New National Party and National Democratic Congress to the left-of-center Maurice Bishop Patriotic Movement, organized by the pro-Bishop survivors of the October 1983 anti-Bishop coup, and the populist Grenada United Labour Party of former Prime Minister Gairy. The Government is currently led by the Prime Minister, the Honorable Dr. Keith Mitchell, whose New National Party came into office on June 20, 1995, following five years during which the National Democratic Congress was in office. The New National Party was re-elected in November 2003 for a third five-year term. It has eight seats in the House of Representatives, while the National Democratic

Congress holds seven seats. The next election in Grenada must take place no later than April 2009, although the Prime Minister has the power to call an earlier election.

Judicial System

The Grenadian judicial system is based on the English system, including the principles and practice of English common law.

The member states of the Organisation of Eastern Caribbean States share a single supreme court, the Eastern Caribbean Supreme Court. In Grenada, this court is known as the Supreme Court of Grenada and the West Indies Associated States. The Supreme Court is headed by the Chief Justice, and administers the laws of each Organisation of Eastern Caribbean States member state. It has two divisions, the High Court of Justice and the Court of Appeal. Two High Court judges are based in Grenada, but the judges of the Court of Appeal are resident in St. Lucia, and travel to Grenada to hear appeals from the High Court. Appeals from the Court of Appeal go to the Judicial Committee of the Privy Council in London, England, which is Grenada's court of last resort.

As part of the move towards the Caribbean Community (CARICOM) Single Market and Economy, the member states of CARICOM have agreed to establish a Caribbean Court of Justice. This court was launched on April 16, 2005. It provides for a president and ten judges, six of whom have already been appointed. This court has original jurisdiction for trade-related matters under the Treaty of Chaguaramas. It is also being contemplated that this court will have appellate jurisdiction and will potentially replace the Privy Counsel as the court of last resort in the member states of CARICOM. This matter is currently under debate in Grenada. In order to accede to the Caribbean Court of Justice, the approval of a two-thirds majority in Parliament and a general referendum are required, neither of which are expected to occur in the near to medium term.

Foreign Relations and Membership in International and Regional Organizations

Grenada maintains diplomatic relations with almost every nation in the world. Venezuela, Cuba and the People's Republic of China have embassies in Grenada. A resident High Commissioner (distinct from the Governor General, who represents the British monarch) represents the United Kingdom in Grenada. Grenada has been recognized by most members of the United Nations and maintains diplomatic missions in the United States, the United Kingdom, Belgium, Venezuela and Canada. Recently, Grenada severed ties with the Republic of China (Taiwan) and re-established ties with the People's Republic of China. Currently, Grenada is preparing to establish a diplomatic mission in the People's Republic of China.

International Organizations

Grenada is a member of many international organizations, including:

- the Association of Caribbean States, which aims to promote policies which exploit the collective capabilities and resources of the Caribbean region;
- the Caribbean Community (CARICOM), a regional common market;
- the Caribbean Development Bank;
- the Caribbean Tourism Organization, which is located in Barbados and promotes tourism activity in the Caribbean;

- the Commonwealth;
- the Organisation of Eastern Caribbean States (OECS);
- the Eastern Caribbean Central Bank, the monetary authority for the eight eastern Caribbean states;
- the United Nations;
- the International Monetary Fund (IMF);
- the various associated institutions of the World Bank Group, including the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency;
- the World Trade Organization; and
- the Organization of American States.

The following is a brief description of some of the principal treaties and trade agreements to which Grenada is a party:

Association of Caribbean States

The Association of Caribbean States was created by treaty in July 1994. Members of the Association of Caribbean States include the 14 Caribbean Community signatories, other non-Commonwealth countries in the Caribbean and several Latin American nations. The Association of Caribbean States was established primarily to further regional economic integration and co-operation in the areas of science and technology, energy, tourism, transportation, education and culture, as well as to co-ordinate the participation of member states in multilateral forums and to undertake concerted action to protect the environment, in particular the Caribbean Sea.

CARICOM

The Treaty of Chaguaramas established the Caribbean Community (CARICOM) in 1973 to promote the economic integration of the member states. CARICOM currently has 15 members, consisting of the 13 English-speaking Caribbean countries and territories, Suriname and Haiti. In addition, Cuba has “observer” status.

CARICOM’s principal activities have been in the area of economic integration by means of the creation of a Caribbean common market. However, members have also established common institutions in the areas of policy formulation and co-operation in the provision of such services as education and health, and in such other areas as labor matters, agriculture, transportation, communications, tourism and disaster preparedness. The members of CARICOM have agreed to amend the Treaty of Chaguaramas to establish the “Single Market and Economy”, which would allow for the free movement of goods, capital, persons and services throughout the member states. The previous CARICOM treaty provided for the free movement of goods, and Grenada complies with its terms.

All member states have eliminated restrictions on a select group of skilled labor. All member states began to reduce restrictions on the movement of service providers in February 2002, and the Caribbean Single Market is expected to launch by December 31, 2005. In the wake of Hurricane Ivan

Grenada has, however, asked for certain considerations for its disadvantaged sectors (which include agriculture and light manufacturing), including a longer time period to completely remove restrictions on the movement of service providers. Grenada has also led the call for the establishment of the Regional Development Fund for Disadvantaged Countries and Sectors as provided for under the Treaty of Chaguaramas.

The CARICOM Single Economy is currently scheduled for implementation in 2008.

Caribbean-Canada Trade Agreement

Canada and CARICOM countries entered into the Caribbean-Canada Trade Agreement in 1986. This agreement established a program for trade, investment and industrial co-operation, and features Canada's unilateral extension of preferential duty-free access to its market for many CARICOM imports. The Caribbean-Canada Trade Agreement's basic objectives are to enhance the Caribbean region's existing trade and export earnings, to improve its trade and economic development prospects, to promote new investment opportunities and to encourage enhanced economic integration and co-operation within the region.

Caribbean Basin Economic Recovery Act

The Caribbean Basin Initiative became effective on January 1, 1984, and represents a program of U.S. economic assistance to Caribbean countries designed to stimulate economic growth and to present opportunities for development in the region. The Caribbean Basin Economic Recovery Act provides for duty-free access of Caribbean products exported to the United States. To enjoy duty-free access, at least 35% of the appraised value of manufactured articles must be derived in Grenada. This percentage requirement can be reduced to 20% as components made in the United States may account for up to 15% of the value added. The trade agreement was the first time the United States extended preferential trade provisions to any region. All exports from Grenada to the United States (other than specifically excluded products such as garments and textiles) benefit from the elimination of U.S. tariffs, which were as high as 44% before 1984. The U.S. Congress subsequently passed the Caribbean Basin Recovery Expansion Act in 1990, which improved the conditions of the original agreement by extending the life of the Caribbean Basin Initiative and provided limited duty-free treatment for certain articles that the original act had excluded.

United States Trade and Development Act of 2000

The United States Trade and Development Act of 2000 became effective on October 1, 2000, and contains tariff preferences on goods currently excluded from the Caribbean Basin Initiative, similar to those under the North American Free Trade Agreement. The Act provides for the reduction of U.S. tariffs on a variety of imports from 70 Caribbean, Central American and African countries. Of these, 25 Caribbean and Central American countries presently trade with the United States under the Caribbean Basin Initiative. Under the Act, certain Grenadian exports not currently eligible for duty-free treatment under the Caribbean Basin Initiative, such as textiles, receive treatment equivalent to that granted to comparable exports from Mexico under the North American Free Trade Agreement. These provisions will remain in force through September 2008.

Generalized System of Preferences

Under the aegis of the United Nations Conference on Trade and Development, the United Nations created the Generalized System of Preferences to afford developing countries preferential access for a wide range of their exports to the markets of developed countries. The Generalized System of

Preferences is an export-promotion tool that aims to increase the export earnings of the developing countries, promoting industrialization in the developing countries and accelerating the rate of their economic growth.

Cotonou Agreement

In February 2000, the European Union and the African Caribbean Pacific group of countries concluded negotiations for the twenty-year Cotonou Agreement, which provides for:

- duty-free access to the European market for goods exported from the African Caribbean Pacific group (with certain local value-added qualifications);
- a stabilization fund to compensate the African Caribbean Pacific group in the event of reductions in the receipts they derive from the export of their principal basic products;
- financial aid for the African Caribbean Pacific group;
- industrial and technological co-operation aimed at promoting a better international division of labor along lines advantageous to the members of the African Caribbean Pacific group; and
- joint institutions to supervise observance of the agreement and to promote discussion between countries.

The Cotonou Agreement provides for an eight-year extension of the special arrangements for African Caribbean Pacific group exports of bananas, rum and rice previously provided under the predecessor agreement. The Cotonou Agreement also provides economic development support to the tourism industry, and provides guaranteed access to European markets for certain maximum amounts of Grenadian exports.

Free Trade Area of the Americas (FTAA)

Grenada, along with all Western Hemisphere countries other than Cuba, are currently discussing the creation of a free trade area similar to the North American Free Trade Agreement (NAFTA) regime throughout the Americas. The countries involved expect to establish a hemispheric free trade regime possibly by 2008, which would create the world's largest free trade area.

ECONOMY

Overview

The Government's broad goal for 2005 to 2007 is to implement its comprehensive debt management program and its reconstruction and development program, thereby beginning to return Grenada to macro-economic stability and placing it on a path of sustainable economic growth.

Agriculture

The Government remains committed to the development of a competitive and sustainable agricultural sector, which is capable of meeting domestic demand and competing externally. From 2005 through 2007, Grenada's strategy for the agriculture sector includes:

- achieving greater food security (as Grenada currently imports approximately 90% of its food); for example, the Government will facilitate the construction of a poultry farm in St. Mark, a rural parish, through the use of tax incentive packages;
- a nationwide program of replanting nutmeg and cocoa trees;
- the construction of farm and feeder roads;
- the recultivation of watershed and forest areas; and
- encouraging investment in, and financing of, existing and new agriculture production.

Construction

The Government recognizes that the development of the construction sector is closely linked to other productive sectors of the economy, particularly tourism. The Government will provide opportunities for certification in a wide range of construction skills to ensure appropriate standards and techniques consistent with the Government's commitment to "build back better".

Tourism

The tourism sector began to play a leading role in Grenada's development in the early 1990s. There has been substantial foreign direct investment in new hotel facilities, mainly in Grenada's southern tourism belt. In recent years, Government plans have focused on increasing the number of hotel rooms and transportation links to Grenada. From 2005 through 2007, Grenada will focus its efforts on promoting the development of four major upscale hotels: the Levera Beach Resort, the Mt. Hartman and Hog Island Hotel, the Silver Sands Hotel and Cinnamon Hill. The Government will also intensify its efforts to improve air links, especially with the United States, Canada and Europe.

The Government is currently facilitating Phase II of the Cruise Ship Complex, which is estimated to cost approximately U.S.\$25 million and includes construction of duty-free shops and related amenities. The Government intends to continue to pursue its policy of upgrading of all tourism attraction sites and placing the sites under commercial management. One new attraction will be a Hurricane Ivan museum.

The reconstruction of the national stadium at the cost of U.S.\$40 million (grant-financed by the People's Republic of China) will enable Grenada to host the World Cup Cricket matches in 2007. The World Cup Cricket matches are expected to generate significant benefits to the economy and enhance

Grenada's presence in the tourism market. In addition to World Cup cricket matches, the facilities will also be used as a venue for international athletic meets. Grenada also plans to use the facility for sports tourism packages, especially during the winter months in North America and Europe, when cricket, football and other athletic teams are expected to visit Grenada.

Manufacturing

The Government intends to encourage greater foreign direct investment in the manufacturing sector by providing tax incentive packages for local and foreign investors. The Government will encourage foreign investors to establish joint ventures with locals in industries such as agro-processing to strengthen the linkages among agricultural, manufacturing and tourism.

Fiscal Policy Strategy

The Government had total debt of approximately E.C.\$1.5 billion, or 129.5% of 2004 nominal GDP, as of December 31, 2004. This includes guaranteed obligations of state-owned enterprises and certain private sector entities totaling E.C.\$275.3 million, or 23.8% of 2004 nominal GDP, as well as obligations of state-owned enterprises amounting to E.C.\$31.6 million which are not guaranteed by the central Government. The Government intends to limit the amount of debt that it guarantees for state-owned enterprises and private sector entities in the future.

As part of its overall economic management strategy, the Government has developed a medium-term fiscal strategy. The key elements of this strategy include:

- development of a tripartite agreement among Government, labor unions and the private sector on issues such as prices and wage activity;
- enhanced revenue collection through improved tax administration;
- efficient capital expenditure;
- containment of expenditure growth on goods and services; and
- tapping the Grenadian diaspora to garner funds for reconstruction and productive investment and to build networks for trade and tourism promotion.

For the period from 2005 through 2007, Grenada plans to reduce its fiscal current account deficits.

The Government has announced certain fiscal measures that are commencing in 2005.

Revenue enhancement measures include:

- raising the retail price of fuel (both diesel and gasoline) from \$7.50 per gallon to \$8.50 per gallon and introducing a flexible pricing mechanism that allows fuel prices to change periodically to reflect changes in crude oil prices;
- requiring employee contributions (including from self-employed persons) to the Grenada Reconstruction and Development Fund. See “—Reconstruction Fund”;
- increasing the general consumption tax on liquor and tobacco products;

- progressively reducing the amount of tax concessions from 14% of GDP per year to about 6% over the period from 2005 to 2010; and
- improving collection of taxes and fees, including (1) automating the records of the Lands and Survey Department in 2005, (2) automating the Supreme Court Registry in 2006, (3) introducing revised user fees for selected Government services such as electrical inspection, (4) issuing new sanitary certificates in 2005, (5) enhancing revenue capacity of inland revenue and (6) strengthening customs functions.

Current expenditure restraint measures include:

- keeping growth of current expenditure on goods and services in line with inflation from 2006. Allowance will be made for replacement of furniture and equipment to Government ministries and departments in 2005;
- establishing a pooling arrangement for the use of Government vehicles in the Ministerial Complex;
- careful selection of capital expenditure consistent with the country's absorptive capacity and available financing; and
- forming a tripartite agreement described above among the Government, labor unions and the private sector on issues such as maintaining wages in line with inflation.

Reconstruction Fund

In March 2005, the Government established the Grenada Reconstruction and Development Fund to finance Grenada's Reconstruction and Development Program. The Agency for Reconstruction and Development will be responsible for the administration of the Fund with oversight from the Ministry of Finance, Department of Audit and Parliament.

For the next three to five years, every Grenadian worker (with the exception of workers who earn less than E.C.\$1,000 per month) will be required to contribute to the Grenada Reconstruction and Development Fund. Persons earning between E.C.\$1,000 and E.C.\$5,000 will pay monthly contributions of 5.0% of their income. Persons earning over E.C.\$5,000 per month and up to E.C.\$9,000 per month will pay a monthly contribution of E.C.\$225.00. Persons whose income exceeds E.C.\$9,000 per month will pay a monthly contribution of E.C.\$355.00. All levies will go directly to the Fund to finance reconstruction priorities including housing, agriculture and youth skills training and employment.

Monetary Policy Strategy

The Government remains committed to the Eastern Caribbean Central Bank and to the maintenance of a fixed exchange rate of E.C.\$2.70 to U.S.\$1.00. Moreover, the Government intends to maintain prudent fiscal policies in order to preserve the Eastern Caribbean dollar's stability.

Public Debt

Domestic Debt

The following table sets forth the outstanding principal amount of Grenada's domestic debt by creditor as of May 31, 2005.

Outstanding Domestic Debt

<u>Creditor / Instrument</u>	<u>As of May 31, 2005</u> <i>(in millions of E.C.\$)</i>
Bonded Indebtedness:	
National Insurance Scheme Bonds 6.00% series due 1998, 2003, 2008, 2013, 2018	E.C.\$ 76.6
Grenada 8.00% Development Bonds due 2006/2007	29.5
National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A and Series B .	27.7
National Commercial Bank of Grenada Limited 9.75% Bonds due 2013	14.0
Grenada 6.00% Development Bonds series due 1998, 2003, 2008	3.2
Airport Bonds 6.00% due 1999/2000	0.7
Grenada 8.00% Development Bonds due 2000/2001	0.4
Commercial Loans:	
Scotiabank (formerly Bank of Nova Scotia) Loan	12.5
RBTT (formerly Grenada Bank of Commerce) Loan	3.1
National Commercial Bank Syndicated Loan Facility	2.9
FirstCaribbean International Bank (formerly Barclays Bank plc)	2.0
National Commercial Bank Refinaneing	0.2
Other:	
Treasury bills	72.5
Compensation claims for Judgment Debts/Land Acquisition	40.0
Overdraft Facilities	38.9
Debentures	1.6
 Total	 <u>E.C.\$ 325.8</u>

Source: Ministry of Finance

External Debt

The following table sets forth the outstanding principal amount of Grenada's external debt by creditor as of May 31, 2005. As described in "Recent Developments—Comprehensive Debt Management Program", bonded and commercial loan claims are Eligible Claims and multilateral and bilateral claims are not.

Outstanding External Debt⁽¹⁾

Creditor / Instrument	As of May 31, 2005	
	<i>(in millions of E.C.\$)</i>	<i>(in millions of U.S.\$)</i>
Bonded Indebtedness:		
9.375% Notes due 2012.....	E.C.\$ 270.0	U.S.\$ 100.0
RBTT Merchant Bank Ltd. 7.15% Bonds due 2014, Series A	112.1	41.5
Unit Trust Corporation Bonds due 2012 (Series A 7.75% and Series B 7.45%).....	28.6	10.6
Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015	26.6	9.9
RBTT Merchant Bank Ltd. (formerly Royal Merchant Bank and Finance Company Ltd.) 10.00% Bonds due 2012.....	22.6	8.4
Commercial Loans:		
Wachovia Bank, N.A. (due 2006 and 2008).....	3.6	1.4
Multilateral Loans:		
Caribbean Development Bank	174.5	64.6
International Development Association (World Bank).....	61.3	22.7
Kuwait Fund for Arab Economic Development	49.6	18.4
International Bank for Reconstruction and Development (World Bank).....	24.3	9.0
International Monetary Fund	23.6	8.8
Organization of Petroleum Exporting Countries	2.8	1.0
International Fund for Agricultural Development	1.9	0.7
Bilateral Loans:		
Export-Import Bank of the Republic of China.....	54.7	20.3
Libya.....	13.5	5.0
Agence Francaise de Developpement.....	11.2	4.2
Plessey (U.K.).....	4.5	1.7
PEFCO Exim Bank (U.S.).....	4.0	1.5
European Investment Bank.....	2.5	0.9
Algeria	1.7	0.6
Government of Trinidad and Tobago	1.2	0.5
Venezuela Investment Fund.....	0.4	0.2
Other:		
Other.....	0.6	0.2
Total.....	E.C.\$ 895.7	U.S.\$ 332.1

(1) In June 2005, the Paris Club requested its members to provide data on claims held against Grenada. Belgium, the Netherlands and Russia submitted claims amounting to approximately U.S.\$15 million in aggregate. However, Grenada has no record of these claims and does not acknowledge these claims as obligations. None of these claims are currently being serviced.

Source: Ministry of Finance

Guarantees

In addition to Grenada's domestic and external debt, Grenada has guaranteed the loans of some state-owned enterprises and private sector entities.

The following table sets forth the Government's guarantees of loans to both state-owned enterprises and private sector entities as of December 31, 2004.

Government Guarantees Outstanding (Contingent Liabilities)

	As of December 31,		
	2004	2004	
	(in millions of E.C.\$)	(in millions of U.S.\$)	
State-Owned Enterprises			
Grenada Ports Authority.....	E.C.\$ 65.6	U.S.\$ 24.3	
Grenada Airports Authority.....	41.6	15.4	
Grenada Development Bank.....	24.7	9.1	
Gravel and Concrete Production	15.2	5.6	
Marketing and National Importing Board	12.9	4.8	
National Water and Sewerage Authority.....	12.2	4.5	
Housing Authority of Grenada	6.7	2.5	
Grenada Cooperative Nutmeg Association	5.0	1.9	
Grenada Broadcasting Corporation	3.2	1.2	
Call Centres Grenada Inc.....	2.5	0.9	
Grenada Cultural Foundation	0.8	0.3	
Minor Spices	0.1	0.0	
Sub-total.....	<u>E.C.\$ 190.5</u>	<u>U.S.\$ 70.6</u>	
Private Sector Entities			
Grenada Development Company (guarantees dated 2001 and 2002).....	E.C.\$ 29.7	U.S.\$ 11.0	
Garden Group Hotel	24.0	8.9	
Intercontinental Grenada Ltd.....	20.3	7.5	
Grenada Electricity Services Ltd.....	7.4	2.7	
RDF Enterprises Ltd.....	3.5	1.3	
Sub-total.....	<u>E.C.\$ 84.9</u>	<u>U.S.\$ 31.4</u>	
Total.....	<u>E.C.\$ 275.3</u>	<u>U.S.\$ 102.0</u>	

Source: Ministry of Finance

Other Financing Arrangements

The Government entered into a lease for the Financial Complex, which is not treated as a central government debt or guarantee. The Financial Complex houses the Ministry of Finance and other Government departments. Private sector developers built the Financial Complex and then leased it to the Government over a term of 11 years. The lease payments are recorded as current expenditures under goods and services and not as interest payments. At the end of the lease term, ownership of the facility is transferred to the Government. The Government will obtain ownership of the Financial Complex in 2007.

Investment Management Strategy

In addition to Grenada's reconstruction program and other direct efforts to promote Grenadian economic development, the Grenada Industrial Development Corporation, a statutory corporation owned and partially financed by the Government, promotes the Grenadian economy. The Government established the Grenada Industrial Development Corporation to attract foreign direct investment, to increase the exports of Grenadian goods and services and to foster the development of viable indigenous businesses. Its goals include:

- increasing foreign exchange earnings through the promotion of exports and direct capital investment;
- guiding the industrial sector towards higher value-added activities;
- expanding the tourism, information technology and financial services sectors;
- improving the efficiency and competitiveness of the manufacturing sector; and
- creating jobs in a broad range of economic sectors.

Among other things, the Grenada Industrial Development Corporation has assisted foreign investors in securing secure tax, customs and other concessions, has constructed two industrial parks to attract businesses to Grenada and has engaged in investment and trade promotion activities in targeted areas.

Disaster Management and Mitigation Strategy

In the event of future natural disasters in Grenada, the National Disaster Management Agency will be responsible for all aspects of disaster management and mitigation including the management of relief operations. With technical guidance from the Caribbean Disaster Emergency Response Agency and funding from the Canadian International Development Agency, a project costing one million Canadian dollars (approximately E.C.\$2.3 million) has been implemented to develop National Disaster Management Agency. This project has several key objectives, including:

- strengthening the National Disaster Management Agency's capacity for integrated relief program management;
- increasing capability for emergency communications among district committees and response agencies of the National Disaster Management Agency system;
- building the National Disaster Management Agency's public education and information programs; and
- strengthening institutional and professional capacity to integrate hazard mitigation practices in development planning in Grenada.

Physical Planning

In 2004, a draft National Physical Development Plan was completed. This plan is currently being circulated for public comment and is scheduled to be presented to Parliament in the second half of 2005. A pilot building code was tested in 2000 and will be updated and incorporated into the regulations of the Physical Planning and Development Control Act.

Public Sector Modernization

The Government remains committed to a more efficient and productive public sector. Grenada therefore intends to maintain a zero growth policy for public services. During the medium-term, Grenada intends to commercialize a number of services thereby giving the private sector a greater role in the development process. Some of the services identified for commercialization include the Government printery, maintenance of recreational facilities and the operation of selected tourist sites.

Employment and Labor

An important goal of Grenada's economic strategy in the medium term is to reduce the unemployment rate to below 10.0%. In the aftermath of Hurricane Ivan, the unemployment rate was 30.0% as of December 31, 2004, and this figure declined to an estimated 20.0% as of April 30, 2005. The Government intends to reduce unemployment further by continuing to support job creation, particularly in the manufacturing, tourism, construction and information technology sectors.

FINANCIAL SYSTEM

Eastern Caribbean Central Bank

The Eastern Caribbean Central Bank (ECCB) is Grenada's central bank. The Eastern Caribbean Central Bank Agreement Act established the Eastern Caribbean Central Bank in October 1983. The member countries of the Eastern Caribbean Central Bank are Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

The Minister of Finance of each of the member states sits on the Monetary Council. The Council is responsible for formulating monetary policy for the ECCB and its member states. The ECCB is governed by two bodies: the Board of Directors, and the Monetary Council. The Board of Directors is comprised of ten directors: the Governor, the Deputy Governor, and one Director appointed by each of the eight member states. The Board of Directors is responsible for ECCB's policy and general administration, while the Governor, as chief executive, is responsible for the ECCB's day-to-day management and operations. In addition, the Board of Directors makes monetary policy recommendations to the Monetary Council, the ECCB's highest decision-making body.

Under the Eastern Caribbean Central Bank Agreement, the ECCB's principal responsibilities include:

- the issuance of the Eastern Caribbean dollar and the maintenance of a fixed exchange rate of E.C.\$2.70 to U.S.\$1.00;
- the formulation of monetary policy for the member states, including the determination of the discount rate and reserve requirements;
- the supervision of onshore commercial banks in the member states; and
- co-operation with Grenada in the supervision of offshore banks.

The central focus of the ECCB's monetary policy has been the maintenance of a fixed exchange rate between the Eastern Caribbean dollar and the U.S. dollar. Since 1976, the exchange rate between the Eastern Caribbean dollar and the U.S. dollar has been fixed at E.C.\$2.70 to U.S.\$1.00. This fixed rate has been predicated on the strong trade links between member states and the United States and the significant traffic of U.S. visitors to member states. The statutory requirement for the maintenance of the ECCB's reserves in excess of 60% of outstanding liabilities provides the Eastern Caribbean dollar with strong backing.

The ECCB, through the Monetary Council, formulates monetary policy for all the member states. Through its determination of the discount rate (the rate at which commercial banks in the currency union may borrow from the Eastern Caribbean Central Bank), it influences regional interest rates. The ECCB lends to commercial banks in order to assist them with short-term liquidity problems. If a bank has suffered long-term liquidity problems, the ECCB customarily has sought its reorganization. The ECCB historically has set the discount rate higher than the interbank rate in order to discourage commercial banks in the member states from borrowing from it. As of June 2005, the discount rate is 6.5%. The ECCB also sets reserve requirements for commercial banks in the member states. Commercial banks in the currency union must deposit these reserves with the ECCB. As of February 2005, the required reserve ratio was 6.0% of liabilities. The reserves are comprised of Eastern Caribbean dollar vault cash and

balances held with the ECCB. The ECCB also acts as a depository for the external reserves of the member states, although the commercial banks are also authorized depositories.

The ECCB supervises onshore commercial banks in each of the member states. Its supervision includes on-site inspections. Grenada's banking law requires that an onshore bank obtain a banking license from the Minister of Finance. On receipt of such an application, the Minister of Finance seeks a recommendation from the ECCB. The ECCB does not supervise offshore banks and other financial institutions in the member states. However, it is now playing a greater role in supporting enhanced supervisory standards for offshore banks.

The following tables set forth the balance sheet and statements of income and expenditure for the ECCB for the fiscal years ended March 31, 2004 and March 31, 2005. Member states may borrow from the ECCB up to the limits established from time to time by its Board of Directors. Grenada's current credit limit is E.C.\$32.1 million. As of May 31, 2005, Grenada was utilizing short-term credit of E.C.\$6.5 million, and long-term credit of E.C.\$0.9 million for a total of E.C.\$7.4 million. The available credit is E.C.\$24.7 million. The ability of member states, including Grenada, to access additional capital from the ECCB is limited. Accordingly, credits from the ECCB will not constitute a meaningful source of refinancing for principal payments on the New Bonds so that Grenada will have to rely upon its tax revenues and other borrowing sources to repay the New Bonds.

Consolidated Balance Sheet of the Eastern Caribbean Central Bank

	Year Ended March 31,	
	2004	2005
<i>(in millions of E.C.\$)</i>		
Assets		
Foreign Assets:		
Regional and foreign currencies	E.C.\$ 68.6	E.C.\$ 43.4
Balances with other central banks.....	9.9	8.6
Balances with foreign banks	0.2	0.3
Term deposits and money at call.....	398.1	582.3
Foreign investment securities.....	1,100.1	1,053.5
Total.....	E.C.\$ 1,577.0	1,688.1
Domestic Assets:		
Balances with local banks.....	E.C.\$ 0.7	E.C.\$ 0.3
Term deposits.....	5.6	10.6
Domestic investment securities.....	--	0.3
Participating governments securities	43.3	38.2
Due from participating governments	14.0	14.8
Accounts receivable and prepaid expenses	36.6	36.3
Long term loans receivable	0.3	--
Investment in associated undertakings.....	4.8	4.7
Property, plant and equipment	70.2	72.2
Pension asset.....	10.8	11.9
Total.....	E.C.\$ 186.3	E.C.\$ 189.1
Total assets	E.C.\$ 1,763.3	E.C.\$ 1,877.2
Liabilities:		
Demand liabilities – domestic.....	E.C.\$ 1,607.4	E.C.\$ 1,745.7
Demand liabilities – foreign.....	8.1	5.2
IMF: government general reserve accounts	0.8	0.9
Other liabilities and payables.....	13.7	12.8
Total liabilities	E.C.\$ 1,630.0	E.C.\$ 1,764.5
Equity:		
General reserve	73.1	73.3
Other reserves	60.2	39.4
Total.....	E.C.\$ 133.3	E.C.\$ 112.7
Total liabilities and equity	E.C.\$ 1,763.3	E.C.\$ 1,877.2

Source: Eastern Caribbean Central Bank 2004/2005 Annual Report

Consolidated Statement of Income the Eastern Caribbean Central Bank

	Year ended March 31,	
	2004	2005
	<i>(in millions of E.C.\$)</i>	
Interest income.....	E.C.\$ 41.3	E.C.\$ 42.6
Interest expense	(1.9)	(2.9)
Net interest income	E.C.\$ 39.4	E.C.\$ 39.7
Fee and commission income.....	E.C.\$ 12.1	E.C.\$ 12.6
(Losses) gains on disposal of securities	14.9	(2.0)
Other income	0.2	0.4
Operating income.....	66.6	50.7
Operating expenses:		
Salaries, pensions and other staff benefits.....	E.C.\$ 26.2	E.C.\$ 24.8
Currency expenses	4.8	4.0
Losses on foreign exchange	1.1	1.9
Depreciation	3.3	2.5
Administration and general expenses.....	17.1	16.4
Total operating expenses	52.5	49.6
Operating profit	E.C.\$ 14.1	E.C.\$ 1.1
Share of profit of associates	(0.1)	0.2
Profit for the year.....	E.C.\$ 14.0	E.C.\$ 1.3

Source: Eastern Caribbean Central Bank 2004/2005 Annual Report

Banks and Financial Institutions

Banks in Grenada are governed by the Banking Act of 1993. The Government believes that Grenada has a relatively well-developed financial system of banks and non-bank financial intermediaries. At the end of 2004, there were five regulated and licensed onshore commercial banks and several non-bank financial intermediaries, including finance companies, trust companies, insurance companies, mortgage companies, mutual funds and credit unions. The five onshore banks in Grenada at the end of 2004 were:

- National Commercial Bank;
- Scotiabank;
- RBTT Bank (Grenada);
- FirstCaribbean International Bank; and
- the Grenada Co-operative Bank.

Scotiabank is a branch of a foreign bank located outside of the Caribbean region, RBTT Bank (Grenada) and National Commercial Bank are owned by banks based in Trinidad and Tobago, FirstCaribbean International Bank is based in Barbados, while Grenada Co-operative Bank is a Grenadian

bank. The five commercial banks manage a network of branches in Grenada and provide loans to all sectors of the economy.

The following tables set forth information concerning deposits with commercial banks in Grenada as of December 31 of the years indicated.

Commercial Bank Deposits by Deposit Type

	As of December 31,				
	2000	2001	2002	2003	2004
	<i>(in millions of E.C.\$)</i>				
Demands	E.C.\$ 162.9	E.C.\$ 166.5	E.C.\$ 212.4	E.C.\$ 225.6	E.C.\$ 411.9
Savings.....	611.6	667.9	783.3	875.9	1,088.0
Time.....	355.8	412.6	398.7	380.7	368.3
Foreign currency.....	91.7	97.5	102.8	117.3	115.5
Total	<u>E.C.\$1,222.0</u>	<u>E.C.\$1,344.5</u>	<u>E.C.\$1,497.2</u>	<u>E.C.\$1,599.5</u>	<u>E.C.\$1,979.7</u>

Source: Ministry of Finance

Commercial Bank Deposits by Depositor Type

	As of December 31,				
	2000	2001	2002	2003	2004
	<i>(in millions of E.C.\$)</i>				
Resident	E.C.\$ 1,052.5	E.C.\$1,157.8	E.C.\$ 1,285.6	E.C.\$ 1,353.1	E.C.\$ 1,654.8
Central government	31.1	16.6	20.8	24.9	50.1
Other public sectors	64.0	68.7	104.8	91.6	112.8
Business firms.....	116.1	163.2	137.1	126.2	144.6
Households	729.7	782.2	875.7	953.5	1,147.5
Non-bank financial institutions	37.7	46.2	62.8	57.5	105.2
Foreign currency.....	73.9	80.9	84.4	99.4	94.5
Non-resident	169.4	186.6	211.6	246.4	324.9
Total.....	<u>E.C.\$ 1,222.0</u>	<u>E.C.\$1,344.5</u>	<u>E.C.\$ 1,497.2</u>	<u>E.C.\$ 1,599.5</u>	<u>E.C.\$ 1,979.7</u>

Source: Ministry of Finance

Liquidity and Interest Rates

Interest rates in Grenada are influenced by the discount rate and reserve requirements imposed by the Eastern Caribbean Central Bank (ECCB). Historically, interest rates throughout the member states of the ECCB have been similar. The ECCB requires that onshore commercial banks in the currency union offer at least 3% interest on savings deposits in order to promote saving in the region.

Unlike commercial banks, the activities of non-bank financial intermediaries tend to be highly specialized. Trust and finance companies attract medium-term deposits for financing commercial and residential mortgages and also perform a variety of trust activities. Credit unions provide loans to their members, while insurance companies invest a portion of their funds in commercial loans and residential mortgages. Non-bank credit unions and insurance companies are regulated under different regimes. The Department of Co-operatives regulates non-bank credit unions and the Ministry of Finance regulates insurance companies.

A new regulatory body is expected to be established in Grenada by the end of 2005 to regulate all non-bank financial institutions.

The following table sets forth selected interest rates as of December 31 of the years indicated.

Commercial Bank Loan Interest Rates

	As of December 31,				
	2000	2001	2002	2003	2004
	<i>(annual percentage)</i>				
Savings deposits.....	4.0-6.0%	4.0-6.0%	3.0-6.5%	3.0-6.0%	3.0-5.5%
Loans					
Prime.....	9.5-10.5	9.5-10.5	8.5-10.5	8.5-9.5	8.5-9.5
Other lending rates.....	9.5-16.0	9.5-16.0	8.5-16.0	8.5-16.0	8.5-16.0

Source: Eastern Caribbean Central Bank

Capital Markets

Grenada has a relatively small capital market. Short and medium term debt instruments issued by Grenada represent the principal instruments available to investors. See "Economy—Public Debt".

The ECCB established the Eastern Caribbean Securities Exchange Ltd. (ECSE), licensed under the Eastern Caribbean Securities Act 2001, in October 2001. The exchange was established to facilitate the trading of financial products, including corporate stocks, bonds and government securities. At present, nine companies are listed and active on the exchange: The Bank of Nevis Ltd., the Eastern Caribbean Financial Holding Co. Ltd. (a holding company for the Bank of St. Lucia), St. Lucia Electricity Services Ltd., St. Kitts Nevis Anguilla Trading and Development Company Ltd., Dominica Electricity Services Ltd., St. Kitts Nevis Anguilla National Bank Ltd., S.L. Horsford and Company Ltd., GraceKennedy Ltd., and FirstCaribbean International Bank Ltd. As a private-sector owned and controlled institution, the ECSE is regulated by the Eastern Caribbean Securities Regulatory Commission (ECSRC) but is empowered to self-regulate its members and establishes its own rules and guidelines. The Eastern Caribbean Central Securities Depository (ECCSD) provides clearance and settlement of trades transacted on the ECSE. Currently, the ECSRC has authorized nine market intermediaries to trade on behalf of investors.

The ECCB developed a Regional Government Securities Market (RGSM) to complement the ECSE. The RGSM facilitates the regional trading of treasury bills and bonds of the member states of the ECCB. The Government believes that the regional government securities market allows for more competitive trading of government debt instruments and has resulted in lower borrowing costs for Grenada. Currently Grenada has one issue on the RGSM, an E.C. dollar denominated Treasury bill.

TERMS AND CONDITIONS OF THE NEW BONDS

Terms and Conditions of the New U.S.\$ Bonds

This section of this offering memorandum sets forth the text of the Terms and Conditions of the New U.S.\$ Bonds. Grenada urges you to read the indenture for a complete description of Grenada's obligations and your rights as a holder of the New U.S.\$ Bonds.

1. General. (a) This Security is one of a duly authorized series of debt securities of Grenada, designated as its "U.S. Dollar Bonds Due 2025" (each Security of this series, a "Security" and, collectively, the "Securities"), and issued or to be issued in one or more series pursuant to a Trust Indenture among Grenada and JPMorgan Chase Bank, N.A., as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended.

(c) The Securities are general, direct, unconditional, unsubordinated and unsecured obligations of Grenada for the payment and performance of which the full faith and credit of Grenada has been pledged and Grenada shall ensure that its obligations hereunder shall rank pari passu among themselves and with all of its other present and future unsecured and unsubordinated Debt (as defined below).

The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by one or more registered global securities (each, a "Global Security") held by or on behalf of the Depository. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

New U.S.\$ Bonds shall be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.

2. Payments. (a) Principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in New York City or, subject to applicable laws and regulations, at the office outside of the United States of a paying agent, by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in New York City. Payment of interest (including Additional Amounts (as defined below)) on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such interest payment date; provided, however, that if and to the extent Grenada shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by Grenada by notice, as provided in Paragraph 11 hereof, by or on

behalf of Grenada to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on a Global Security shall be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the Depository at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by the Depository with a bank in New York City. Payment of interest on Certificated Securities shall be made (i) by a U.S. dollar check drawn on a bank in New York City mailed to the Holder at such Holder's registered address or (ii) upon application by the Holder of at least U.S.\$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in New York City. "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York City or St. George's, Grenada (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) All monies paid by or on behalf of Grenada to the Trustee or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Security and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of Grenada by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Grenada. Grenada shall hold those unclaimed monies in trust for the relevant Holder or Holders of the Security or Securities until such time as the claims against Grenada for payment of such amounts shall have been prescribed pursuant to Paragraph 13 hereof, and, to the extent permitted by law, the Holder or Holders of such Security or Securities shall thereafter look only to Grenada for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease.

3. Taxation. All payments by Grenada in respect of the Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Grenada or any political subdivision or taxing authority thereof or therein having power to tax, unless Grenada is compelled by law to deduct or withhold such taxes, duties, assignments or governmental charges. In such event, Grenada shall pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction; provided, however, that no such Additional Amounts shall be payable:

(a) in respect of any Security held by or on behalf of a Holder or a beneficial owner of a Security who is liable for such taxes, duties, assessments or governmental charges by reason of such Holder or beneficial owner having some present or former connection with Grenada other

than merely by the holding of such Security or by receipt of income, principal or any payments in respect thereof;

(b) in respect of any Security held by or on behalf of a Holder or a beneficial owner of such Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such Holder or beneficial owner to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Grenada, or any political subdivision or taxing authority thereof or therein, of such Holder or beneficial owner or of the Holder or beneficial owner of any interest in such Security or any rights in respect thereof, if (A) compliance is required by Grenada, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 60 days prior to the first scheduled payment date for which compliance shall be required, Grenada has notified the Trustee in writing that Holders of Securities must comply with such certification, identification, information or other reporting requirement in order to receive Additional Amounts and (C) such requirement is not materially more onerous to such Holder or beneficial owner (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal law, regulation and administration practice (such as U.S. Internal Revenue Service Forms W-8BEN and W-9);

(c) in respect of any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the Security for payment on the last day of such period of 30 days; or

(d) in respect of any payment on the Securities to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Securities.

As used in this Paragraph 3, "Relevant Date" in respect of any Security means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee on or prior to such due date) the date on which notice is duly given to the Holders in the manner described in Paragraph 11 below that such monies have been so received and are available for payment.

Grenada shall pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Grenada or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Securities or any other document or instrument referred to therein.

Grenada shall also indemnify the Holders and beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Grenada under the Securities.

Any reference to "principal" and/or "interest" in this Security shall be deemed to include any Additional Amounts which may be payable hereunder.

4. Negative Pledge Covenant of Grenada. So long as any Security shall remain Outstanding or any amount payable by Grenada under the Indenture shall remain unpaid, Grenada agrees that Grenada shall not create, incur, assume or suffer to exist any Lien (as defined below), other than any Permitted Lien (as defined below), on the assets or revenues of Grenada to secure Public Debt (as defined below), unless Grenada causes such Lien to secure equally and ratably the obligations of Grenada with respect to the Securities.

“Debt” means obligations (other than the Securities) of, or guaranteed (whether by contract, statute or otherwise) by, Grenada for borrowed money or evidenced by bonds, debentures, notes or other similar instruments.

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind, whether in effect on the date the Indenture becomes effective or at any time thereafter.

“Permitted Liens” means: (i) any Lien on property to secure Public Debt arising in the ordinary course of business to finance export, import or other trade transactions, which Public Debt matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such Public Debt was originally incurred; (ii) any Lien on property to secure Public Debt incurred solely for the purpose of financing any acquisition by Grenada (or, in the case of Public Debt guaranteed by Grenada, the obligor in respect of such debt) of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; (iii) any Lien on property arising by operation of law other than the law of Grenada (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law other than the law of Grenada) in connection with Public Debt, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers’ liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor’s activities); (iv) any Lien existing on property at the time of acquisition, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without increase in the amount thereof; (v) any Lien in existence as of the date of the issuance of the Securities; and (vi) any Lien securing Public Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public Debt and (b) the property over which such Lien is granted consists solely of such assets and revenues.

“Public Debt” means any Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without limitation, debt securities issued under the Indenture).

5. Events of Default. If one or more of the following events (“Events of Default”) shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) Grenada fails to pay principal of or interest on any of the Securities, or any Additional Amounts due in respect thereof, as and when the same shall become due and payable,

whether at maturity, upon redemption, by declaration or otherwise, and such failure continues unremedied for a period of 30 days; or

(b) Grenada fails duly to observe or perform any of the covenants or agreements provided herein or in the Indenture (in each case, other than those referred to in Paragraph 5(a) hereof), and such failure continues for a period of 60 days; or

(c) Public Debt of Grenada (other than any Eligible Claim (as defined below)) issued, or amended as to payment terms, on or after the original issuance date of the Securities, having an aggregate principal amount of not less than U.S.\$25,000,000 (or its equivalent in other currencies) shall become due and payable due to acceleration upon an event of default and such acceleration shall not have been rescinded or annulled; or

(d) Grenada or a court of proper jurisdiction shall declare a general suspension of payments or a moratorium on payment of Grenada's Public Debt (other than any Eligible Claim) issued, or amended as to payment terms, on or after the original issuance date of the Securities; or

(e) the validity of the Securities or the Indenture shall be contested in a formal administrative, legislative or judicial proceeding by Grenada or any legislative, executive or judicial body or official of Grenada which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Securities or the Indenture invalid or unenforceable, or Grenada shall deny any of its obligations hereunder or thereunder to any of the Holders, or any constitutional provision, treaty, convention, law, regulation, official communique, decree, ordinance or policy of Grenada, or any final decision by any court in Grenada having jurisdiction, shall purport to render any material provision of the Securities or the Indenture, invalid or unenforceable or shall purport to prevent or delay the performance or observance by Grenada of any of its material obligations hereunder or thereunder to any of the Holders; or

(f) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable Grenada to make or perform its material obligations under the Securities or the Indenture, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Holders; or

(g) the adoption of any applicable law, rule or regulation or any change therein which shall make it unlawful for Grenada to comply with Paragraph 3 hereof; or

(h) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Grenada in connection with any judgment (other than in respect of an Eligible Claim) for the payment of money exceeding U.S.\$50,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 consecutive days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(i) Grenada shall cease to be a member of, or eligible to use the general resources of, the International Monetary Fund, and such failure shall continue for a period of 60 days,

then in each and every such case, upon notice in writing by the Holders (the "Demanding Holders") (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Securities to Grenada, with a copy to the Trustee, of any such Event of Default and its continuance,

the Demanding Holders may declare the principal amount of all the Securities due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of Grenada, unless prior to such date all Events of Default in respect of all the Securities shall have been cured; provided that if, at any time after the principal of the Securities shall have been so declared due and payable, and before the sale of any property pursuant to any judgment or decree for the payment of monies due which shall have been obtained or entered in connection with the Securities, Grenada shall pay or shall deposit (or cause to be paid or deposited) with the Trustee a sum sufficient to pay all matured installments of interest and principal upon all the Securities which shall have become due otherwise than solely by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal of each Security at the rate of interest specified herein, to the date of such payment of interest or principal) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably incurred, and all advances made for documented expenses and legal fees, reasonably incurred by the Trustee and each predecessor Trustee, and if any and all Events of Default hereunder, other than the nonpayment of the principal of the Securities which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least 66⅔% in aggregate principal amount of the Securities then Outstanding, by written notice to Grenada and to the Trustee, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to this Paragraph 5 need not be taken at a meeting pursuant to Paragraph 6 hereof. The Trustee shall not be obligated to take any action with respect to an Event of Default under Paragraphs 5(e) and 5(f) hereof unless it shall have received written notification from Demanding Holders of 25% of the aggregate principal amount of Outstanding Securities that an Event of Default described in such Paragraphs has occurred.

Upon the occurrence of an Event of Default under this Paragraph 5, Grenada shall give written notice promptly after becoming aware thereof to the Trustee.

“Eligible Claim” means a debt security or other debt instrument or obligation of Grenada identified as a Schedule A Claim or a Schedule B Claim in the Offering Memorandum dated September 9, 2005 relating to Grenada’s offer to exchange this Security and certain other debt securities for, as applicable, eligible Schedule A Claims or Schedule B Claims.

“Offer” means Grenada’s offer to exchange this Security and certain other debt securities for Schedule A Claims and Schedule B Claims, respectively, as indicated in Grenada’s Offering Memorandum dated September 9, 2005.

6. Holders’ Meetings. (a) Grenada or the Trustee at any time may, and upon a request in writing to the Trustee made by Holders holding not less than 10% in aggregate principal amount of the Securities the Trustee shall, convene a meeting of Holders of the Securities. The Trustee shall give notice of each meeting of Holders of the Securities, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Securities a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Securities or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of Grenada and its counsel.

(b) Holders entitled to vote a majority in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum at a meeting convened for the purpose referred to above. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

Further provisions for meetings of Holders are contained in Article 10 of the Indenture.

7. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, Grenada in its discretion may execute, and upon the request of Grenada, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to Grenada and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of Grenada or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security, if so requested by Grenada, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 7(e) hereof, a Certificated Security or Securities may be changed for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.5(e) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 7(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in the City of New York or at the office of a paying agent accompanied by an executed instrument of transfer substantially as set forth in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 7 shall be borne by Grenada, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

8. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights.

9. Paying Agents; Transfer Agents; Registrar. Grenada has initially appointed the paying agents, transfer agents and registrar listed at the foot of this Security. Grenada may at any time appoint additional or other paying agents, transfer agents and registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Securities are Outstanding Grenada shall maintain in The City of New York (i) a paying agent, (ii) an office or agency where the Securities may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar acts shall be promptly given in the manner described in Paragraph 11 hereof.

10. Enforcement. No Holder of any Securities shall have any right by virtue of or by availing itself of any provision of the Indenture or the Securities to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture or the Securities, or for any other remedy hereunder or under the Securities, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of the Securities shall have made specific written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of indemnity shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.7 of the Indenture, it being understood and intended, and being expressly covenanted by every Holder of Securities with every other Holder of Securities and the Trustee, that no one or more Holder shall have any right in any manner whatever by virtue or by availing itself of any provision of the Indenture or of the Securities to affect, disturb or prejudice the rights of any other Holder of Securities or to obtain priority over or preference to any other such Holder, or to enforce any right under the Indenture or under the Securities, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of the Securities. For the protection and enforcement of this Paragraph 10, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

11. Notices. All notices to the Holders shall be published in (a) a leading newspaper having general circulation in either Grenada or the Republic of Trinidad and Tobago and (b) if and for so long as the Securities are listed on a securities exchange outside of the Eastern Caribbean region and it is required for continued listing thereon, in a leading newspaper having general circulation in the region where the securities exchange is located. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three Business Days after it has been sent.

12. Further Issues of Debt Securities. Grenada may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the Securities (or the

same except for the amount of the first interest payments) so long as the additional debt securities are consolidated and form a single series with any outstanding series.

13. Prescription. All claims against Grenada for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by applicable law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by law.

14. Debt Management. If, on any of the dates set forth below (each, a “Target Date”), the aggregate Outstanding Principal Amount (as defined below) of the Securities exceeds the amount of the Original Principal Amount (as defined below) shown opposite such Target Date (for each such Target Date, the “Maximum Amount”) then Grenada shall, on the next interest payment date immediately following such Target Date, make a partial redemption of the Securities in a principal amount equal to the difference between the Outstanding Principal Amount of the Securities on the Target Date (as notified to Grenada by the Trustee) and the Maximum Amount for that Target Date:

<u>Target Date</u>	<u>Maximum Amount of Original Principal</u>
December 31, 2021 (16 years after December 31, 2005)	80%
December 31, 2022 (17 years after December 31, 2005)	60%
December 31, 2023 (18 years after December 31, 2005)	40%
December 31, 2024 (19 years after December 31, 2005)	20%

For purposes of this Paragraph 14, “Outstanding Principal Amount” means the aggregate principal amount of the Securities outstanding on any Target Date as shown on the records of the Trustee less the amount of any further issue of Securities (as permitted by Paragraph 12 above) that have been consolidated with the Securities; and “Original Principal Amount” means the principal amount of the Securities outstanding on the date that is 60 days after original issuance (as determined by the Trustee). Not less than 30 days following each Target Date, the Trustee shall notify Grenada of the principal amount of the Securities outstanding on that date and of the amount, if any, of the partial redemption due on the next interest payment date as required by this Paragraph 14.

15. Redemption.

(a) Grenada may redeem the Bonds, in whole or in part, at any time (each, a “Redemption Date”) by giving the Trustee not less than 45 nor more than 60 days prior written notice of such Redemption Date and the principal amount of Securities to be redeemed on such date. The Trustee shall promptly notify the Holders thereof, at the expense of Grenada.

(b) In the event of a failure by Grenada to comply with any of the Debt Management provisions of Paragraph 14 hereof, Grenada shall make a mandatory partial redemption of Securities on the date, and in the amount, called for by Paragraph 14.

(c) All redemptions shall be at 100% of the principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(d) If not all Outstanding Securities are being redeemed, the Trustee shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each

Holder relative to the amount of Outstanding Securities. The Trustee shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to Grenada and each Holder.

16. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

17. Governing Law. (a) This Security and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

(b) Grenada hereby irrevocably submits to the jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Securities or the Indenture, and Grenada hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Grenada hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of Grenada. Grenada hereby irrevocably appoints its Consul General in New York City, with an office currently at the Permanent Mission of Grenada to the United Nations, 800 Second Avenue, Suite 400-K, New York, New York 10017, United States of America, as its agent (the "Process Agent") to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, except actions arising out of U.S. federal or state securities laws, brought in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York. Such service may be made by mailing or delivering a copy of such process to Grenada, in care of the Process Agent at the address specified above for the Process Agent, and Grenada hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, Grenada also irrevocably consents to the service of any and all process in any such action or proceeding in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York by the mailing of copies of such process to itself at its address specified in Section 9.4 of the Indenture. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Paragraph 17 shall affect the right of the Trustee or, in connection with legal action or proceedings by any Holder as permitted by the Indenture and this Security, any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any such Holder to bring any action or proceeding against Grenada or its property in the courts of other jurisdictions.

(d) To the extent that Grenada has or hereafter may acquire or have attributed to it any immunity under any law (other than the laws of Grenada) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Grenada hereby irrevocably waives such immunity in respect of its obligations under the Securities and the Indenture. To the extent that Grenada has or hereafter may have any immunity under the laws of Grenada (i) from jurisdiction of any court, (ii) from any legal process in the courts of Grenada (other than immunity from attachment prior to judgment and attachment in aid of execution), or (iii) from any legal process in any court other than a court of Grenada, whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise, with respect to itself or its property, Grenada hereby irrevocably waives such immunity to the fullest extent permitted by the laws of Grenada, in respect of its obligations under the Securities and the Indenture. Without limiting the generality of the foregoing, Grenada agrees that the

waivers set forth in this Paragraph 17(d) shall be to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, Grenada reserves the right to plead sovereign immunity under such Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws, and Grenada's appointment of the Process Agent does not extend to such actions.

(e) Grenada hereby irrevocably waives, to the fullest extent permitted by applicable law, any requirement or other provision of law, rule, regulation or practice that requires or otherwise establishes as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the Securities or the Indenture, the posting of any bond or the furnishing, directly or indirectly, of any other security.

18. Currency Indemnification. The obligation of Grenada to any Holder under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so). If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, Grenada agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of Grenada such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by Grenada in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

19. Warranty of Grenada. Subject to Paragraph 16 hereof, Grenada hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of Grenada enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

20. Definitive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

21. Modifications. (a) Any modification, amendment, supplement or waiver (each, a "Modification") to the Indenture or the terms and conditions of the Securities may be made or given pursuant to (i) a written action of the Holders of the Securities without the need for a meeting, or (ii) by vote of the Holders of the Securities taken at a meeting of Holders thereof, in each case in accordance with the terms of this Paragraph 21 and the other applicable provisions of the Securities and the Indenture.

(b) Modifications to the terms and conditions of the Securities, or to the Indenture insofar as it affects the Securities, may be made, and future compliance therewith may be waived,

(i) in the case of any Non-Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, or

(ii) in the case of any Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than 75% in aggregate principal amount of the Securities at the time Outstanding.

(c) If any Reserve Matter Modification pursuant to Paragraph 21(b)(ii) is sought in the context of simultaneous offer to exchange the Securities for new debt instruments of Grenada or any other Person, Grenada shall ensure that the relevant provisions of the affected Securities, as amended by such Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

(d) Any Modification consented to or approved by the Holders of the Securities pursuant to this Paragraph 21 shall be conclusive and binding on all Holders of the Securities, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Securities whether or not notation of such Modification is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Security.

(e) (i) Before seeking the consent of any Holder of a Security to a Reserve Matter Modification, Grenada shall provide to the Trustee (for onward distribution to the Holders of the Securities) the following information:

(A) a description of the economic or financial circumstances that, in Grenada's view, explain the request for the proposed Modification;

(B) if Grenada shall at the time have entered into a stand-by arrangement, arrangement under the extended Fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(C) a description of Grenada's proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debtholders) in connection with Grenada's efforts to address the situation giving rise to the requested Modification.

(ii) Prior to any vote on a Reserve Matter Modification affecting Securities pursuant to Paragraph 21(b), Grenada shall deliver to the Trustee a certificate signed by an Authorized Representative of Grenada specifying, for Grenada and each Public Sector Instrumentality (as defined below), any Securities falling within clause (D) of the definition of "Outstanding" set forth below or, if no Securities are owned or controlled by Grenada or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Grenada to this effect.

(f) For purposes of this Security,

(i) "Non-Reserve Matter" means any Modification other than a Modification constituting a Reserve Matter.

(ii) "Outstanding" means the Securities authenticated and delivered pursuant to the Indenture except:

(A) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation or held by the Trustee for reissuance but not reissued by the Trustee;

(B) Securities that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the Trustee;

(C) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the Indenture; and

(D) Securities owned or controlled directly or indirectly by Grenada or by any Public Sector Instrumentality as provided in Section 6.4 of the Indenture.

(iii) “Reserve Matter” means any Modification that would:

(A) change the date for payment of principal or premium of, or any installment of interest on, the Securities;

(B) reduce the principal amount or redemption price or premium, if any, payable under the Securities;

(C) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Securities;

(D) reduce the interest rate on the Securities;

(E) change the currency or place of payment of any amount payable under the Securities;

(F) change the obligation of Grenada to pay Additional Amounts in respect of the Securities;

(G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Paragraph 21 (and the corresponding provision of the Indenture) in respect of the Securities;

(H) authorize the Trustee, on behalf of all Holders of the Securities, to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of Grenada or any other Person; or

(I) change the *pari passu* ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Securities.

(iv) “Reserve Matter Modification” means any Modification constituting a Reserve Matter.

(v) “Public Sector Instrumentality” means any department, ministry or agency of the central government of Grenada or any corporation, trust, financial institution or other entity owned or controlled by the central government of Grenada or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint greater than 50% of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust financial institution or entity.

Terms and Conditions of the New E.C.\$ Bonds

This section of this offering memorandum sets forth the Terms and Conditions of the New E.C.\$ Bonds.

1. General. (a) The Securities are duly authorized debt securities of Grenada, designated as its "E.C. Dollar Bonds Due 2025" (each Security of this series a "Security" and, collectively, the "Securities"), and issued pursuant to a Letter of Agreement dated as of February 15, 2002, among Grenada and the Eastern Caribbean Central Bank, as fiscal agent (the "Fiscal Agent"), as amended from time to time (the "Fiscal Agency Agreement").

(b) The Securities have been authorized by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended.

(c) The Securities are general, direct, unconditional, unsubordinated and unsecured obligations of Grenada for the payment and performance of which the full faith and credit of Grenada has been pledged and Grenada shall ensure that its obligations hereunder shall rank pari passu among themselves and with all of its other present and future unsecured and unsubordinated Debt (as defined below).

(d) The Securities are in fully registered and dematerialized form, without coupons. Grenada will not issue global securities or physical securities evidencing the Securities.

(e) New E.C.\$ Bonds shall be issued in denominations of E.C.\$100 and integral multiples of E.C.\$100 in excess thereof.

(f) The Securities shall mature on September 15, 2025.

(g) The Securities shall accrue interest, payable semiannually in arrears, from September 15, 2005 at the interest rates per year set forth below:

<u>From (and including):</u>	<u>To (but excluding):</u>	<u>Interest Rate</u>
September 15, 2005	September 15, 2008	0.85%
September 15, 2008	September 15, 2011	2.00%
September 15, 2011	September 15, 2013	4.00%
September 15, 2013	September 15, 2015	5.50%
September 15, 2015	September 15, 2025	8.00%

(h) The interest payment dates on the Securities shall be each March 15 and September 15, commencing on March 15, 2006.

2. Payments. (a) Principal of the Securities shall be payable against surrender of such Securities, subject to applicable laws and regulations, at the office outside of the United States of the paying agent, by E.C. dollar check drawn on a bank in the Federation of St. Kitts and Nevis, or by transfer to a E.C. dollar account maintained by the Holder with a bank located in a territory of a participating member country of the Eastern Caribbean Central Bank. Payment of interest (including Additional Amounts (as defined below)) on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such interest payment date; provided, however, that if and to the extent Grenada shall default in

the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by Grenada by notice, as provided in Paragraph 8 hereof, by or on behalf of Grenada to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Basseterre, St. Kitts or St. George's, Grenada (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) All monies paid by or on behalf of Grenada to the Fiscal Agent or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Security and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of Grenada by the Fiscal Agent or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Grenada. Grenada shall hold those unclaimed monies in trust for the relevant Holder or Holders of the Security or Securities until such time as the claims against Grenada for payment of such amounts shall have been prescribed pursuant to Paragraph 10 hereof, and, to the extent permitted by law, the Holder or Holders of such Security or Securities shall thereafter look only to Grenada for the payment that such Holder may be entitled to collect, and all liability of the Fiscal Agent or such paying agent with respect to such monies shall thereupon cease.

3. Taxation. All payments by Grenada in respect of the Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Grenada or any political subdivision or taxing authority thereof or therein having power to tax, unless Grenada is compelled by law to deduct or withhold such taxes, duties, assignments or governmental charges. In such event, Grenada shall pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction; provided, however, that no such Additional Amounts shall be payable:

(a) in respect of any Security held by or on behalf of a Holder or a beneficial owner of a Security who is liable for such taxes, duties, assessments or governmental charges by reason of such Holder or beneficial owner having some present or former connection with Grenada other than merely by the holding of such Security or by receipt of income, principal or any payments in respect thereof;

(b) in respect of any Security held by or on behalf of a Holder or a beneficial owner of such Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such Holder or beneficial owner to comply with any certification,

identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Grenada, or any political subdivision or taxing authority thereof or therein, of such Holder or beneficial owner or of the Holder or beneficial owner of any interest in such Security or any rights in respect thereof, if (A) compliance is required by Grenada, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction and (B) at least 60 days prior to the first scheduled payment date for which compliance shall be required, Grenada has notified the Fiscal Agent in writing that Holders of Securities must comply with such certification, identification, information or other reporting requirement in order to receive Additional Amounts;

(c) in respect of any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the Security for payment on the last day of such period of 30 days; and

(d) in respect of any payment on the Securities to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Securities.

As used in this Paragraph 3, "Relevant Date" in respect of any Security means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Fiscal Agent on or prior to such due date) the date on which notice is duly given to the Holders in the manner described in Paragraph 10 below that such monies have been so received and are available for payment.

Grenada shall pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Grenada or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Securities or any other document or instrument referred to therein.

Grenada shall also indemnify the Holders and beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Grenada under the Securities.

Any reference to "principal" and/or "interest" in this Security shall be deemed to include any Additional Amounts which may be payable hereunder.

4. Negative Pledge Covenant of Grenada. So long as any Security shall remain Outstanding (as defined in Paragraph 17(f)), Grenada agrees that Grenada shall not create, incur, assume or suffer to exist any Lien (as defined below), other than any Permitted Lien (as defined below), on the assets or revenues of Grenada to secure Public Debt (as defined below), unless Grenada causes such Lien to secure equally and ratably the obligations of Grenada with respect to the Securities.

"Debt" means obligations (other than the Securities) of, or guaranteed (whether by contract, statute or otherwise) by, Grenada for borrowed money or evidenced by bonds, debentures, notes or other similar instruments.

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind, whether in effect on the original issuance date of the Securities becomes effective or at any time thereafter.

“Permitted Liens” means: (i) any Lien on property to secure Public Debt arising in the ordinary course of business to finance export, import or other trade transactions, which Public Debt matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such Public Debt was originally incurred; (ii) any Lien on property to secure Public Debt incurred solely for the purpose of financing any acquisition by Grenada (or, in the case of Public Debt guaranteed by Grenada, the obligor in respect of such debt) of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; (iii) any Lien on property arising by operation of law other than the law of Grenada (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law other than the law of Grenada) in connection with Public Debt, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers’ liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor’s activities); (iv) any Lien existing on property at the time of acquisition, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without increase in the amount thereof; (v) any Lien in existence as of the date of the issuance of the Securities; and (vi) any Lien securing Public Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project provided that (a) the holders of such Public Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public Debt and (b) the property over which such Lien is granted consists solely of such assets and revenues.

“Public Debt” means any Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without limitation, debt securities issued under the Fiscal Agency Agreement).

5. Events of Default. If one or more of the following events (“Events of Default”) shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Grenada fails to pay principal of or interest on any of the Securities, or any Additional Amounts due in respect thereof, as and when the same shall become due and payable, whether at maturity, upon redemption, by declaration or otherwise, and such failure continues unremedied for a period of 30 days; or

(b) Grenada fails duly to observe or perform any of the covenants or agreements provided herein or in the Fiscal Agency Agreement (in each case, other than those referred to in Paragraph 5(a) hereof), and such failure continues for a period of 60 days; or

(c) Public Debt of Grenada (other than any Eligible Claim (as defined below)) issued, or amended as to payment terms, on or after the original issuance date of the Securities, having an aggregate principal amount of not less than U.S.\$25,000,000 (or its equivalent in other

currencies) shall become due and payable due to acceleration upon an event of default and such acceleration shall not have been rescinded or annulled; or

(d) Grenada or a court of proper jurisdiction shall declare a general suspension of payments or a moratorium on payment of Grenada's Public Debt (other than any Eligible Claim) issued, or amended as to payment terms, on or after the original issuance date of the Securities; or

(e) the validity of the Securities or the Fiscal Agency Agreement shall be contested in a formal administrative, legislative or judicial proceeding by Grenada or any legislative, executive or judicial body or official of Grenada which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Securities or the Fiscal Agency Agreement invalid or unenforceable, or Grenada shall deny any of its obligations thereunder to any of the Holders, or any constitutional provision, treaty, convention, law, regulation, official communique, decree, ordinance or policy of Grenada, or any final decision by any court in Grenada having jurisdiction, shall purport to render any material provision of the Securities or the Fiscal Agency Agreement invalid or unenforceable or shall purport to prevent or delay the performance or observance by Grenada of any of its material obligations hereunder or thereunder to any of the Holders; or

(f) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable Grenada to make or perform its material obligations under the Securities or the Fiscal Agency Agreement, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Holders; or

(g) the adoption of any applicable law, rule or regulation or any change therein which shall make it unlawful for Grenada to comply with Paragraph 3 hereof; or

(h) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Grenada in connection with any judgment (other than in respect of an Eligible Claim) for the payment of money exceeding U.S.\$50,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 consecutive days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(i) Grenada shall cease to be a member of, or eligible to use the general resources of, the International Monetary Fund, and such failure shall continue for a period of 60 days,

then in each and every such case, upon notice in writing by the Holders (the "Demanding Holders") (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Securities to Grenada, with a copy to the Fiscal Agent, of any such Event of Default and its continuance, the Demanding Holders may declare the principal amount of all the Securities due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of Grenada, unless prior to such date all Events of Default in respect of all the Securities shall have been cured; provided that if, at any time after the principal of the Securities shall have been so declared due and payable, and before the sale of any property pursuant to any judgment or decree for the payment of monies due which shall have been obtained or entered in connection with the Securities, Grenada shall pay or shall deposit (or cause to be paid or deposited) with the Fiscal Agent a sum sufficient to pay all matured installments of interest and principal upon all the

Securities which shall have become due otherwise than solely by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal of each Security at the rate of interest specified herein, to the date of such payment of interest or principal) and such amount as shall be sufficient to cover reasonable compensation to the Fiscal Agent and each predecessor Fiscal Agent, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably incurred, and all advances made for documented expenses and legal fees, reasonably incurred by the Fiscal Agent and each predecessor Fiscal Agent, and if any and all Events of Default hereunder, other than the nonpayment of the principal of the Securities which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least 66⅔% in aggregate principal amount of the Securities then Outstanding, by written notice to Grenada and to the Fiscal Agent, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to this Paragraph 5 need not be taken at a meeting pursuant to Paragraph 6 hereof. In the case of any event of default described in clause (a) above, any Holder may by giving such written notice declare the principal amount which it holds to be immediately due and payable.

Upon the occurrence of an Event of Default under this Paragraph 5, Grenada shall give written notice promptly after becoming aware thereof to the Fiscal Agent.

“Eligible Claim” means a debt security or other debt instrument or obligation of Grenada identified as a Schedule A Claim or a Schedule B Claim in the Offering Memorandum dated September 9, 2005 relating to Grenada’s offer to exchange this Security and certain other debt securities for, as applicable, eligible Schedule A Claims or Schedule B Claims.

“Offer” means Grenada’s offer to exchange this Security and certain other debt securities for Schedule B Claims and Schedule A Claims, respectively, as indicated in Grenada’s Offering Memorandum dated September 9, 2005.

6. Holders’ Meetings. (a) Grenada or the Fiscal Agent at any time may, and upon a request in writing to the Fiscal Agent made by Holders holding not less than 10% in aggregate principal amount of the Securities the Fiscal Agent shall, convene a meeting of Holders of the Securities. The Fiscal Agent shall give notice of each meeting of Holders of the Securities, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Securities a Person shall be, as of the date reasonably set by the Fiscal Agent, (i) a Holder of one or more Securities or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Fiscal Agent and its counsel, and any representatives of Grenada and its counsel.

(b) Holders entitled to vote a majority in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum at a meeting convened for the purpose referred to above. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the

notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

7. Paying Agents; Transfer Agents; Registrar. Grenada has initially appointed the paying agents, transfer agents and registrar listed at the foot of this Security. Grenada may at any time appoint additional or other paying agents, transfer agents and registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Securities are Outstanding Grenada shall maintain in St. Kitts (i) a paying agent, and (ii) a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar acts shall be promptly given in the manner described in Paragraph 8 hereof.

8. Notices. All notices to the Holders shall be published in a leading newspaper having general circulation in either Grenada or the Republic of Trinidad and Tobago. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three Business Days after it has been sent.

9. Prescription. All claims against Grenada for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by applicable law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by law.

10. Further Issues of Debt Securities. Grenada may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the Securities (or the same except for the amount of the first interest payments) so long as the additional debt securities are consolidated and form a single series with any outstanding series.

11. Debt Management. If, on any of the dates set forth below (each, a “Target Date”), the aggregate Outstanding Principal Amount (as defined below) of the Securities exceeds the amount of the Original Principal Amount (as defined below) shown opposite such Target Date (for each such Target Date, the “Maximum Amount”) then Grenada shall, on the next interest payment date immediately following such Target Date, make a partial redemption of the Securities in a principal amount equal to the difference between the Outstanding Principal Amount of the Securities on the Target Date (as notified to Grenada by the Fiscal Agent) and the Maximum Amount for that Target Date:

<u>Target Date</u>	<u>Maximum Amount of Original Principal</u>
December 31, 2021 (16 years after December 31, 2005)	80%
December 31, 2022 (17 years after December 31, 2005)	60%
December 31, 2023 (18 years after December 31, 2005)	40%
December 31, 2024 (19 years after December 31, 2005)	20%

For purposes of this Paragraph 11, “Outstanding Principal Amount” means the aggregate principal amount of the Securities outstanding on any Target Date as shown on the records of the Fiscal Agent; and “Original Principal Amount” means the principal amount of the Securities outstanding on the date that is 60 days after original issuance (as determined by the Fiscal Agent). Not less than 30 days following each Target Date, the Fiscal Agent shall notify Grenada of the principal amount of the

Securities outstanding on that date and of the amount, if any, of the partial redemption due on the next interest payment date as required by this Paragraph 11.

12. Redemption.

(a) Grenada may redeem the Bonds, in whole or in part, at any time (each, a “Redemption Date”) by giving the Fiscal Agent not less than 45 nor more than 60 days prior written notice of such Redemption Date and the principal amount of Securities to be redeemed on such date. The Fiscal Agent (or an agent on its behalf) shall promptly notify the Holders thereof, at the expense of Grenada.

(b) In the event of a failure by Grenada to comply with any of the Debt Management provisions of Paragraph 11 hereof, Grenada shall make a mandatory partial redemption of Securities on the date, and in the amount, called for by Paragraph 11.

(c) All redemptions shall be at 100% of the principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(d) If not all Outstanding Securities are being redeemed, the Fiscal Agent (or an agent on its behalf) shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each Holder relative to the amount of Outstanding Securities. The Fiscal Agent (or an agent on its behalf) shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to Grenada and each Holder.

13. Governing Law. This Security shall be governed by, and construed in accordance with, the laws of Grenada. Under Grenada’s constitution, Grenada is subject to the jurisdiction of the Eastern Caribbean Supreme Court and actions in connection with or arising out of the New E.C.\$ Bonds or the fiscal agency agreement may be brought in this court.

14. Currency Indemnification. The obligation of Grenada to any Holder under the Securities that has obtained a court judgment affecting the Securities shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than the currency in which the Security is denominated (the “Agreement Currency”), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so). If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, Grenada agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of Grenada such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by Grenada in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

15. Warranty of Grenada. Grenada hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of Grenada enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

16. Definitive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

17. Modifications. (a) Any modification, amendment, supplement or waiver (each, a “Modification”) to the terms and conditions of the Securities may be made or given pursuant to (i) a written action of the Holders of the Securities without the need for a meeting, or (ii) by vote of the Holders of the Securities taken at a meeting of Holders thereof, in each case in accordance with the terms of this Paragraph 17 and the other applicable provisions of the Securities.

(b) Modifications to the terms and conditions of the Securities may be made, and future compliance therewith may be waived,

(i) in the case of any Non-Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than a majority in aggregate principal amount of the Securities, or

(ii) in the case of any Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than 75% in aggregate principal amount of the Securities at the time Outstanding.

(c) If any Reserve Matter Modification pursuant to Paragraph 17(b)(ii) is sought in the context of simultaneous offer to exchange the Securities for new debt instruments of Grenada or any other Person, Grenada shall ensure that the relevant provisions of the affected Securities, as amended by such Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

(d) Any Modification consented to or approved by the Holders of the Securities pursuant to this Paragraph 17 shall be conclusive and binding on all Holders of the Securities, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Securities whether or not notation of such Modification is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Security.

(e) (i) Before seeking the consent of any Holder of a Security to a Reserve Matter Modification affecting that Series, Grenada shall provide to the Fiscal Agent (for onward distribution to the Holders of the Securities) the following information:

(A) a description of the economic or financial circumstances that, in Grenada’s view, explain the request for the proposed Modification;

(B) if Grenada shall at the time have entered into a stand-by arrangement, arrangement under the extended Fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(C) a description of Grenada’s proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debtholders) in connection with Grenada’s efforts to address the situation giving rise to the requested Modification.

(ii) Prior to any vote on a Reserve Matter Modification affecting the Securities pursuant to Paragraph 17(b), Grenada shall deliver to the Fiscal Agent a certificate signed by an Authorized Representative of Grenada specifying, for Grenada and each Public Sector Instrumentality (as defined below), any Securities falling within clause (iv) of the definition of “Outstanding” set forth below or, if no Securities are owned or controlled by Grenada or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Grenada to this effect.

(f) For purposes of this Security,

(i) “Non-Reserve Matter” means any Modification other than a Modification constituting a Reserve Matter.

(ii) “Outstanding” means, in respect of the Securities, except:

(A) Securities theretofore canceled by the Fiscal Agent or delivered to the Fiscal Agent for cancellation or held by the Fiscal Agent for reissuance but not reissued by the Fiscal Agent;

(B) Securities that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the Fiscal Agent; and

(C) Securities owned or controlled directly or indirectly by Grenada or by any Public Sector Instrumentality.

(iii) “Reserve Matter” means any Modification that would:

(A) change the date for payment of principal or premium of, or any installment of interest on, the Securities;

(B) reduce the principal amount or redemption price or premium, if any, payable under the Securities;

(C) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Securities;

(D) reduce the interest rate on the Securities;

(E) change the currency or place of payment of any amount payable under the Securities;

(F) change the obligation of Grenada to pay Additional Amounts in respect of the Securities;

(G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Paragraph 17 in respect of the Securities;

(H) authorize the Fiscal Agent, on behalf of all Holders of the Securities, to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of Grenada or any other Person; or

(I) change the *pari passu* ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Securities.

(iv) “Reserve Matter Modification” means any Modification constituting a Reserve Matter.

(v) “Public Sector Instrumentality” means any department, ministry or agency of the central government of Grenada or any corporation, trust, financial institution or other entity owned or controlled by the central government of Grenada or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint greater than 50% of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust financial institution or entity.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

New U.S.\$ Bonds

The New U.S.\$ Bonds will initially be issued in the form of registered New U.S.\$ Bonds in global form, without interest coupons, as follows:

- New U.S.\$ Bonds issued to qualified institutional buyers in reliance on the private offering exemption under the Securities Act will be represented by a global New U.S.\$ Bond (each, a “*Restricted Global New U.S.\$ Bond*”); and
- New U.S.\$ Bonds issued in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a global New U.S.\$ Bond (each, a “*Regulation S Global New U.S.\$ Bond*”).

Upon issuance, each of the global New U.S.\$ Bonds will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global New U.S.\$ Bond will be limited to persons who have accounts with DTC (the “*DTC participants*”), or persons who hold interests through DTC participants. Grenada expects that under procedures established by DTC:

- upon deposit of each global New U.S.\$ Bond with DTC’s custodian, DTC will credit portions of the principal amount of the global New U.S.\$ Bond to the accounts of the DTC participants that tendered Eligible Claims on behalf of beneficial owners;
- ownership of beneficial interests in each global New U.S.\$ Bond will be shown on, and transfers of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each global New U.S.\$ Bond).

Beneficial interests in a Regulation S Global New U.S.\$ Bond will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests.

Investors may hold their interests in a Regulation S Global New U.S.\$ Bond directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in a Regulation S Global New U.S.\$ Bond through organizations other than Euroclear or Clearstream Banking that are DTC participants. Euroclear and Clearstream Banking will each appoint a DTC participant to act as its depository for the interests in a Regulation S Global New U.S.\$ Bond that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the global New U.S.\$ Bonds may not be exchanged for New U.S.\$ Bonds in physical certificated form except in the limited circumstances described below.

Each global New U.S.\$ Bond and beneficial interests in each global New U.S.\$ Bond will be subject to restrictions on transfer as described under “Notice to Investors”.

Exchanges between the Global New U.S.\$ Bonds

Beneficial interests in one global New U.S.\$ Bond of a series may generally be exchanged for interests in another global New U.S.\$ Bond of that series. Depending on whether the transfer is being made during or after the 40-day period commencing on the date of first issuance of the New U.S.\$ Bonds, and to which global New U.S.\$ Bond the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture. In addition, in the case of a transfer of interests in a global New U.S.\$ Bond to an institutional accredited investor, the trustee may require the buyer to deliver a representation letter in the form provided in the indenture that states, among other things, that the buyer is not acquiring New U.S.\$ Bonds with a view to distributing them in violation of the Securities Act.

A beneficial interest in a global New U.S.\$ Bond that is transferred to a person who takes delivery through another global New U.S.\$ Bond will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global New U.S.\$ Bond of that series.

Book-Entry Procedures for the Global New U.S.\$ Bonds

All interests in the global New U.S.\$ Bonds will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking. Grenada provides the following summaries of those operations and procedures solely for the convenience of investors that hold the New U.S.\$ Bonds. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither Grenada, the Trustee nor the Dealer Manager is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the Dealer Manager; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC’s nominee is the registered owner of a global New U.S.\$ Bond, that nominee will be considered the sole owner or holder of the New U.S.\$ Bonds of that series represented by that global

New U.S.\$ Bond for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global New U.S.\$ Bond:

- will not be entitled to have New U.S.\$ Bonds of that series represented by that global New U.S.\$ Bond registered in their names;
- will not receive or be entitled to receive physical, certificated New U.S.\$ Bonds of that series; and
- will not be considered the owners or holders of the New U.S.\$ Bonds of that series under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global New U.S.\$ Bond of that series must rely on the procedures of DTC to exercise any rights of a holder of New U.S.\$ Bonds under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the New U.S.\$ Bonds).

Payments of principal and interest with respect to the New U.S.\$ Bonds of that series represented by a global New U.S.\$ Bond will be made by the trustee to DTC's nominee as the registered holder of the global New U.S.\$ Bond. Neither Grenada nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global New U.S.\$ Bond, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global New U.S.\$ Bond will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global New U.S.\$ Bond held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global New U.S.\$ Bonds in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global New U.S.\$ Bond from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global New U.S.\$ Bond to a DTC participant will be received with value on the DTC settlement date but will be

available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the global New U.S.\$ Bonds among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither Grenada nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Bonds

New U.S.\$ Bonds of a series in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related New U.S.\$ Bonds only if:

- DTC notifies Grenada at any time that it is unwilling or unable to continue as depository for the global New U.S.\$ Bonds of that series and a successor depository is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depository is not appointed within 90 days;
- Grenada, at its option, notifies the trustee that it elects to cause the issuance of certificated New U.S.\$ Bonds of that series; or
- certain other events provided in the indenture occur.

New E.C.\$ Bonds

Grenada will issue the New E.C.\$ Bonds in electronic book-entry form on the Closing Date through the facilities of the Eastern Caribbean Central Securities Registry Ltd. (ECCSR), which will maintain a record of ownership with respect to the New E.C.\$ Bonds. Grenada will not issue global securities or physical certificates evidencing the New E.C.\$ Bonds. Investors may choose to hold their New E.C.\$ Bonds either in their own name at an account with the ECCSR or in the nominee account of a broker-dealer licensed to act as an intermediary with the Eastern Caribbean Securities Exchange Ltd. (ECSE). A list of licensed intermediaries is provided below.

Upon receipt of the issuance information from the Exchange Agent, the ECCSR will credit the accounts of the beneficial owners (for investors holding the securities directly) and the Eastern Caribbean Central Securities Depository (ECCSD) (for investors holding the securities in a nominee account with a designated broker-dealer).

Ownership of beneficial interests in the New E.C.\$ Bonds will be shown on, and transfers of ownership of those interests will be effected only through:

- records maintained by the ECCSR for investors holding the securities in their own name in an account at the ECCSR; or
- records maintained by the ECCSD with respect to interests of ECCSD participants, and the records of ECCSD participants with respect to investors holding the securities in nominee through a broker-dealer.

Application will be made to list the New E.C.\$ Bonds in the Regional Government Securities Market for trading on the ECSE. Beneficial interests in the New E.C.\$ Bonds may be transferred by private sale or, if application to list is successful, via the ECSE's secondary market for government securities.

Book-Entry Procedures for the New E.C.\$ Bonds

All interests in the New E.C.\$ Bonds will be subject to the operations and procedures of the ECCSR and ECCSD. Grenada provides the following summaries of those operations and procedures solely for the convenience of investors that hold the New E.C.\$ Bonds. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither Grenada, the Fiscal Agent nor the Dealer Manager is responsible for those operations or procedures.

The ECCSR is licensed to carry out the functions of a securities registry by the Eastern Caribbean Securities Regulatory Commission. The ECCSR was established to perform the functions of a registrar, transfer agent and paying agent for issuers of securities in a fully dematerialized environment, where ownership of securities is maintained solely in electronic book-entry format.

The ECCSD is licensed to carry out the functions of a clearing agency by the Eastern Caribbean Securities Regulatory Commission. The ECCSD was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. ECCSD's participants include securities broker-dealers and custodian institutions.

Payments of principal and interest with respect to the New E.C.\$ Bonds will be made by Grenada to the ECCSR, as paying agent for the New E.C.\$ Bonds. Neither Grenada nor the fiscal agent will have any responsibility for any aspects of the records relating to the owners of beneficial interests in the New E.C.\$ Bonds, or the payments made on account of those interests. Neither Grenada nor the fiscal agent will have any responsibility for the performance by the ECCSR, ECCSD or the ECCSD's participants of their obligations under the rules and procedures governing their operations.

If the New E.C.\$ Bonds are listed on the Regional Government Securities Market, the ECCSD will be responsible for facilitating clearance and settlement for the securities. Ownership records will continue to be maintained by the ECCSR. Intermediaries will be responsible for interfacing with prospective investors, collecting orders to buy and sell the securities and processing the same on the ECSE platform. Investors must provide intermediaries with funds to cover the cost of the transaction. The ECCSD operates a T+1 settlement cycle; i.e., trades are cleared and settled within one business day of the transaction.

Eastern Caribbean Securities Exchange Licensed Intermediaries

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St. John's Tel: 268-480-2824 Fax: 268-480-2765 Email: abibsec@candw.ag	Principal Casroy James Representative Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St. John's Tel: 268-481-4200 Fax: 268-481-4158 Email: acb@candw.ag	Principal Peter N Ashe Representatives Sharon Nathaniel Barbara Martin
Dominica		
National Mortgage Finance Company of Dominica Ltd.	64 Hillsborough Street Roseau Tel: 767-448-4401/4405 Fax: 767-448-3982 Email: ncbdom@cwdom.dm	Principal Ralph Blaize Representatives Dawn Yankey Marilyn Edwards
Grenada		
Republic Finance and Merchant Bank Ltd. (FINCOR)	NCB House Grand Anse St. George's Tel: 473-444-1875 Fax: 473-444-1879 Email: fincorec@caribsurf.com	Principals Heather Titus Wilma Williams Representatives Tarlle Francis Heather Titus Wilma Williams
St. Kitts and Nevis		
St. Kitts Nevis Anguilla National Bank Ltd.	P.O. Box 343 Central Street Basseterre Tel: 869-465-2204 Fax: 869-465-1050 Email: national_bank@sknanb.com	Principals Winston Hutchinson Anthony Galloway Representatives Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
The Bank of Nevis Ltd.	P.O. Box 450 Charlestown Nevis Tel: 869-469-5564 Fax: 869-469-5798 E mail: bon@caribsurf.com	Principals Rawlinson Isaac Hanzel Manners Representatives Lisa Jones Wanda Pinney
St. Lucia		
Bank of St. Lucia Ltd.	P.O. Box 1862 Bridge Street Castries Tel: 758-456-6000 Fax: 758-456-6190 Email: bankofsaintlucia@candw.lc	Principal Donna Matthew Beverley Henry Representatives Trevor Lamontagne Lawrence Jean
Caribbean Money Market Brokers Ltd. (CMMB St. Lucia)	P.O. Box 9 Brazil Street Castries Tel: 758-450-2662 Fax: 758-451-7984 Email: info@mycmmb.com	Principals Leslie St Louis Brent Salvary Sharmaine Rosemond Representatives Sharmaine Rosemond Leslie St Louis Vishwatee Jagroop
St. Vincent and the Grenadines		
National Commercial Bank (SVG) Ltd.	P.O. Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784-457-1844 Fax: 784-456-2612 Email: natbank@caribsurf.com	Principal Keith Inniss Representative Patricia John
Trinidad and Tobago		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain Tel: 868-623-7815/5153 Fax: 868-624-4544/9833 ; 627-2930 Email: info@mycmmb.com	Principals Brent Salvary Leslie St Louis Sharmaine Rosemond Representatives Leslie St Louis Vishwatee Jagroop Sharmaine Rosemond

NOTICE TO INVESTORS

The New Bonds of each series are subject to the following restrictions on resale. By acquiring New Bonds of a series, you will be deemed to have made the following acknowledgements, representations to and agreements with Grenada and the Dealer Manager:

In the case of New Bonds of each series:

1. You acknowledge that:
 - the New Bonds have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - unless so registered, the New Bonds may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Grenada, that you are not acting on Grenada's behalf and that either:
 - you are a qualified institutional buyer (as defined in Rule 144A) and are acquiring New Bonds for your own account or for the account of another qualified institutional buyer; or
 - you are not a U.S. person (as defined in Regulation S under the Securities Act) or acquiring for the account or benefit of a U.S. person, other than a distributor, and you are acquiring New Bonds in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither Grenada nor the Dealer Manager nor any person representing Grenada or the Dealer Manager has made any representation to you with respect to Grenada or the offering of the New Bonds of a series, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the New Bonds of either series. You agree that you have had access to such information concerning Grenada and the New Bonds as you have deemed necessary in connection with your decision to purchase New Bonds, including an opportunity to ask questions of and request information from the Government.
4. You represent that you are acquiring New Bonds of a series for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Bonds in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the New Bonds pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act.
5. **In the case of New U.S.\$ Bonds Only:**

You agree on your own behalf and on behalf of any investor account for which you are acquiring New U.S.\$ Bonds, and each subsequent holder of the New U.S.\$ Bonds by its acceptance of the New U.S.\$ Bonds will agree, that until the date that is two years after the later of the Closing Date and the last date that the Government or any of its affiliates was the owner of New U.S.\$

Bonds of a series or any predecessor of the New U.S.\$ Bonds (the “resale restriction period”), the New U.S.\$ Bonds may be offered, sold or otherwise transferred only:

- to Grenada;
- pursuant to a registration statement that has been declared effective under the Securities Act;
- for so long as the New U.S.\$ Bonds of a series are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A;
- through offers and sales that occur outside the United States within the meaning of Regulation S;
- under any other available exemption from the registration requirements of the Securities Act; or
- subject in each of the above cases, to any requirement of law that the disposition of the seller’s property or the property of an investor account or accounts be at all times within the seller or such account’s control.

You also acknowledge that:

- the above restrictions on resale will apply from the Closing Date of the offering of the New U.S.\$ Bonds until the end of the resale restriction period, and will not apply after the resale restriction period ends;
- Grenada and the trustee reserve the right to require, in connection with any offer, sale or other transfer of New U.S.\$ Bonds of a series before the resale restriction period ends under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to Grenada and the trustee; and
- each New U.S.\$ Bond will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE

PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (E) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT TO GRENADA’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

In the case of New Bonds of each series:

6. You acknowledge that Grenada, the Dealer Manager and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your acquisition of New Bonds is no longer accurate, you will promptly notify the Government and the Dealer Manager. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

Grenadian Taxation

The following discussion summarizes certain Grenadian tax considerations that may be relevant to you if you invest in the New Bonds. This summary is based on laws, regulations, rulings and decisions now in effect in Grenada, and may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax adviser about the tax consequences of holding the New Bonds, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

The following is a summary of the principal Grenadian tax consequences of the acquisition, ownership and disposition of New Bonds.

Income Taxation

Payments of interest on and principal of the New Bonds are exempt from all taxes, levies, duties or charges otherwise payable under the laws of Grenada. In the event that any such taxes, levies, duties or charges become payable in the future, holders of the New Bonds would be entitled to receive payments of additional amounts as set forth under “Additional Amounts” as defined in “Terms and Conditions of the New Bonds—New U.S.\$ Bonds—Taxation” with respect to the New U.S.\$ Bonds and in “Terms and Conditions of the New Bonds—New E.C.\$ Bonds—Taxation” with respect to the New E.C.\$ Bonds.

Gain on any sale, exchange or retirement of the New Bonds also is exempt from all taxes, levies, duties or charges otherwise payable under the laws of Grenada.

Stamp Duty

Section 35 of the Stamp Duty Act empowers the Minister of Finance to declare any amount of stamp duty not payable if the Minister of Finance determines that it would be just and equitable to do so. The Minister of Finance will issue a remission notice, pursuant to Section 35 of the Stamp Duty Act, exempting the New Bonds from stamp duty.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Grenada to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds. Contact information may be found on the back cover of this offering memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Offer Materials and the transactions contemplated thereby are restricted by law in certain jurisdictions. Persons into whose possession the offering memorandum, the Letter of Transmittal and the Letter of Acceptance come are required by Grenada to inform themselves of and to observe any of these restrictions.

The Offer Materials do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitations is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer and in which the Dealer Manager or any of their affiliates are so licensed, it shall be deemed to be made by the Dealer Manager or such affiliate on behalf of Grenada.

Bahamas

For assistance in connection with the Offer, you may contact the appropriate party listed in this offering memorandum. If you have any questions about the Offer and/or doubts about its terms and conditions, you should consult with your stockbroker, bank manager, counsel and attorney, accountant or other adviser. Neither the Government nor the Dealer Manager has expressed any opinion as to whether the terms of the Offer are fair. The value of your overall investment may go down as well as up.

The Government accepts responsibility for the information it has provided in this offering memorandum. To the best of the knowledge and belief of the Government (which has taken all reasonable care to ensure that such is the case), the information contained in the offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you are a Bahamian resident, you are subject to Bahamian Exchange Control Regulations.

Bermuda

No restrictions apply to the Offer.

Cayman Islands

NOTICE TO THE PUBLIC IN THE CAYMAN ISLANDS:

Neither the Offer nor any offer to subscribe for the Exchange Bonds may be made to the public in the Cayman Islands.

Costa Rica

The Offer has not been registered in the Republic of Costa Rica, and its public offering has not been authorized in such jurisdiction by the Suerpintendcia General de Valores. The New Bonds may not be publicly offered in Costa Rica.

The Netherlands Antilles

No restrictions apply to the Offer.

Trinidad & Tobago

No restrictions apply to the Offer.

United Kingdom

The Offer Materials are only being distributed to and are only directed at persons who fall within one or more of the following categories:

- persons who are outside the United Kingdom;
- investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “Order”);
- high net worth entities falling within Article 49(2)(a) to (d) of the Order; or
- other persons to whom it may lawfully be communicated (all such persons together being referred to as “relevant persons”).

The Offer is only available to, and any offer or agreement to subscribe for, purchase or otherwise acquire the New Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Offer Materials or any of their contents. Any holder of New Bonds who offers to exchange Eligible Claims in connection with the Offer will be deemed to represent that it is a relevant person.

United States

See jurisdictional restrictions set forth under “Notice to Investors.”

Venezuela

The New Bonds have not been registered in the Comisión Nacional de Valores of the Bolivarian Republic of Venezuela and may not be publicly offered in Venezuela.

OFFICIAL STATEMENTS

Information in this offering memorandum whose source is identified as a publication of Grenada or the Eastern Caribbean Central Bank or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Grenada. All other information contained in this offering memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state law will be passed upon for Grenada by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to Grenada.

Certain matters of Grenadian law will be passed upon for Grenada by the Attorney General of Grenada.

As to matters of Grenadian law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Attorney General of Grenada. As to matters of United States law, the Attorney General of Grenada may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP.

Certain matters of U.S. federal and New York state law will be passed upon for the Dealer Manager by Simpson Thacher & Bartlett LLP, U.S. counsel to the Dealer Manager.

Certain matters of Grenadian law will be passed upon for the Dealer Manager by Wilkinson, Wilkinson & Wilkinson, Grenadian counsel to the Dealer Manager.

As to matters of Grenadian law, Simpson Thacher & Bartlett LLP may rely on the opinion of Wilkinson, Wilkinson & Wilkinson. As to matters of U.S. federal and New York state law, Wilkinson, Wilkinson & Wilkinson may rely on the opinion of Simpson Thacher & Bartlett LLP.

(FOR TENDERS OF 9.375% NOTES DUE 2012 ONLY)

FORM OF LETTER OF TRANSMITTAL

If you require assistance, please contact the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Transmittal.

No beneficial owner of Eligible Claims may receive or review this Letter of Transmittal or participate in the Offer unless it is an “eligible holder” as defined in the Offering Memorandum.

Grenada

September 9, 2005

OFFER TO EXCHANGE

U.S. Dollar Bonds Due 2025 for Schedule A Claims and E.C. Dollar Bonds Due 2025 for Schedule B Claims

pursuant to the Offering Memorandum dated September 9, 2005 (the “Offering Memorandum”)

The Expiration Date is 3:00 p.m., New York City time, on October 7, 2005, unless extended by Grenada.

IMPORTANT: The procedures for accepting the Offer differ depending on the type of Eligible Claim being tendered. Read carefully the section entitled “Tender Procedures” in the Offering Memorandum to be sure you fully understand these procedures. This Letter of Transmittal may only be used for tenders of 9.375% Notes due 2012.

Electronic submission of this Letter of Transmittal other than as set forth in the Offering Memorandum will not constitute valid delivery. Please send only one copy of each Letter of Transmittal. Please do not send confirmation copies of any Letter of Transmittal by the same or different means.

Tender may be made only by direct participants in DTC, Euroclear and Clearstream. If you are not a direct participant, you must direct the custodial entity that holds your 9.375% Notes due 2012 to act on your behalf.

This Letter of Transmittal and the 9.375% Notes due 2012 submitted for tender should NOT be sent to Grenada nor to the Dealer Manager, or any other person that is affiliated with Grenada or the Dealer Manager.

Please submit your Letter of Transmittal and surrender the 9.375% Notes due 2012 to the Designated Clearing Systems or to the Exchange Agent, as applicable. All documents should be submitted to the Exchange Agent.

Terms defined in the Offering Memorandum and used but not otherwise defined in this Letter of Transmittal have the meanings provided to them in the Offering Memorandum.

Ladies and Gentlemen:

The undersigned hereby acknowledges that it has received and reviewed Grenada's Offering Memorandum and this Letter of Transmittal relating to the offer by Grenada to exchange its New U.S.\$ Bonds for the 9.375% Notes due 2012.

The undersigned certifies that it is the beneficial owner, or has been authorized to take the actions provided for herein by the beneficial owners, of the aggregate principal amount of the 9.375% Notes due 2012 specified in this Letter of Transmittal.

The undersigned hereby tenders to Grenada the principal amount of the 9.375% Notes due 2012 specified in this Letter of Transmittal to be exchanged for the New Bonds, in accordance with the terms and conditions described in the Offering Memorandum and this Letter of Transmittal.

The undersigned understands that validly tendered 9.375% Notes due 2012 (or defectively tendered 9.375% Notes due 2012 with respect to which defect Grenada has, or has caused to be, waived) will be deemed to have been accepted by Grenada if, as and when Grenada gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned understands that, subject to the terms and conditions in the Offering Memorandum, 9.375% Notes due 2012 properly tendered and accepted in accordance with such terms and conditions will be exchanged for New U.S.\$ Bonds. The undersigned understands that, under certain circumstances, Grenada may not be required to accept any of the 9.375% Notes due 2012 tendered (including any such 9.375% Notes due 2012 tendered after the Expiration Date). If any 9.375% Notes due 2012 are not accepted for exchange for any reason, no New U.S.\$ Bonds will be issued in respect thereof, no consideration will be paid in respect thereof, and such unexchanged 9.375% Notes due 2012 will be returned without expense to the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to surrender the 9.375% Notes due 2012 and give the representations contained herein. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or Grenada to be necessary or desirable to perfect such representations. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of this Letter of Transmittal will be determined by Grenada, in its sole discretion, which determination shall be final and binding.

No authority conferred or agreed to be conferred by this Letter of Transmittal shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

By tendering 9.375% Notes due 2012 in the Offer and executing this Letter of Transmittal, but subject to acceptance of 9.375% Notes due 2012 by Grenada for exchange, the holder and the beneficial owner of those 9.375% Notes due 2012 will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally accept the Offer in respect of the aggregate principal amount of 9.375% Notes due 2012 tendered in its Letter of Transmittal, subject to the terms and conditions of the Offer as set forth in the Offering Memorandum, and, at the time of the closing on the Closing Date, to:

- (1) sell, assign and transfer to or upon the order of Grenada or its nominee, for immediate cancellation, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all 9.375% Notes due 2012 tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against Grenada or any fiduciary, trustee, fiscal agent or other person connected

with the 9.375% Notes due 2012 arising under, from or in connection with such 9.375% Notes due 2012;

- (2) waive any and all rights with respect to all 9.375% Notes due 2012 tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such 9.375% Notes due 2012);
- (3) release and discharge Grenada and its affiliates, any fiscal agent in respect of the 9.375% Notes due 2012, the Exchange Agent and the Trustee for the New U.S.\$ Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all 9.375% Notes due 2012 tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to 9.375% Notes due 2012 tendered (other than as expressly provided for in the Offering Memorandum and this Letter of Transmittal);
- (4) constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as agent of Grenada) with respect to all 9.375% Notes due 2012 tendered, with full power of substitution, to (a) present such 9.375% Notes due 2012 and all evidences of transfer and authenticity to Grenada, or upon Grenada's order, (b) present such 9.375% Notes due 2012 for transfer of ownership on the books of Grenada, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such 9.375% Notes due 2012 and (d) receive on behalf of such holder and beneficial owner the New Bonds issued in exchange for 9.375% Notes due 2012; and
- (5) constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as agent of Grenada), and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to 9.375% Notes due 2012 tendered thereby in favor of Grenada or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such 9.375% Notes due 2012' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in Grenada or its nominees such 9.375% Notes due 2012.

The undersigned acknowledges that the New U.S.\$ Bonds offered in the Offer have not been registered under the U.S. Securities Act of 1933, as amended, or under the laws of any other jurisdiction and are not being offered to any person unless that person is an "eligible holder" (as defined in the Offering Memorandum).

The undersigned hereby:

1. if the undersigned's 9.375% Notes due 2012 are held through an account at DTC, represents that it has delivered instructions to DTC by transferring the 9.375% Notes due 2012 to the Exchange Agent's account at DTC through DTC's ATOP system;
2. if the undersigned's 9.375% Notes due 2012 are held through an account at Euroclear or Clearstream, represents that it has delivered appropriate instructions to Euroclear or

Clearstream, as the case may be, by encrypted electronic mail in accordance with their normal procedures, with respect to the 9.375% Notes due 2012 specified herein;

3. further authorizes the Exchange Agent, DTC, Euroclear or Clearstream, as the case may be, to take those actions specified in the Offering Memorandum and in instructions contained therein, with respect to the 9.375% Notes due 2012 specified herein; and
4. further authorizes the Exchange Agent to instruct DTC, Euroclear or Clearstream, as the case may be, as to the aggregate amount of the 9.375% Notes due 2012 that shall have been accepted for exchange by Grenada;

in each case, as required under Tender Procedures in the Offering Memorandum.

Each holder of 9.375% Notes due 2012, or the beneficial owner of such 9.375% Notes due 2012 on behalf of which the holder has tendered, hereby acknowledges, represents, warrants and agrees that:

1. it has received and reviewed the Offering Memorandum in its entirety;
2. it either:
 - (A) is a qualified institutional buyer (as defined in Rule 144A of the U.S. Securities Act of 1933, as amended) and is acquiring New U.S.\$ Bonds for its own account or for the account of another qualified institutional buyer; or
 - (B) is not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) nor is acquiring for the account or benefit of a U.S. person, other than a distributor, and it is acquiring New U.S.\$ Bonds in an offshore transaction in accordance with Regulation S; andit otherwise is, and will remain through Closing Date, an “eligible holder”, as defined in “Terms of the Offer—Offering Restrictions” in the Offering Memorandum;
3. it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all 9.375% Notes due 2012 tendered by it and it has full power and authority to submit this Letter of Transmittal, and has full power and authority to tender, sell, assign and transfer 9.375% Notes due 2012 tendered by it;
4. all 9.375% Notes due 2012 being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and represents and warrants that Grenada will acquire good, indefeasible and unencumbered title to such 9.375% Notes due 2012, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, on the Closing Date;
5. it will not sell, pledge, hypothecate or otherwise encumber or transfer any 9.375% Notes due 2012 tendered from the date of this Letter of Transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
6. in evaluating the Offer and in making its decision whether to participate therein by submitting a Letter of Transmittal and tendering its 9.375% Notes due 2012, it has made its own independent appraisal of the matters referred to herein and in any related

communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by Grenada, the Dealer Manager, the Exchange Agent or the Information Agent other than those contained in the Offering Memorandum (as supplemented to the Expiration Date);

7. the delivery of this Letter of Transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in the Offering Memorandum;
8. the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, this Letter of Transmittal which shall be read and construed accordingly; and
9. Grenada, the Dealer Manager, the Exchange Agent, the Information Agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and if any of the acknowledgments, representations, warranties and agreements deemed to have been made by it by its acquisition of the New U.S.\$ Bonds are no longer accurate, it will promptly notify Grenada and withdraw its tender of 9.375% Notes due 2012.

The representations and warranties and agreements of a holder tendering 9.375% Notes due 2012 shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Closing Date for the Offer.

For purposes of the Offering Memorandum and this Letter of Transmittal, the “beneficial owner” of any 9.375% Notes due 2012 shall mean any holder that exercises sole investment discretion with respect to such 9.375% Notes due 2012.

For purposes of the Offer, Grenada will be deemed to have accepted for exchange, and to have exchanged, validly tendered 9.375% Notes due 2012 if, as and when Grenada gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned acknowledges that Grenada’s acceptance of 9.375% Notes due 2012 validly tendered for exchange pursuant to any one of the procedures described under “Tender Procedures” in the Offering Memorandum and herein will constitute a binding agreement between the undersigned and Grenada upon the terms and subject to the conditions of the Offer.

This Letter of Transmittal shall be governed by and construed in accordance with the laws of the State of New York.

By submitting a Letter of Transmittal, the undersigned irrevocably and unconditionally agrees for the benefit of Grenada, the Dealer Manager, the Exchange Agent and the Information Agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Offer or any of the documents which are governed by New York state law and are referred to in the Offering Memorandum and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

INSTRUCTIONS FOR TENDERS OF 9.375% NOTES DUE 2012

Forming part of the Terms and Conditions of the Offer

1. *Delivery of Letter of Transmittal and 9.375% Notes due 2012.* This Letter of Transmittal may only be submitted with respect to 9.375% Notes due 2012 held through DTC, Euroclear or Clearstream. A properly completed and duly executed Letter of Transmittal and any other documents required by this Letter of Transmittal, must be received by any officer of the Exchange Agent who has direct responsibility for the administration of the Offer (“Authorized Officer”) of the Exchange Agent electronically through, in the case of DTC, DTC’s ATOP system, and, in the case of Euroclear or Clearstream, by Euroclear or Clearstream as described in the Offering Memorandum, prior to or at 3:00 p.m., New York City time, on the Expiration Date. The Designated Clearing Systems must receive instructions in accordance with any deadlines established by DTC, Euroclear or Clearstream. **Delivery of documents to DTC, Euroclear or Clearstream or any securities intermediary does not constitute delivery to the Exchange Agent.**

The method of delivery of this Letter of Transmittal, the 9.375% Notes due 2012 and all other required documents, including delivery through the Designated Clearing Systems, is at the option and risk of the holder and delivery will be deemed made only when actually received by an Authorized Officer of the Exchange Agent.

No alternative, conditional or contingent exchange offers will be accepted. All participating holders, by execution of this Letter of Transmittal, waive any right to receive any notice of the acceptance of their submission.

2. *Signatures on Letter of Transmittal.* The signature on this Letter of Transmittal, whether by a direct participant in a Designated Clearing System, a beneficial owner or a custodian or other representative, must correspond with the name shown in the corresponding instructions relating to the 9.375% Notes due 2012.

If this Letter of Transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Grenada of such person’s authority to so act must be submitted.

The term “instructions” as used herein means:

- with respect to the 9.375% Notes due 2012 held through DTC, a submission of 9.375% Notes due 2012 delivered through DTC’s ATOP system;
- with respect to 9.375% Notes due 2012 held through Euroclear or Clearstream, irrevocable instructions to:
 - block any attempt to transfer your 9.375% Notes due 2012 on or prior to the Closing Date; and
 - debit your account on or before the Closing Date in respect of all your 9.375% Notes due 2012 that is accepted for exchange by Grenada, upon receipt of an instruction by the Exchange Agent to receive your 9.375% Notes due 2012 for Grenada;

subject, in each case, to the automatic withdrawal of the irrevocable instructions in the event that the Offer is terminated by Grenada prior to the Expiration Date and subject to the other conditions

in the Offer, in each case as notified to DTC, Euroclear or Clearstream, by the Exchange Agent on or before the Closing Date; and

- with respect to 9.375% Notes due 2012 held through any of DTC, Euroclear or Clearstream,
 - an irrevocable authorization to disclose the name of the direct account holder and information about the foregoing instructions; and
 - a confirmation that the direct participant, custodian or beneficial owner is concurrently delivering a Letter of Transmittal submitting an offer with respect to your 9.375% Notes due 2012.

Instructions can only be delivered by direct participants in the Designated Clearing Systems.

3. *U.S. persons.* For reference in checking the box on the second page of the Signature Annex hereto, the term “U.S. persons,” as used in this Letter of Transmittal, means:

- any natural person resident in the United States;
- any partnership or corporation organized or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a U.S. person;
- any trust of which any trustee is a U.S. person;
- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; or
- any partnership or corporation if (a) organized or incorporated under the laws of any foreign jurisdiction, and (b) formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act of 1933, as amended, unless it is organized or incorporated, and owned, by accredited investors (as defined in rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

4. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance or additional copies of the Offering Memorandum or this Letter of Transmittal may be directed to the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Transmittal. A holder may also contact such holder’s broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

IMPORTANT: This Letter of Transmittal and all other required documents, must be received by an Authorized Officer of the Exchange Agent on or prior to the Expiration Date. Please ensure that you submit only one Letter of Transmittal with respect to your 9.375% Notes due 2012.

SIGNATURE ANNEX (page 1 of 2)

Grenada

**Exchange Offer of Outstanding 9.375% Notes due 2012
and Related Fiscal Agency Agreement**

1. The direct participant in DTC, Euroclear or Clearstream signing this Signature Annex is:

Clearing System: DTC Euroclear Clearstream

Name of Institution: _____

Direct Participant Account Number: _____

Contact Person: _____

Address: _____

Telephone (with international dialing code): _____

E-mail address (please print): _____

2. The undersigned, by signing and delivering this signature annex, agrees to tender the following 9.375% Notes due 2012 pursuant to the Offer and the terms and conditions of this Letter of Transmittal:

CUSIP or ISIN Number	Principal Amount Tendered (U.S.\$)	Beneficial Owner Name and Account Number

If the space above is inadequate, you may attach additional signed schedules to be part of this Letter of Transmittal by photocopying a blank copy of this page.

SIGNATURE ANNEX (page 2 of 2)

Grenada

**Exchange Offer of Outstanding 9.375% Notes due 2012
and Related Fiscal Agency Agreement**

3. The undersigned hereby makes all acknowledgments, representations, warranties and agreements described in the Letter of Transmittal to which the Signature Annex relates and, if the undersigned is a corporation, executes this document as an attorney-in-fact or duly authorized officer of such corporation.

Signature of Authorized Signatory: _____

Name of Authorized Signatory: _____

Capacity (Full Title): _____ Date: _____, 2005

Telephone Number (with country code): _____

Check here if the beneficial owner(s) of the 9.375% Notes due 2012 specified herein is or are U.S. person(s) as defined in the instructions hereto.

The person or entity signing this signature annex must (a) deliver instructions to DTC, Euroclear or Clearstream, as the case may be, in accordance with the deadlines specified by DTC, Euroclear or Clearstream; and (b) ensure that instructions can be allocated to the offer made hereby. Instructions with respect to the 9.375% Notes due 2012 must cover the entire aggregate principal amount of 9.375% Notes due 2012 in this Letter of Transmittal.

THE ISSUER

Grenada
Ministry of Finance
Financial Complex
The Carenage
St. George's
Grenada

EXCHANGE AGENT

JPMorgan Chase Bank, N.A.
Worldwide Securities Services
4 New York Plaza, Floor 15
New York, New York 10004-2413
Telephone: 212-623-5162
Facsimile: 212-623-6214 or 212-623-6207
Attention: Jack Needham,
Latin America Administration

INFORMATION AGENT

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
Telephone: 212-269-5550
Attention: Edward McCarthy

DEALER MANAGER

Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179
United States
Telephone: 877-696-BEAR (toll-free)
or 877-696-2327
or 212-272-5112
Attention: Global Liability Management

(FOR TENDERS OF ELIGIBLE CLAIMS OTHER THAN 9.375% NOTES 2012 ONLY)

FORM OF LETTER OF ACCEPTANCE

If you require assistance, please contact the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Acceptance.

No beneficial owner of Eligible Claims may receive or review this Letter of Acceptance or participate in the Offer unless it is an “eligible holder” as defined in the Offering Memorandum.

Grenada

September 9, 2005

OFFER TO EXCHANGE

U.S. Dollar Bonds Due 2025 for
Schedule A Claims

and

E.C. Dollar Bonds Due 2025 for
Schedule B Claims

AND RELATED SOLICITATION OF AUTHORIZATIONS

pursuant to the Offering Memorandum dated September 9, 2005 (the “Offering Memorandum”)

The Expiration Date is 3:00 p.m., New York City time, on October 7, 2005, unless extended by Grenada.

IMPORTANT: The procedures for accepting the Offer differ depending on the type of Eligible Claim being tendered. Read carefully the section entitled “Tender Procedures” in the Offering Memorandum to be sure you fully understand these procedures. This Letter of Acceptance may not be used for tenders of 9.375% Notes due 2012.

IMPORTANT NOTICE FOR HOLDERS OF GRENADA 8.00% DEVELOPMENT BONDS DUE 2006/ 2007 ONLY: Grenada has established special procedures for tendering Grenada 8.00% Development Bonds due 2006/ 2007 pursuant to the Offer because ownership in these bonds is determined by the bearer of the bonds. Read carefully the section entitled “Tender Procedures—Procedures for Submitting Letters of Acceptance (for Tenders of Eligible Claims OTHER THAN 9.375% Notes due 2012)” in the Offering Memorandum to be sure you fully understand these procedures.

Terms defined in the Offering Memorandum and used but not otherwise defined in this Letter of Acceptance have the meanings provided to them in the Offering Memorandum.

Ladies and Gentlemen:

The undersigned hereby acknowledges that it has received and reviewed Grenada's Offering Memorandum and this Letter of Acceptance relating to (i) the offer by Grenada to exchange its New Bonds for the Eligible Claims and (ii) the related solicitation of authorizations to vote at meetings of holders in favor of amendments to certain of the Eligible Claims and the related trust deeds.

The undersigned certifies that it is the beneficial owner, or has been authorized to take the actions provided for herein by the beneficial owner(s), of the Eligible Claims specified in this Letter of Acceptance.

The undersigned hereby tenders to Grenada the Eligible Claims specified in this Letter of Acceptance to be exchanged for the New Bonds, in accordance with the terms and conditions described in the Offering Memorandum and this Letter of Acceptance.

The undersigned understands that validly tendered Eligible Claims (or defectively tendered Eligible Claims with respect to which defect Grenada has, or has caused to be, waived) will be deemed to have been accepted by Grenada if, as and when Grenada gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned understands that, subject to the terms and conditions in the Offering Memorandum, Eligible Claims properly tendered and accepted in accordance with such terms and conditions will be exchanged for New Bonds. The undersigned understands that, under certain circumstances, Grenada may not be required to accept any of the Eligible Claims tendered (including any such Eligible Claims tendered after the Expiration Date). If any Eligible Claims are not accepted for exchange for any reason, no New Bonds will be issued in respect thereof, no consideration will be paid in respect thereof, and such unexchanged Eligible Claims will be returned without expense to the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to surrender the Eligible Claims and give the authorizations and representations contained herein. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or Grenada to be necessary or desirable to perfect such authorizations and representations. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of this Letter of Acceptance will be determined by Grenada, in its sole discretion, which determination shall be final and binding.

No authority conferred or agreed to be conferred by this Letter of Acceptance shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the authorizations provided in this Letter of Acceptance shall remain in full force and effect until and unless and to the extent that the authorizations are withdrawn in accordance with the procedures set forth in the Offering Memorandum and this Letter of Acceptance. **A valid withdrawal of tendered Eligible Claims shall be deemed a valid revocation of the related authorizations. A holder may not validly revoke its authorizations unless such holder validly withdraws such holder's previously tendered Eligible Claims.**

By tendering Eligible Claims in the Offer and executing this Letter of Acceptance, but subject to acceptance of Eligible Claims by Grenada for exchange, the holder and the beneficial owner of those Eligible Claims will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally accept the Offer in respect of the Eligible Claims tendered in its

Letter of Acceptance, subject to the terms and conditions of the Offer as set forth in the Offering Memorandum, and, at the time of the closing on the Closing Date, to:

- (1) sell, assign and transfer to or upon the order of Grenada or its nominee, for immediate cancellation, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Claims tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against Grenada or any fiduciary, trustee, fiscal agent or other person connected with the Eligible Claims arising under, from or in connection with such Eligible Claims;
- (2) waive any and all rights with respect to all Eligible Claims tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such Eligible Claims);
- (3) release and discharge Grenada and its affiliates and the fiscal agents, administrative agents and trustees in respect of the Eligible Claims, the Exchange Agent and the Trustee or Fiscal Agent, as applicable, for the New Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all Eligible Claims tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to Eligible Claims tendered (other than as expressly provided for in the Offering Memorandum and this Letter of Acceptance);
- (4) constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as agent of Grenada) with respect to all Eligible Claims tendered, with full power of substitution, to (a) present such Eligible Claims and all evidences of transfer and authenticity to Grenada, or upon Grenada's order, (b) present such Eligible Claims for transfer of ownership on any books of Grenada, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Eligible Claims and (d) receive on behalf of such holder and beneficial owner the New Bonds issued in exchange for Eligible Claims;
- (5) constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as agent of Grenada), and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Eligible Claims tendered thereby in favor of Grenada or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Eligible Claims' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in Grenada or its nominees such Eligible Claims;
- (6) **With respect to tenders of: RBTT Merchaut Bank Ltd. 7.15% Bonds due 2014, Series A; Unit Trust Corporation 7.75% Bonds due 2012, Series A, Unit**

Trust Corporation 7.45% Bonds due 2012, Series B; Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015; National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A; National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series B; and National Commercial Bank of Grenada Limited 9.75% Bonds due 2013 only:

- (i) irrevocably constitute and appoint the Exchange Agent, as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as agent of Grenada) with respect to all such Eligible Claims tendered hereby, (a) to attend, and act and vote for and in the name and on behalf of the undersigned at the bondholders meeting to consider the proposed amendments to the trust deeds under which those Eligible Claims were issued described in the Offering Memorandum (including any reconvening of, or replacement for, such meeting), with full power of substitution as if the undersigned were present at such meeting, (b) to vote in favor of the proposal to approve the proposed amendments to such Eligible Claims and the trust deeds under which those Eligible Claims were issued and (c) to take all actions desirable to cause (i) certification that the requisite votes to approve the proposed amendments have been received and (ii) the execution and delivery by Grenada and the trustee of amendments implementing the proposed amendments with respect to such Eligible Claims, all in accordance with the terms and conditions of the Offer and related solicitations of authorizations as described in the Offering Memorandum; the power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest; and
 - (ii) reimburse and indemnify the Exchange Agent for, and hold it harmless against, any loss, liability or expense (including, without limitation, counsel fees) incurred without bad faith, gross negligence or willful misconduct on the part of the Exchange Agent arising out of or in conjunction with its attendance at any meeting of bondholders and voting of, pursuant to proxies delivered to it the undersigned, Eligible Claims at such meeting of bondholders; and
- (7) **with respect to tenders of Eligible Claims that are Guaranteed Claims only:** irrevocably agree to subrogate Grenada with respect to any rights the undersigned may have against the primary obligor, or any related collateral.

The undersigned acknowledges that the New Bonds offered in the Offer have not been registered under the U.S. Securities Act of 1933, as amended, or under the laws of any other jurisdiction and are not being offered to any person unless that person is an “eligible holder” (as defined in the Offering Memorandum).

Each holder of Eligible Claims, or the beneficial owner of such Eligible Claims on behalf of which the holder has tendered, hereby acknowledges, represents, warrants and agrees that:

1. it has received and reviewed the Offering Memorandum in its entirety;

2. it either:

(A) is a qualified institutional buyer (as defined in Rule 144A of the U.S. Securities Act of 1933, as amended) and is acquiring New Bonds for its own account or for the account of another qualified institutional buyer; or

(B) is not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) nor is acquiring for the account or benefit of a U.S. person, other than a distributor, and it is acquiring New Bonds in an offshore transaction in accordance with Regulation S; and

it otherwise is, and will remain through Closing Date, an "eligible holder", as defined in "Terms of the Offer—Offering Restrictions" in the Offering Memorandum;

3. it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all Eligible Claims tendered by it and it has full power and authority to submit this Letter of Acceptance, and has full power and authority to tender, sell, assign and transfer Eligible Claims tendered by it and to grant the powers of attorney granted hereunder in respect thereof;
4. all Eligible Claims being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and represents and warrants that Grenada will acquire good, indefeasible and unencumbered title to such Eligible Claims, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, on the Closing Date;
5. it will not sell, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered from the date of this Letter of Acceptance and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
6. in evaluating the Offer and in making its decision whether to participate therein by submitting a Letter of Acceptance and tendering its Eligible Claims, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by Grenada, the Dealer Manager, the Exchange Agent or the Information Agent other than those contained in the Offering Memorandum (as supplemented to the Expiration Date);
7. the delivery of this Letter of Acceptance shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in the Offering Memorandum;
8. the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, this Letter of Acceptance which shall be read and construed accordingly; and
9. Grenada, the Dealer Manager, the Exchange Agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and

agreements, and if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the New Bonds are no longer accurate, it will promptly notify Grenada and withdraw its tender of Eligible Claims.

The representations and warranties and agreements of a holder tendering Eligible Claims shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Closing Date for the Offer.

For purposes of the Offering Memorandum and this Letter of Acceptance, the “beneficial owner” of any Eligible Claims shall mean any holder that exercises sole investment discretion with respect to such Eligible Claims.

For purposes of the Offer, Grenada will be deemed to have accepted for exchange, and to have exchanged, validly tendered Eligible Claims if, as and when Grenada gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned acknowledges that Grenada’s acceptance of Eligible Claims validly tendered for exchange pursuant to any one of the procedures described under “Tender Procedures” in the Offering Memorandum and herein will constitute a binding agreement between the undersigned and Grenada upon the terms and subject to the conditions of the Offer.

This Letter of Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

By submitting a Letter of Acceptance, the undersigned irrevocably and unconditionally agrees for the benefit of Grenada, the Dealer Manager, the Exchange Agent and the Information Agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Offer or any of the documents which are governed by New York state law and are referred to in the Offering Memorandum, and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

INSTRUCTIONS FOR TENDERS OF ELIGIBLE CLAIMS

Forming part of the Terms and Conditions of the Offer

1. *Delivery of Letter of Acceptance.* To tender Eligible Claims in the Offer, a properly completed and duly executed copy of this Letter of Acceptance must be received by an Authorized Officer of the Exchange Agent at the address set forth on the final page of this Letter of Acceptance by hand, courier, mail or facsimile transmission (with original to follow promptly by hand, courier or mail) prior to or at 3:00 p.m., New York City time, on the Expiration Date.

The method of delivery of this Letter of Acceptance and all other required documents to the Exchange Agent is at the election and risk of the holder and delivery will be deemed made only when actually received by an Authorized Officer of the Exchange Agent. In all cases, sufficient time should be allowed to assure timely delivery.

No Letter of Acceptance or other required documents should be sent to any person other than the Exchange Agent.

For holders of Grenada 8.00% Development Bonds due 2006/ 2007 only: Grenada has established special procedures for tendering Grenada 8.00% Development Bonds due 2006/ 2007 pursuant to the Offer because ownership in these bonds is determined by the bearer of the bonds. If you intend to tender your Grenada 8.00% Development Bonds due 2006/ 2007 in the Offer, you must deliver by hand your bonds and all unpaid coupons for interest payments appurtenant thereto, accompanied by a duly completed Letter of Acceptance, to an authorized official of the Ministry of Finance at the address set forth on the final page of this Letter of Acceptance. Do not send your Grenada 8.00% Development Bonds due 2006/ 2007 or any Letters of Acceptance with respect to such bonds to the Exchange Agent.

No alternative, conditional or contingent exchange offers will be accepted. All participating holders, by execution of this Letter of Acceptance, waive any right to receive any notice of the acceptance of their submission.

2. *Signature on Letter of Acceptance.* Letters of Acceptance may be signed only by the current record or registered holder or owner of the tendered Eligible Claims. Beneficial owners of Eligible Claims whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of this Letter of Acceptance on behalf of the beneficial owner. If this Letter of Acceptance is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Grenada of such person's authority to so act must be submitted.

3. *Delivery of Promissory Notes, Bearer Bonds, Interest Coupons and Other Debt Instruments.* The undersigned hereby agrees that not less than three Business Days prior to the Closing Date, the undersigned shall deliver by hand, courier or insured registered mail or insured certified mail to the Exchange Agent at the address set forth on the final page of this Letter of Acceptance the original of any debt instrument (such as a certificate or promissory note) evidencing a tendered Eligible Claim.

For holders of Grenada 8.00% Development Bonds due 2006/ 2007 only: If you intend to tender your Grenada 8.00% Development Bonds due 2006/ 2007 in the Offer, you must deliver by

hand your bonds and all unpaid coupons for interest payments appurtenant thereto, accompanied by a duly completed Letter of Acceptance, to an authorized official of the Ministry of Finance at the address set forth on the final page of this Letter of Acceptance. Do not send your Grenada 8.00% Development Bonds due 2006/ 2007 or any Letters of Acceptance with respect to such bonds to the Exchange Agent. Upon delivery of these bonds and duly completed Letters of Acceptance, as indicated herein and in the Letter of Acceptance, an authorized official of the Ministry of Finance will provide you with a receipt of delivery ("Receipt of Delivery") that will indicate your entitlement to receive New E.C.\$ Bonds at the closing of the Offer or, if the Offer is not consummated or your tender is otherwise not accepted, your entitlement to return of the Grenada 8.00% Development Bonds due 2006/2007 that you tendered in accordance with the above-mentioned procedures.

4. *Settlement of New U.S.\$ Bonds.* The undersigned hereby requests that the New U.S.\$ Bonds that, subject to the terms and conditions of the Offer, will be exchanged for the tendered Schedule A Claims on the Closing Date be credited to the account of a participant in DTC, Euroclear or Clearstream designated by the undersigned herein. Holders who do not currently have an account with a participant in DTC, Euroclear or Clearstream and who wish to tender their Schedule A Claims in exchange for New U.S.\$ Bonds should immediately contact the Information Agent or the Exchange Agent using the telephone numbers set forth on the final page of this Letter of Acceptance.

5. *Settlement of New E.C.\$ Bonds.* The undersigned hereby requests that the New E.C.\$ Bonds that, subject to the terms and conditions of the Offer, will be exchanged for the tendered Schedule B Claims on the Closing Date be credited to the holder or to the broker-dealer designated by the undersigned herein. Holders who do not currently have accounts with a broker-dealer licensed to act as an intermediary for the Eastern Caribbean Securities Exchange Ltd. and who wish to have the New E.C.\$ Bonds exchanged for their Schedule B Claims credited to an account with a broker-dealer should immediately contact one of the intermediaries listed in "Book-Entry Settlement and Clearance—New E.C.\$ Bonds" in the Offering Memorandum.

6. *Withdrawals of Tenders.* Tenders of Eligible Claims may be withdrawn, for any reason, at any time prior to 3:00 p.m., New York City time, on the Expiration Date. In order to be valid, a notice of withdrawal must specify the name of the person who tendered the Eligible Claims to be withdrawn (the "Depositor"), the name in which the Eligible Claims are registered if different from that of the Depositor, and the type and the principal amount of Eligible Claims to be withdrawn. If certificates, promissory notes have been delivered to the Exchange Agent, the name of the holder and the certificate number or numbers or any other identifying items relating to such Eligible Claims withdrawn must also be furnished to the Exchange Agent as aforesaid prior to the physical release of the certificates, promissory notes for the withdrawn Eligible Claims. The notice of withdrawal must be signed by the holder in the same manner as any Letter of Acceptance, or accompanied by evidence satisfactory to Grenada that the person withdrawing the tender has succeeded to the beneficial ownership of such Eligible Claims. Holders may not rescind withdrawals of tendered Eligible Claims. However, withdrawn Eligible Claims may be retendered by following the procedures therefore described in the Offering Memorandum and this Letter of Acceptance at any time prior to 3:00 p.m., New York City time, on the Expiration Date.

For holders of Grenada 8.00% Development Bonds due 2006/ 2007 only: If you wish to withdraw your tender of Grenada 8.00% Development Bonds Due 2006/ 2007, you must deliver by hand your Receipt of Delivery of such bonds and a notice of withdrawal as indicated above to an authorized official of the Ministry of Finance at the address set forth on the final page of the Letter of Acceptance. Do not send any Receipt of Delivery or notice of withdrawal with respect to these bonds to the Exchange Agent. Upon delivery of your Receipt of Delivery and your notice of withdrawal as indicated above, an

authorized official of the Ministry of Finance will return to you the Grenada 8.00% Development Bonds Due 2006/ 2007 indicated in such Receipt of Delivery.

7. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance or additional copies of the Offering Memorandum or this Letter of Acceptance may be directed to the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Acceptance. A holder may also contact such holder's broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

8. *Pledging the New E.C.\$ Bonds.* **If the New E.C.\$ Bonds you will receive in the Exchange Offer will be pledged as collateral, you must contact the Eastern Caribbean Central Securities Registry Ltd. (ECCSR).** The ECCSR requires that a pledge form be completed by the holder and the lending institution in order to place certain restrictions on pledged securities. You may obtain a copy of the pledge form at www.ecseonline.com. If you have questions regarding the pledging of the New E.C.\$ Bonds, you should contact the ECCSR at 869-466-7192 (telephone), 869-465-3798 (facsimile) or info@ecseonline.com (email).

IMPORTANT: This Letter of Acceptance must be received by an Authorized Officer of the Exchange Agent at or prior to 3:00 p.m. (New York City time) on the Expiration Date. Please ensure that you submit only one Letter of Acceptance with respect to your Eligible Claims specified herein.

SIGNATURE ANNEX (page 1 of 4)

GRENADA EXCHANGE OFFER

PLEASE COMPLETE THE FOLLOWING TABLE

Description of the Eligible Claims Tendered				
Name(s) and Address(es) of Record Holder(s) or Owner(s) (Please fill in, if blank)	Title/ Description of Eligible Claim	Certificate Number(s) or Other Identifying Item(s) (if applicable)	Aggregate Principal Amount Represented (in original currency)	Aggregate Principal Amount Tendered (in original currency)

Unless otherwise indicated in the column labeled “Aggregate Principal Amount Tendered” and subject to the terms and conditions of the Offer, a holder will be deemed to have tendered with respect to the entire aggregate principal amount represented by the Eligible Claims indicated in the column labeled “Aggregate Principal Amount Represented”.

CHECK HERE IF CERTIFICATES, PROMISSORY NOTES OR OTHER DEBT INSTRUMENTS REPRESENTING TENDERED ELIGIBLE CLAIMS ARE ENCLOSED HERewith.

Note: Originals of any debt instruments must be delivered by hand or insured registered mail or insured certified mail to the Exchange Agent no later than three Business Days prior to the Closing Date. **Do not send your Grenada 8.00% Development Bonds due 2006/ 2007 or any Letters of Acceptance with respect to such bonds to the Exchange Agent.** Grenada has established special procedures for tendering Grenada 8.00% Development Bonds due 2006/ 2007 pursuant to the Offer because ownership in these bonds is determined by the bearer of the bonds. Read carefully the instructions to this Letter of Acceptance to be sure you fully understand the procedures applicable to these bonds.

SIGNATURE ANNEX (page 2 of 4)

GRENADA EXCHANGE OFFER

IMPORTANT—READ CAREFULLY

The undersigned hereby makes all acknowledgments, representations, warranties, agreements and authorizations described in the Letter of Acceptance to which the Signature Annex relates and, if the undersigned is a corporation, executes this document as an attorney-in-fact or duly authorized officer of such corporation.

This Signature Annex must be signed by the record or registered holder(s) or owners exactly as the name(s) appear(s) on certificate(s) representing the tendered Eligible Claims. If this the Signature Annex is signed by an attorney-in-fact, officer of a corporation, trustee, executor, administrator, guardian or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and must submit proper evidence satisfactory to Grenada of such person's authority to so act.

SIGN HERE

Signature(s) of Holder(s) or Owners or Authorized Signatory

Dated: _____, 2005

Name(s): _____
(Please Print)

Capacity (Full Title): _____

Contact Person: _____

Address: _____

Telephone Number (with international dialing code): _____

E-mail: _____

SIGNATURE ANNEX (page 3 of 4)

GRENADA EXCHANGE OFFER

For Schedule A Claims Please Complete The Following:

Indicate whether you are a “qualified institutional buyer” or not a “U.S. person” (as defined in the U.S. Securities Act of 1933, as amended):

Qualified Institutional Buyer

Non- U.S. Person

New U.S. \$ Bonds Are To Be Credited To:

Clearing System DTC Euroclear Clearstream

Account Number(s): _____

Name of Participant: _____

Participant Number: _____

Persons participating in the Offer must notify their custodian, broker dealer, DTC, Euroclear, or Clearstream that they should expect delivery of the New U.S.\$ Bonds on the Closing Date.

SIGNATURE ANNEX (page 4 of 4)

GRENADA EXCHANGE OFFER

For Schedule B Claims Please Complete The Following:

Holder's Full Name: _____

New E.C. \$ Bonds will be held in:

Nominee name at Licensed Broker-Dealer:

Name of ECSE Broker-Dealer: _____

Holder's own name:

Holder's Account at the Eastern Caribbean Securities Registry Ltd: _____

If Holder does not have an existing account, please provide the following:

Holder's Full Mailing Address: _____

Holder's Telephone Number: _____

Holder's Fax Number: _____

Holder's Country of Citizenship/ Incorporation/ Domicile: _____

Holder is: an Individual; a Corporation; or Other (specify): _____

Note: If the New E.C.\$ Bonds will be pledged as collateral, you will need to contact the Eastern Caribbean Central Securities Registry Ltd. See the Instructions to this Letter of Acceptance.

THE ISSUER

Grenada

Ministry of Finance
Financial Complex
The Carenage
St. George's
Grenada

Telephone: 473-440-2294 or 473-440-2731
Attn: Office of the Accountant General,
Ministry of Finance

EXCHANGE AGENT

JPMorgan Chase Bank, N.A.

Worldwide Securities Services
4 New York Plaza, Floor 15
New York, New York 10004-2413
Telephone: 212-623-5162
Facsimile: 212-623-6214 or 212-623-6207
Attention: Jack Needham,
Latin American Administration

INFORMATION AGENT

D.F. King & Co., Inc.

48 Wall Street
New York, New York 10005
Telephone: 212-269-5550
Attention: Edward McCarthy

DEALER MANAGER

Bear, Stearns & Co. Inc.

383 Madison Avenue
New York, New York 10179
United States
Telephone: 877-696-BEAR (toll-free)
or 877-696-2327
or 212-272-5112
Attention: Global Liability Management

SCHEDULE A CLAIMS

<u>Type of Claim</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount as of May 31, 2005 (In U.S.\$)</u>
<i>Domestic Bonded Indebtedness:</i>				
National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series A	2004	2014	7.50%	U.S.\$ 5,500,000
<i>External Bonded Indebtedness:</i>				
9.375% Notes due 2012	2002	2012	9.375%	U.S.\$ 100,000,000
RBTT Merchant Bank Ltd. 7.15% Bonds due 2014, Series A	2004	2014	7.15%	41,500,000
Unit Trust Corporation 7.75% Bonds due 2012, Series A	2002	2012	7.75%	3,237,005
Unit Trust Corporation 7.45% Bonds due 2012, Series B	2002	2012	7.45%	7,350,904
RBTT Merchant Bank Ltd. (formerly Royal Merchant Bank and Finance Company Ltd.) 10.00% Bonds due 2012	2000	2012	10.00%	2,260,848

<u>Type of Claim</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount as of May 31, 2005 (In U.S.\$)</u>
<i>External Commercial Loans:</i>				
Wachovia Bank, N.A. (formerly South Trust Bank) St. Patrick's RC School Loan	2001	2008	Libor	U.S.\$1,007,884
Wachovia Bank, N.A. (formerly South Trust Bank) St. Patrick's RC School Loan	2001	2006	Libor	337,436
<i>Guaranteed Claims:</i>				
Grenada Development Company	N/A	N/A	N/A	U.S.\$5,650,000
Grenada Development Company	N/A	N/A	N/A	5,350,000
Garden Group Hotel	N/A	N/A	N/A	8,900,000
Intercontinental Grenada Ltd.	N/A	N/A	N/A	7,500,000

SCHEDULE B CLAIMS

<u>Type of Claim</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount as of May 31, 2005 (In E.C.\$)</u>
<i>Domestic Bonded Indebtedness:</i>				
National Insurance Scheme Bonds	1993	1998	6.00%	E.C.\$ 6,562,500
	1993	2003	6.00%	15,000,000
	1993	2008	6.00%	15,000,000
	1993	2013	6.00%	20,000,000
	1993	2018	6.00%	20,000,000
Grenada Development 8.00% Bonds due 2006/2007	1987	2006/2007	8.00%	29,484,600
National Commercial Bank of Grenada Limited 9.75% Bonds due 2013	2002	2013	9.75%	14,041,181
National Commercial Bank of Grenada Limited 7.50% Bonds due 2014, Series B	2004	2014	7.50%	12,825,000
<i>External Bonded Indebtedness:</i>				
Citibank (Trinidad & Tobago) Limited Fixed Rate Bonds due 2015	2000	2015	2000 - 2008: 9.95% 2008 - 2015: 7.75%	E.C.\$ 26,600,000

<u>Type of Claim</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount as of May 31, 2005 (In E.C.\$)</u>
RBTT Merchant Bank Ltd. (formerly Royal Merchant Bank and Finance Company Ltd.) 10.00% Bonds due 2012	2000	2012	10.00%	16,504,190
<i>Domestic Commercial Loans:</i>				
Overdraft Facilities	Renewable every six months.	Renewable every six months.	Varies depending on the lender from 9.00% to 10.00%.	E.C.\$ 38,892,373
Scotiabank (formerly Bank of Nova Scotia) Loan	2004	2009	7.00%	12,525,000
RBTT (formerly Grenada Bank of Commerce) Loan	2002	2009	7.00%	3,056,604
National Commercial Bank Loan	2002	2009	7.00%	2,948,989
FirstCaribbean International Bank (formerly Barclays Bank) Syndicated Loan	2002	2007	7.00%	2,022,664
National Commercial Bank Refinancing	1997	2006	7.00%	173,955
<i>Guaranteed Claims:</i>				
Call Centres Grenada	N/A	N/A	N/A	E.C.\$ 2,500,000

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FISCAL AGENT FOR NEW E.C.S BONDS

Eastern Caribbean Central Bank
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Basseterre, St. Kitts

PAYING AGENT, TRANSFER AGENT AND REGISTRAR FOR NEW E.C.S BONDS

Eastern Caribbean Central Securities Registry Ltd.
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GRENADA
as Issuer

and

JPMORGAN CHASE BANK, N.A.
as Trustee

TRUST INDENTURE

dated as of November 15, 2005

DEBT SECURITIES

TABLE OF CONTENTS

	Page
ARTICLE ONE DEFINITIONS	
SECTION 1.1.	Certain Terms Defined..... 1
SECTION 1.2.	New York Time 5
ARTICLE TWO THE DEBT SECURITIES	
SECTION 2.1.	Issuable in Series; Amount Unlimited 5
SECTION 2.2.	Authentication and Delivery of Debt Securities 6
SECTION 2.3.	Form of Debt Securities 7
SECTION 2.4.	Execution of Debt Securities; Certificate of Authentications..... 8
SECTION 2.5.	U.S. Book-Entry Provisions..... 8
SECTION 2.6.	Registration, Transfer and Exchange of Debt Securities 10
SECTION 2.7.	Mutilated, Defaced, Destroyed, Stolen and Lost Debt Securities; Cancellation and Destruction of Debt Securities 14
SECTION 2.8.	Restrictive Legend 14
ARTICLE THREE COVENANTS	
SECTION 3.1.	Payment of Principal and Interest 15
SECTION 3.2.	Offices for Payments..... 15
SECTION 3.3.	Appointment to Fill a Vacancy in Office of Trustee 15
SECTION 3.4.	Payments 15
SECTION 3.5.	Notice of Event of Default..... 17
SECTION 3.6.	Calculation of Original Issue Discount..... 17
ARTICLE FOUR REMEDIES OF THE TRUSTEE AND HOLDERS ON EVENT OF DEFAULT	
SECTION 4.1.	Collection of Indebtedness by Trustee; Trustee May Prove Debt..... 17
SECTION 4.2.	Application of Proceeds 18
SECTION 4.3.	Suits for Enforcement 19
SECTION 4.4.	Restoration of Rights on Abandonment of Proceedings..... 19
SECTION 4.5.	Limitations on Suits by Holders 19

TABLE OF CONTENTS
(continued)

	Page
SECTION 4.6.	Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default 20
SECTION 4.7.	Control by Holders..... 20
SECTION 4.8.	Payments After a Default..... 21
ARTICLE FIVE CONCERNING THE TRUSTEE	
SECTION 5.1.	Duties and Responsibilities of the Trustee..... 21
SECTION 5.2.	Certain Rights of the Trustee 22
SECTION 5.3.	Trustee Not Responsible for Recitals, Disposition of Debt Securities or Application of Proceeds Thereof 24
SECTION 5.4.	Trustee May Hold Debt Securities; Collections 24
SECTION 5.5.	Monies Held by Trustee..... 24
SECTION 5.6.	Compensation and Indemnification of Trustee and Its Prior Claim..... 24
SECTION 5.7.	Right of Trustee to Rely on Official’s Certificate 25
SECTION 5.8.	Persons Eligible for Appointment as Trustee 25
SECTION 5.9.	Resignation and Removal; Appointment of Successor Trustee..... 25
SECTION 5.10.	Acceptance of Appointment by Successor Trustee 26
SECTION 5.11.	Merger, Conversion, Consolidation or Succession to Business of Trustee 27
SECTION 5.12.	Appointment of Co-Trustee 28
ARTICLE SIX CONCERNING THE HOLDERS	
SECTION 6.1.	Evidence of Action Taken by Holders..... 29
SECTION 6.2.	Proof of Execution of Instruments and of Holding of Debt Securities..... 29
SECTION 6.3.	Holdings to Be Treated as Owners 29
SECTION 6.4.	Debt Securities Owned by Grenada or Any Public Sector Instrumentalities Deemed Not Outstanding..... 30
SECTION 6.5.	Right of Revocation of Action Taken 30

TABLE OF CONTENTS
(continued)

Page

ARTICLE SEVEN
SUPPLEMENTAL INDENTURES

SECTION 7.1.	Supplemental Indentures Without Consent of Holders	31
SECTION 7.2.	Supplemental Indentures With Consent of Holders.....	31
SECTION 7.3.	Effect of Supplemental Indenture	32
SECTION 7.4.	Documents to Be Given to Trustee.....	32
SECTION 7.5.	Notation on Debt Securities in Respect of Supplemental Indentures.....	32

ARTICLE EIGHT

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONIES

SECTION 8.1.	Satisfaction and Discharge of Indenture	33
SECTION 8.2.	Application by Trustee of Funds Deposited for Payment of Debt Securities	33
SECTION 8.3.	Repayment of Monies Held by Paying Agent	33
SECTION 8.4.	Return of Monies Held by Trustee or Other Paying Agent	34

ARTICLE NINE
MISCELLANEOUS PROVISIONS

SECTION 9.1.	Officials of Grenada Exempt from Individual Liability	34
SECTION 9.2.	Provisions of Indenture for the Sole Benefit of Parties and Holders.....	34
SECTION 9.3.	Successors and Assigns of Grenada Bound by Indenture.....	34
SECTION 9.4.	Notices and Demands on Trustee and Holders	34
SECTION 9.5.	Officials' Certificates and Opinions of Counsel; Statements to Be Contained Therein	35
SECTION 9.6.	Payments Due on Non-Business Days.....	36
SECTION 9.7.	Governing Law; Consent to Jurisdiction; Waiver of Immunities	36
SECTION 9.8.	Counterparts.....	37
SECTION 9.9.	Waiver of Jury Trial.....	37
SECTION 9.10.	Effect of Headings	37

ARTICLE TEN
PROVISIONS FOR MEETINGS OF HOLDERS

SECTION 10.1.	Meeting of Holders	38
---------------	--------------------------	----

TABLE OF CONTENTS
(continued)

Page

ARTICLE ELEVEN
MODIFICATIONS

SECTION 11.1.	Modifications	39
SECTION 11.2.	Modifications Affecting Debt Securities of a Single Series	39
SECTION 11.3.	Modifications in the Context of Exchange Offers	40
SECTION 11.4.	Reopening and New Issuance of Debt Securities	40
SECTION 11.5.	Binding Effect.....	40
SECTION 11.6.	Information	40
SECTION 11.7.	Documents to be Given to the Trustee.....	41
SECTION 11.8.	Certain Definitions.....	41
EXHIBIT A	Form of Debt Security	
EXHIBIT B	Form of Regulation S Debt Securities Certificate	
EXHIBIT C	Form of Restricted Debt Securities Certificate	
EXHIBIT D	Form of Unrestricted Debt Securities Certificate	
EXHIBIT E	Form of Authorization	
EXHIBIT F	Form of Incumbency Certificate	

THIS TRUST INDENTURE (the "Indenture"), dated as of November 15, 2005 among GRENADA and JPMORGAN CHASE BANK, N.A., a national banking association, as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, Grenada has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debentures, notes, bonds or other evidences of indebtedness (herein generally called the "Debt Securities"), to be issued in one or more series (each, a "Series"), including, but not limited to, the U.S. Dollar Bonds due 2025 (the "New U.S.\$ Bonds"), as provided in this Indenture;

WHEREAS, the New U.S.\$ Bonds are being issued in connection with an exchange offer transaction (the "Exchange Offer") pursuant to which Grenada is exchanging the New U.S.\$ Bonds for certain of its outstanding U.S. Dollar denominated indebtedness, which are being tendered in accordance with the terms of Grenada's Offering Memorandum, dated September 9, 2005, as amended by the Supplement thereto, dated October 5, 2005 (the "Offering Memorandum"); and

WHEREAS, all things necessary have been done to make this Indenture a valid agreement of Grenada in accordance with its terms;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Debt Securities by the Holders (as defined below) thereof from time to time, including the tender by holders thereof of the above-referenced outstanding indebtedness of Grenada in exchange for the New U.S.\$ Bonds pursuant to the Exchange Offer, each of Grenada and the Trustee mutually covenant and agree, for the equal and proportionate benefit of all Holders from time to time of the Debt Securities, as follows:

ARTICLE ONE

DEFINITIONS

SECTION 1.1. Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"Additional Amounts" shall have the meaning set forth in paragraph 3(a) of the Terms of the Debt Securities.

"Agent Members" shall have the meaning set forth in Section 2.5.

"Applicable Procedures" shall have the meaning set forth in Section 2.6(b).

“Authorized Officer” shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee who shall have direct responsibility for the administration of this Indenture, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject.

“Authorized Representatives” means the individuals designated from time to time by Grenada, which term shall not include any individual who is not an official of Grenada or who does not have a general power of attorney to act on behalf of Grenada.

“Authorization” shall have the meaning set forth in Section 2.1(b).

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York City or St. George’s, Grenada (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

“Certificated Securities” shall have the meaning set forth in Section 2.6(f).

“Clearstream” means Clearstream Banking, société anonyme.

“Corporate Trust Office” means the principal corporate trust office of the Trustee, which at the date of execution hereof is located at 4 New York Plaza, 15th Floor, New York, NY 10004-2413, Attn: Worldwide Securities Services.

“Debt Securities” has the meaning stated in the first recital of this Indenture and more particularly means any Debt Securities authenticated and delivered under this Indenture.

“Depository” means, with respect to the Debt Securities of any Series issued in whole or in part in the form of one or more Global Securities, DTC or such other Person as shall be designated as Depository by Grenada on behalf of Grenada until a successor Depository shall have been appointed pursuant to the applicable provision of this Indenture, and thereafter “Depository” shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, “Depository” as used with respect to the Debt Securities of any Series shall mean the Depository with respect to the Debt Securities of such Series.

“Distribution Compliance Period” shall have the meaning set forth in Section 2.3(a).

“DTC” means The Depository Trust Company of New York, a New York corporation.

“Event of Default”, in respect of any Series of Debt Securities, means any event or condition specified as such in the terms and conditions for such Series attached hereto as Exhibit A.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Exchange Offer” shall have the meaning set forth in the introductory paragraphs of this Indenture.

“Global Security” means a Debt Security evidencing all or part of a Series of Debt Securities, issued to the Depository for such Series in accordance with Article Two and bearing the legend prescribed in Section 2.5.

“Holder” means the Person in whose name a Debt Security is registered in the Register.

“Immunities Act” shall have the meaning set forth in Section 9.7(d).

“Incumbency Certificate” shall have the meaning set forth in Section 2.4(a).

“Indenture” means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented and, unless the context otherwise requires, shall include the terms and conditions of a particular Series of Debt Securities established pursuant to Section 2.1(b).

“Majority” means greater than 50%.

“Modification” shall have the meaning set forth in Section 11.1.

“New U.S.\$ Bonds” shall have the meaning set forth in the introductory paragraphs of this Indenture.

“Non-Reserve Matter” shall have the meaning set forth in Section 11.8(a).

“Offering Memorandum” shall have the meaning set forth in the introductory paragraphs of this Indenture.

“Official’s Certificate” means, as the context requires, a certificate signed by the appropriate Authorized Representative of Grenada.

“Opinion of Counsel” means an opinion in writing signed by legal counsel who is an employee of or counsel to Grenada or the Trustee, as applicable.

“Outstanding” shall have the meaning set forth in Section 11.8(b).

“Payment Date” shall have the meaning set forth in Section 3.4(a).

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Process Agent” shall have the meaning set forth in Section 9.7(b).

“Public Sector Instrumentality” shall have the meaning set forth in Section 6.4(a).

“Qualified Institutional Buyer” means a qualified institutional buyer within the meaning of Rule 144A.

“Register” shall have the meaning set forth in Section 2.6(a).

“Registrar” shall have the meaning set forth in Section 2.6(a).

“Regulation S” means Regulation S under the Securities Act.

“Regulation S Debt Securities” shall have the meaning set forth in Section 2.3(a).

“Regulation S Global Security” shall have the meaning set forth in Section 2.3(a).

“Reserve Matter Modification” shall have the meaning shall have the meaning set forth in Section 11.8(d).

“Reserve Matter” shall have the meaning set forth in Section 11.8(c).

“Restrictive Legend” shall have the meaning set forth in Section 2.8.

“Restricted Debt Securities” shall have the meaning set forth in Section 2.3(c).

“Restricted Global Security” shall have the meaning set forth in Section 2.3(b).

“Restricted Global Securities Certificate” shall have the meaning set forth in Section 2.6(b)(ii).

“Rule 144” means Rule 144 under the Securities Act.

“Rule 144A” means Rule 144A under the Securities Act.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Series” shall have the meaning stated in the recitals of this Indenture.

“Successor Debt Security” shall have the meaning set forth in Section 2.3(c).

“Terms” with respect to any Series of Debt Securities, means the terms and conditions of the Debt Securities substantially in the Form of Debt Security attached as Exhibit A hereto.

“Transfer Agent” means any one or more agents appointed by Grenada for the transfer and exchange of any Series of Debt Securities, which shall be located in New York City and at such other place or places as Grenada may determine.

“Trustee” means JPMorgan Chase Bank, N.A. until any successor trustee for any Series shall have become such pursuant to Article Five, and thereafter shall mean or include each Person who is a Trustee for one or more Series hereunder. If at any time there is more than one Trustee, then “Trustee” as used with respect to the Debt Securities of any Series shall mean the Trustee with respect to that Series.

“U.S. Dollar” or “U.S.\$” means such currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

“Unrestricted Global Security” shall have the meaning set forth in Section 2.3(a).

SECTION 1.2. New York Time. All times referred to in this Indenture or the Debt Securities are local time in The City of New York, United States of America, except as otherwise specified.

ARTICLE TWO

THE DEBT SECURITIES

SECTION 2.1. Issuable in Series; Amount Unlimited.

(a) Grenada may from time to time issue Debt Securities in one or more separate Series. The New U.S.\$ Bonds initially shall be issued in a maximum aggregate principal amount of U.S.\$ 193,542,600.00.

(b) The specific terms of each Series of Debt Securities shall be authorized by Grenada in an authorization (each, an "Authorization") substantially in the form set forth in Exhibit E hereto, executed on behalf of Grenada, which shall set forth the following with respect to that Series:

(i) the title of the Debt Securities of that Series (which shall distinguish the Debt Securities of that Series from all other Series of Debt Securities);

(ii) the limit, if any, upon the aggregate principal amount of Debt Securities of that Series that may be authenticated and delivered under this Indenture (except for Debt Securities authenticated and delivered upon transfer of, or in exchange for, or in lieu of other Debt Securities of that Series pursuant to the provisions hereof or of the Debt Securities of that Series);

(iii) the dates on which or periods during which the Debt Securities of that Series may be issued, and the dates on, or the range of dates within which, the principal of (and premium, if any, on) the Debt Securities of that Series are or may be payable;

(iv) the rate or rates or the method of determination thereof at which the Debt Securities of that Series shall bear interest, if any, the date or dates from which such interest shall accrue, the Payment Dates on which such interest shall be payable, and the method, if any, for determining the Holders of the Debt Securities of that Series to whom any such interest will be payable;

(v) the places, if any, in addition to or instead of the Corporate Trust Office of the Trustee, where the principal of (and premium, if any) and interest on Debt Securities of that Series shall be payable;

(vi) the obligation, if any, of Grenada to redeem or purchase Debt Securities of that Series pursuant to any debt management or analogous provisions or at the option of a Holder and the periods within which or the dates on which, the prices at which and the terms and conditions upon which Debt Securities of that Series shall be redeemed or repurchased, in whole or in part, pursuant to such obligation;

(vii) the periods within which or the dates on which, the prices at which and the terms and conditions upon which Debt Securities of that Series may be redeemed, if any, in whole or in part, at the option of Grenada or otherwise;

(viii) if other than denominations of any integral multiple of U.S.\$1,000, the denominations in which individual Debt Securities of that Series shall be issuable;

(ix) provisions, if any, for the defeasance of Debt Securities of that Series;

(x) the currency in which Debt Securities of that Series shall be denominated or in which payment of the principal of (and premium, if any) and interest on Debt Securities of that Series may be made and any other terms concerning such payment;

(xi) if the principal of (and, premium, if any) or interest on Debt Securities of that Series are to be payable, at the election of Grenada or a Holder thereof, in a currency other than that in which the Debt Securities are denominated or payable without such election, the periods within which and the terms and conditions upon which such election may be made and the time and the manner of determining the exchange rate between the currency in which the Debt Securities are denominated or payable without such election and the currency in which the Debt Securities are to be paid if such election is made;

(xii) any additional Events of Default or restrictive covenants provided for with respect to Debt Securities of that Series;

(xiii) any other terms of that Series (which terms shall not be inconsistent with the provisions of this Indenture); and

(xiv) CUSIP or other identifying numbers with respect to the Securities.

All Debt Securities of any one Series shall be substantially identical except as to denomination and as may otherwise be provided in the Authorization for, or any supplemental indenture with respect to, that Series.

SECTION 2.2. Authentication and Delivery of Debt Securities. Upon the execution and delivery of this Indenture, or from time to time thereafter, Debt Securities of any Series in an aggregate principal amount not in excess of such principal amount as shall have been set forth in an Authorization for such Series may be executed and delivered by Grenada to the Trustee for authentication, accompanied by an Official's Certificate of Grenada directing such authentication, and the Trustee shall thereupon authenticate and deliver such Debt Securities to or upon the written order of Grenada, signed by an Authorized Representative without any further action by Grenada. The Trustee shall have the right to decline to authenticate and deliver any Debt Securities under this Section if the Trustee determines that such action may not lawfully be taken by Grenada or if the Trustee in good faith by its board of directors, board of trustees, executive committee, a trust committee of directors or trustees, or Authorized Officers shall determine that such action would expose the Trustee to personal liability to existing Holders. If such a determination is made, the Trustee will provide prompt written notice to Grenada.

SECTION 2.3. Form of Debt Securities. (a) Debt Securities of any Series offered outside the United States in reliance on Regulation S and to be issued and delivered pursuant to Regulation S shall be initially issued in the form of one or more Global Securities in definitive, fully registered form, without interest coupons, substantially in the Form of Debt Security attached as Exhibit A hereto, with such applicable legends as are provided for in Exhibit A. Each such Global Security shall be registered in the name of Cede & Co., as nominee of DTC, and deposited with the Trustee, at its Corporate Trust Office, as custodian for DTC, duly executed by Grenada and authenticated by the Trustee as hereinafter provided, for credit to the respective accounts of DTC participants having a beneficial interest in the Global Securities. Until such time as the Distribution Compliance Period shall have terminated, each such Global Security shall be referred to herein as the "Regulation S Global Security". After such time as the Distribution Compliance Period shall have terminated, each such Global Security shall be referred to herein as the "Unrestricted Global Security". The aggregate principal amount of each such Regulation S Global Security and the Unrestricted Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC, as provided in this Indenture or in the Terms of the Debt Securities. As used herein, the term "Distribution Compliance Period" means the period of 40 consecutive days beginning on and including the later of (i) the day on which the Debt Securities of any Series are first offered in reliance on Regulation S and (ii) the day on which the settlement of the Debt Securities of such Series occurs. As used herein, the term "Regulation S Debt Securities" means all Debt Securities required to bear a Regulation S Restrictive Legend provided for in Exhibit A, including the Regulation S Global Securities.

(b) Debt Securities of any Series offered in the United States to Qualified Institutional Buyers in reliance upon an exemption from the registration requirements of the Securities Act (including, without limitation, the exemption provided by Section 4(2) of the Securities Act) and to be issued and delivered pursuant thereto shall be initially issued in the form of one or more Global Securities (the "Restricted Global Security") in definitive, fully registered form without interest coupons, substantially in the Form of Debt Security attached as Exhibit A hereto, with such applicable legends as are provided for in Exhibit A. Each such Global Security shall be registered in the name of Cede & Co., as nominee of DTC, and deposited with the Trustee, at its Corporate Trust Office, as custodian for DTC, duly executed by Grenada and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of each such Restricted Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC, as provided in this Indenture or in the Terms of the Debt Securities.

(c) As used herein, the term "Restricted Debt Securities" means all Debt Securities required to bear a restrictive legend provided for in Exhibit A, including the Regulation S Global Security and the Restricted Global Security and their Successor Debt Securities, but excluding the Unrestricted Global Security. As used herein, the term "Successor Debt Security" means, with respect to any particular Debt Security, each Debt Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Debt Security; and, for the purposes hereof, any Debt Security authenticated and delivered under pursuant to the terms of this Indenture in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debt Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Debt Security.

SECTION 2.4. Execution of Debt Securities; Certificate of Authentications.

(a) All Debt Securities shall be issued substantially in the Form of Debt Security attached hereto as Exhibit A.

(b) The Debt Securities of any Series shall be signed on behalf of Grenada by an Authorized Representative. Such signature may be the manual or facsimile signature of the Authorized Representative. With the delivery of this Indenture, Grenada is furnishing, and from time to time thereafter may furnish, a certificate substantially in the form of Exhibit F (an "Incumbency Certificate"), identifying and certifying the incumbency and specimen (and facsimile) signature(s) of the Authorized Representatives. Until the Trustee receives a subsequent Incumbency Certificate, the Trustee shall be entitled to rely on the last Incumbency Certificate delivered to it for purposes of determining the Authorized Representatives. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Debt Security which has been duly authenticated and delivered by the Trustee.

In case any Authorized Representative who shall have signed any of the Debt Securities shall cease to be an Authorized Representative before the Debt Security so signed shall be authenticated and delivered by the Trustee or disposed of by or on behalf of Grenada, such Debt Security nevertheless may be authenticated and delivered or disposed of as though the person who signed such Debt Security had not ceased to be an Authorized Representative; and any Debt Security may be signed on behalf of Grenada by such person as, at the actual date of the execution of such Debt Security, shall be an Authorized Representative, although at the date of the execution and delivery of this Indenture any such person was not an Authorized Representative.

(c) Only such Debt Securities as shall bear thereon a certification of authentication substantially as set forth below in this Section 2.4(c), executed by the Trustee by manual or facsimile signature of one of its Authorized Officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certification by the Trustee upon any Debt Security executed by or on behalf of Grenada shall be conclusive evidence that the Debt Security so authenticated has been duly authenticated and delivered hereunder and that the Holder thereof is entitled to the benefits of this Indenture.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities issued under the within-mentioned Indenture.

_____, as Trustee

Dated: _____

By _____
Authorized Officer

SECTION 2.5. U.S. Book-Entry Provisions.

(a) This Section 2.5 shall apply to all Debt Securities evidencing all or part of the Debt Securities of any Series that are registered in the name of DTC or a nominee thereof ("Global Securities").

(b) Grenada shall execute and the Trustee shall, in accordance with this Section 2.5, authenticate and deliver one or more Global Securities as required to be issued pursuant to Section 2.3 hereof, which (i) shall be registered in the name of DTC or its nominee, (ii) shall be held by the Trustee on behalf of DTC or delivered pursuant to DTC's instructions and (iii) shall bear legends substantially to the effect set forth in Section 2.5(c).

(c) Global Securities shall bear a legend substantially as follows:

“UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO GRENADA OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) THE INDENTURE, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH SECTION 2.6 OF THE INDENTURE.”

(d) Neither any members of, or participants in, DTC (“Agent Members”) nor any other Persons on whose behalf Agent Members may act (including Euroclear and Clearstream and account holders and participants therein) shall have any rights under this Indenture with respect to any Global Security registered in the name of DTC or any nominee thereof, or under any such Global Security, and DTC or such nominee, as the case may be, may be treated by Grenada, the Trustee and any agent of Grenada or the Trustee, as the absolute owner and holder of such Global Security for all purposes. Notwithstanding the foregoing, nothing herein shall prevent Grenada, the Trustee or any agent of Grenada or the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC or such nominee, as the case may be, or impair, as between DTC, its Agent Members and any other Person on whose behalf an Agent Member may

act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Debt Security.

(e) Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.6(f) hereof.

SECTION 2.6. Registration, Transfer and Exchange of Debt Securities.

(a) The Trustee, as agent of Grenada for this purpose, shall maintain at its Corporate Trust Office a register of Debt Security (the "Register") for the registration of Debt Securities and transfers and exchanges thereof. Upon presentation for transfer or exchange of any Debt Security in whole or in part at the office of any Transfer Agent accompanied by a written instrument of transfer or exchange in the form approved by Grenada (it being understood that, until notice to the contrary is given to Holders, Grenada shall be deemed to have approved the form of instrument of transfer or exchange, if any, printed on any Debt Security) and executed by the Holder, in person or by such Holder's attorney-in-fact duly authorized in writing, such Transfer Agent shall instruct the Trustee to record in the Register the portion of such Debt Security as is being transferred, and the Trustee shall authenticate and issue a new Debt Security in the name of the transferee and will cause such new Debt Security and a Debt Security evidencing any untransferred portion to be delivered to the transferor at the office of such Transfer Agent. The Trustee shall act as registrar (the "Registrar") for the purpose of registering Debt Securities and transfers and exchanges of Debt Securities as herein provided.

The Register shall also include customary notations, including, without limitation, whether particular Debt Securities have been paid or canceled, or, in the case of mutilated, defaced, destroyed, lost or stolen Debt Securities, whether such Debt Securities have been replaced.

The Trustee shall at all reasonable times during office hours make the Register available for inspection by Grenada or any Person authorized in writing by Grenada, acting on its behalf, or any Holder of Debt Securities for the purposes contemplated hereby and for the taking of copies thereof or extracts therefrom, and, at the expense of Grenada, the Trustee shall deliver to such Persons, lists of Holders of Debt Securities and their addresses and, in the case of Grenada or a Person authorized by Grenada only, their holdings of Debt Securities, in each case as such Persons may request.

(b) Notwithstanding any other provision of this Indenture, transfers and exchanges of Debt Securities and beneficial interests in a Global Security of the kind specified in this Section 2.6(b) shall be made only in accordance with this Section 2.6(b).

(i) Restricted Global Security to Regulation S Global Security. If the owner of a beneficial interest in a Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Regulation S Global Security, such transfer may be effected only in accordance with the provisions of this clause (b)(i) and clause (b)(vii) below, and subject to the Applicable Procedures (as defined below). Upon receipt by the Trustee, as Registrar, of (A) an order given by DTC or its authorized representative directing that a beneficial interest in the

Regulation S Global Security in a specified principal amount be credited to a specified Agent Member's account and that a beneficial interest in the Restricted Global Security in an equal principal amount be debited from another specified Agent Member's account and (B) a Regulation S Certificate, the form of which is set forth in Exhibit B hereto, duly executed by the Agent Member shown on the records of DTC as holding such beneficial interest in the Restricted Global Security, then the Trustee, as Registrar but subject to clause (b)(vii) below, shall reduce the principal amount of the Restricted Global Security and increase the principal amount of the Regulation S Global Security by such specified principal amount as provided in this Section 2.6(b). As used herein, the term "Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of DTC, Euroclear and Clearstream, in each case, to the extent applicable to such transaction and as in effect from time to time.

(ii) Regulation S Global Security to Restricted Global Security. If the owner of a beneficial interest in the Regulation S Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security, such transfer may be effected only in accordance with this clause (b)(ii) and subject to the Applicable Procedures. Upon receipt by the Trustee, as Registrar, of (A) an order given by DTC or its authorized representative directing that a beneficial interest in the Restricted Global Security in a specified principal amount be credited to a specified Agent Member's account and that a beneficial interest in the Regulation S Global Security in an equal principal amount be debited from another specified Agent Member's account and (B) if such transfer is to occur during (but only during) the Distribution Compliance Period, a Restricted Global Securities Certificate (a "Restricted Global Securities Certificate"), the form of which is set forth in Exhibit C hereto, duly executed by the Agent Member shown on the records of DTC as holding such beneficial interest in the Regulation S Global Security, then the Trustee, as Registrar, shall reduce the principal amount of the Regulation S Global Security and increase the principal amount of the Restricted Global Security by such specified principal amount as provided in this Section 2.6(b).

(iii) Restricted Non-Global Security to Restricted Global Security or Regulation S Global Security. If the Holder of a Restricted Security (other than a Global Security) wishes at any time to transfer all or any portion of such Debt Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security or the Regulation S Global Security, such transfer may be effected only in accordance with the provisions of this clause (b)(iii) and clause (b)(vii) below and subject to the Applicable Procedures. Upon receipt by the Trustee, as Registrar, of (A) such Debt Security and instructions satisfactory to the Trustee directing that a beneficial interest in the Restricted Global Security or Regulation S Global Security in a specified principal amount not greater than the principal amount of such Debt Security be credited to a specified Agent Member's account and (B) a Restricted Global Securities Certificate, if the specified account is to be credited with a beneficial interest in the Restricted Global Security, or a Regulation S Certificate, if the specified account is to be credited with a beneficial interest in the Regulation S Global Security, each duly executed by such Holder or his attorney duly authorized in writing, then the Trustee, as Registrar but subject to clause (b)(vii) below, shall cancel such Debt Security (and issue a new Debt Security in

respect of any untransferred portion thereof) and increase the principal amount of the Restricted Global Security or the Regulation S Global Security, as the case may be, by the specified principal amount as provided in this Section 2.6(b).

(iv) Regulation S Non-Global Security to Restricted Global Security or Regulation S Global Security. If the Holder of a Regulation S Debt Security (other than a Global Security) wishes at any time to transfer all or any portion of such Debt Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security or the Regulation S Global Security, such transfer may be effected only in accordance with this clause (b)(iv) and clause (b)(vii) below and subject to the Applicable Procedures. Upon receipt by the Trustee, as Registrar, of (A) such Debt Security as provided in this Indenture and instructions satisfactory to the Trustee directing that a beneficial interest in the Restricted Global Security or Regulation S Global Security in a specified principal amount not greater than the principal amount of such Debt Security be credited to a specified Agent Member's account and (B) if the transfer is to occur during (but only during) the Distribution Compliance Period and the specified account is to be credited with a beneficial interest in the Restricted Global Security, a Restricted Global Securities Certificate duly executed by such Holder or his attorney duly authorized in writing, then the Trustee, as Registrar but subject to clause (b)(vii) below, shall cancel such Debt Security (and issue a new Debt Security in respect of any untransferred portion thereof) and increase the principal amount of the Restricted Global Security or the Regulation S Global Security, as the case may be, by the specified principal amount as provided in this Section 2.6(b).

(v) Non-Global Debt Security to Non-Global Debt Security. A Debt Security that is not a Global Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Debt Security that is not a Global Security; provided that, if the Debt Security to be transferred in whole or in part is (I) a Restricted Debt Security or (II) a Regulation S Debt Security and the transfer is to occur during (but only during) the Distribution Compliance Period, then, in each case, the Trustee, as Registrar, shall have received (A) a Restricted Global Security Certificate, satisfactory to the Trustee and duly executed by the transferring Holder or his attorney duly authorized in writing, in which case the transferee Holder shall take delivery in the form of a Restricted Debt Security, or (B) a Regulation S Certificate, duly executed by the transferring Holder or his attorney duly authorized in writing, in which case the transferee Holder shall take delivery in the form of a Regulation S Debt Security (subject in each case to Section 2.9).

(vi) Exchange between Global Security and Non-Global Debt Security. A beneficial interest in a Global Security may be exchanged for a Debt Security that is not a Global Security as provided in this Indenture, provided that, if such interest is a beneficial interest in (I) the Restricted Global Security or (II) the Regulation S Global Security and such exchange is to occur during the Distribution Compliance Period, then, in each case, such interest shall be exchanged for a Restricted Debt Security (subject in each case to the applicable provisions of this Indenture). A Debt Security that is not a Global Security may be exchanged for a beneficial interest in a Global Security only if (A) such exchange occurs in connection with a transfer effected in accordance with clause (b)(iii) or (b)(iv) above or

(B) such Debt Security is a Regulation S Debt Security and such exchange occurs after the Distribution Compliance Period.

(vii) Regulation S Global Security to be Held Through Euroclear or Clearstream during Distribution Compliance Period. Until the expiration of the Distribution Compliance Period, beneficial interests in the Regulation S Global Security may be held only in or through accounts maintained at DTC by Euroclear or Clearstream (or by Agent Members acting for the account thereof), and no Person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account; provided that this clause (b)(vii) shall not prohibit any transfer or exchange of such an interest in accordance with clause (b)(ii) or (b)(vi) above.

(c) Successive registrations and registrations of transfers and exchanges as set forth in this Indenture may be made from time to time, and each such registration shall be recorded on the Register. No service charge shall be made for any registration of transfer or exchange of the Debt Securities, but Grenada may require payment from the relevant Holder of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and any other amounts required to be paid by the provisions of the Debt Securities. Grenada shall not be responsible for paying any such tax or other governmental charge relating to any such transfer or exchange.

(d) Any Transfer Agent appointed for any Series of Debt Securities pursuant to this Indenture shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Transfer Agent of Global Securities upon transfer or exchange of Debt Securities of such series.

(e) No Transfer Agent shall be required to make registrations of transfer or exchange of Global Securities during any periods designated in the Terms of the Debt Securities as periods during which such registration of transfer and exchanges need not be made.

(f) Except as provided below, owners of beneficial interests in Global Securities shall not be entitled to receive definitive certificated Debt Securities ("Certificated Securities"). If required to do so pursuant to any applicable law or regulation, beneficial owners may obtain Certificated Securities in exchange for their beneficial interests in a Global Security upon written request in accordance with DTC's and the Registrar's procedures. In addition, Certificated Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in a Global Security if (i) DTC notifies Grenada that it is unwilling or unable to continue as Depository for such Global Security or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as Depository, and in each case a successor depository is not appointed by Grenada within 90 days of such notice, (ii) Grenada executes and delivers to the Trustee and Registrar an Official's Certificate stating that such Global Security shall be so exchangeable or (iii) an Event of Default has occurred and is continuing and the Registrar has received a request from DTC. In connection with the exchange of a portion of a Certificated Security for a beneficial interest in a Global Security, the Trustee shall cancel such Certificated Security, and Grenada shall execute, and the Trustee shall authenticate and deliver, to the transferring Holder a new Certificated Security representing the principal amount not so transferred.

(g) Grenada may at any time purchase Debt Securities in the open market or otherwise at any price. Any Debt Security so purchased by Grenada (including upon any redemption) shall be cancelled and shall not be re-issued or resold except in compliance with the Securities Act and other applicable law.

SECTION 2.7. Mutilated, Defaced, Destroyed, Stolen and Lost Debt Securities; Cancellation and Destruction of Debt Securities.

(a) Grenada shall execute and deliver to the Trustee Debt Securities in such amounts and at such times as to enable the Trustee to fulfill its responsibilities under this Indenture and the Debt Securities.

(b) The Trustee is hereby authorized, in accordance with and subject to the conditions set forth in paragraph 7(a) of the Terms of the Debt Securities, to authenticate and deliver from time to time Debt Securities of any Series in exchange for or in lieu of Debt Securities of such Series which become mutilated, defaced, destroyed, stolen or lost. Each Debt Security delivered in exchange for or in lieu of any Debt Security shall carry all the rights to interest (including rights to accrued and unpaid interest) which were carried by such Debt Security.

(c) All Debt Securities surrendered for payment or exchange shall be delivered to the Trustee. The Trustee shall cancel and dispose of all such Debt Securities surrendered for payment or exchange, as it may determine, and upon Grenada's written request, shall deliver a certificate of disposition to Grenada.

(d) Upon the issuance of any substitute Debt Security, the Holder of such Debt Security, if so requested by Grenada, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expense (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Debt Security.

(e) All Debt Securities issued upon any registration of transfer or exchange of Debt Securities shall be valid obligations of Grenada, evidencing the same debt and entitled to the same benefits under this Indenture, as the Debt Securities surrendered upon such registration of transfer or exchange.

SECTION 2.8. Restrictive Legend. If Debt Securities are issued upon the transfer, exchange or replacement of Debt Securities not bearing the legends required, as applicable, by the Form of Debt Security attached as Exhibit A hereto (collectively, the "Restrictive Legend"), the Debt Securities so issued shall not bear the Restrictive Legend. If Debt Securities are issued upon the transfer, exchange or replacement of Debt Securities bearing the Restrictive Legend, or if a request is made to remove the Restrictive Legend on a Debt Security, the Debt Securities so issued shall bear the Restrictive Legend, or the Restrictive Legend shall not be removed, as the case may be, unless there is delivered to Grenada satisfactory evidence, which may include an Unrestricted Debt Securities Certificate, the form of which is attached in Exhibit D hereto, and an opinion of independent legal counsel in the United States, as may be reasonably required by Grenada, that neither the Restrictive Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S

under the Securities Act or that such Debt Securities are not “restricted securities” within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Trustee, at the direction of Grenada, shall authenticate and deliver a Debt Security that does not bear the Restrictive Legend. Grenada agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense, including the fees and expenses of counsel, reasonably incurred, arising out of or in connection with actions taken or omitted by the Trustee in reliance upon such legal opinion and the delivery of a Debt Security that does not bear a Restrictive Legend.

ARTICLE THREE

COVENANTS

SECTION 3.1. Payment of Principal and Interest. Grenada covenants and agrees that it shall duly and punctually pay or cause to be paid the principal of and interest (including Additional Amounts) on each of the Debt Securities and any other payments to be made by Grenada under the Debt Securities and this Indenture, at the place or places, at the respective times and in the manner provided in the Debt Securities and this Indenture.

SECTION 3.2. Offices for Payments. So long as any of the Debt Securities remain Outstanding, Grenada shall maintain in New York City the following: (a) an office or agency where the Debt Securities may be presented for payment, (b) an office or agency where the Debt Securities may be presented for exchange, transfer and registration of transfer as in this Indenture provided and (c) an office or agency where notices and demands to or upon Grenada in respect of the Debt Securities or of this Indenture may be served. Grenada hereby initially designates the Corporate Trust Office as the office or agency for each such purpose and as the place where the Register shall be maintained. In case Grenada shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Trust Office. If any Series of Debt Securities are listed on a securities exchange and that securities exchange so requires, Grenada will maintain a paying agent in the region where the security exchange is located for such Series. Grenada will give to the Trustee prompt written notice of the location of any such office or agency and of any change of location thereof.

SECTION 3.3. Appointment to Fill a Vacancy in Office of Trustee. Whenever necessary to avoid or fill a vacancy in the office of Trustee, Grenada will appoint, in the manner provided in Section 5.9, a Trustee, so that there shall at all times be a Trustee hereunder for each Series of Debt Securities.

SECTION 3.4. Payments.

(a) In order to provide for the payment of principal of and interest (including Additional Amounts) on the Debt Securities as the same shall become due and payable, Grenada hereby agrees to pay or to cause to be paid to the account of the Trustee at the Corporate Trust Office or at such other place as the Trustee shall direct (or, in the case of payments denominated in a currency other than U.S. Dollars, at such other place as set forth in an Authorization), at least one Business Day prior to each interest payment date or the maturity date or redemption date (each, a

“Payment Date”) of such Debt Securities, not later than 10:00 a.m. on the Business Day prior to each Payment Date, in such coin or currency of the United States of America (or in such other currency as shall be specified in the Terms of the Debt Securities of the Series with respect to which payment is to be made) as at the time of payment shall be legal tender for the payment of public and private debts, in immediately available funds, an amount which (together with any funds then held by the Trustee and available for the purpose) shall be sufficient to pay the aggregate amount of interest (including Additional Amounts) or principal or both, as the case may be, becoming due in respect of such Debt Securities on such Payment Date. The Trustee shall apply such amount to the payment due on such date and, pending such application, such amounts shall be held in trust by the Trustee for the benefit of the Persons entitled thereto and Grenada shall have no proprietary interest in such amounts.

(b) At least five Business Days prior to the first date for payment of interest on each Series of Debt Securities and, if there has been any change with respect to the matters set forth in the below-mentioned certificate, at least five Business Days prior to each date thereafter for the payment of principal of or interest on such Debt Securities, Grenada shall furnish the Trustee with a certificate of any one of the Authorized Representatives specifically instructing the Trustee as to any circumstances in which payments of principal of or interest on such Debt Securities due on such date shall be subject to deduction or withholding for or on account of any taxes described in paragraph 3 of the Terms of the Debt Securities and the rate of any such deduction or withholding. If any such deduction or withholding shall be required and if Grenada therefore becomes liable to pay Additional Amounts pursuant to paragraph 3 of the Terms of the Debt Securities, then at least five Business Days prior to the date of any such payment of principal or interest, Grenada shall furnish the Trustee with a certificate that specifies the amount required to be withheld on such payment to Holders of such Debt Securities and the Additional Amounts, if any, due to Holders of such Debt Securities, and simultaneously shall pay to the Trustee such Additional Amounts as shall be required to be paid to such Holders.

(c) Whenever Grenada shall appoint a paying agent other than the Trustee for the purpose of paying amounts due in respect of the Debt Securities of any Series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee and Grenada subject to the provisions of this Section,

(i) that it shall hold all sums received by it as such agent for the payment of the Debt Securities of that Series in trust for the benefit of the Holders of the Debt Securities of that Series or of the Trustee,

(ii) that it shall give the Trustee prompt notice of any failure by Grenada to make any payment of the principal of or interest or any Additional Amounts on the Debt Securities of that Series and any other payments to be made by or on behalf of Grenada under this Indenture, when the same shall be due and payable, and

(iii) that it shall pay any such sums so held in trust by it to the Trustee upon the Trustee’s written request at any time during the continuance of a failure referred to in clause (ii) above.

Anything in this Section to the contrary notwithstanding, Grenada may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreements to hold sums in trust as provided in this Section are subject to the provisions of Section 8.3 and Section 8.4.

SECTION 3.5. Notice of Event of Default. Grenada acting through any of its Authorized Representatives shall give the Trustee notice by facsimile transmission or other written communication satisfactory to the Trustee of any Event of Default relating to Grenada or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default relating to Grenada, within five days after the occurrence of such Event of Default or such other event or condition becomes known to Grenada, and of the measures it is taking to remedy such Event of Default or such other event or condition.

SECTION 3.6. Calculation of Original Issue Discount. If requested by a Holder, Grenada shall file with the Trustee promptly (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on Debt Securities Outstanding as of the end of such year and (ii) such other specific information relating to such original issue discount to satisfy the relevant reporting requirements under the Internal Revenue Code of 1986. This provision shall not apply with respect to any Debt Securities for which Grenada has filed IRS Form 8281 with the Internal Revenue Service within 30 days of the issue date of such Debt Securities. Grenada shall provide a copy of IRS Form 8281 to the Trustee.

ARTICLE FOUR

REMEDIES OF THE TRUSTEE AND HOLDERS ON EVENT OF DEFAULT

SECTION 4.1. Collection of Indebtedness by Trustee; Trustee May Prove Debt.

(a) Grenada covenants that if (i) in case there shall be a default in the payment of any interest (including Additional Amounts) on any Series of Debt Securities when such interest (including Additional Amounts) shall have become due and payable, and such default shall have continued for a period specified in the Terms of the Debt Securities, or (ii) in case there shall be a default in the payment of all or any part of the principal of any Series of the Debt Securities when the same shall have become due and payable, whether upon maturity or redemption or by acceleration or otherwise, and such default shall have continued for a period specified in the Terms of the Debt Securities, then upon demand of the Holders of not less than 25% of the aggregate Outstanding principal amount of such Series of Debt Securities, Grenada shall pay to the Trustee for the benefit of the Holders of such Series of Debt Securities the whole amount that shall have become due and payable on all Outstanding Debt Securities of such Series for principal or interest (including Additional Amounts), as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the rate of overdue interest, if any, specified in such Debt Securities); and in addition thereto, Grenada shall pay or cause to be paid such further amount as shall be sufficient to cover the documented costs and expenses of collection reasonably

incurred, including reasonable compensation to the Trustee and each predecessor trustee, their respective agents, attorneys and counsel, and any documented expenses and liabilities reasonably incurred, and all documented advances reasonably made, by the Trustee and each predecessor trustee except as a result of their negligence or willful misconduct.

(b) Until such demand is made by the Holders of not less than 25% of the aggregate Outstanding principal amount of such Series of Debt Securities, Grenada may pay the principal of, and interest on (including Additional Amounts), the Debt Securities to the Holders, whether or not any payment under the Debt Securities shall be overdue.

(c) In case Grenada shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against Grenada and collect in the manner provided by law out of the property of Grenada, wherever situated, the monies adjudged or decreed to be payable.

(d) All rights of action and of asserting claims under this Indenture or the Debt Securities of any Series may be enforced by the Trustee without the possession of any Debt Securities or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Debt Securities of that Series in respect of which such judgment has been recovered.

(e) In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) with respect to one or several Series of Debt Securities, the Trustee shall be held to represent all the Holders of such Series of Debt Securities, and it shall not be necessary to make any such Holders parties to any such proceedings.

SECTION 4.2. Application of Proceeds. Any monies collected by the Trustee pursuant to this Article shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such monies on account of principal or interest (including Additional Amounts), upon presentation of the Debt Securities of the Series in respect of which money has been collected and stamping (or otherwise noting) thereon the payment, or issuing Debt Securities in reduced principal amounts in exchange for the presented Debt Securities if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due to the Trustee under Section 5.6;

SECOND: In case the principal of the Debt Securities of such Series shall not have become and be then due and payable, to the payment of overdue interest (including Additional Amounts) on such Series of Debt Securities in the order of the maturity of the installments of such interest (including Additional Amounts), with interest (to the extent that such interest has been

collected by the Trustee) upon the overdue installments of interest (including Additional Amounts) at the rate of interest specified in such Debt Securities, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Debt Securities of such Series shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all Debt Securities of such Series for principal and interest (including Additional Amounts), with interest upon the overdue principal, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest (including Additional Amounts) at the rate of interest specified in such Debt Securities; and in case such monies shall be insufficient to pay in full the whole amount so due and unpaid upon the Debt Securities of such Series, then to the payment of such principal and interest (including Additional Amounts), without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Debt Security of such Series over any other Debt Securities of the same Series, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to Grenada or any other Person lawfully entitled thereto.

SECTION 4.3. Suits for Enforcement. If an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion (but is not required to) proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 4.4. Restoration of Rights on Abandonment of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case Grenada and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of Grenada, the Trustee and the Holders shall continue as though no such proceedings had been taken.

SECTION 4.5. Limitations on Suits by Holders. No Holder of any Debt Securities of any Series shall have any right by virtue of or by availing itself of any provision of this Indenture or of the Debt Securities of such Series to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or of the Debt Securities, or for any other remedy hereunder or under the Debt Securities, unless (a) such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof with respect to such Series of Debt Securities, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of Debt Securities of such Series shall have made specific written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of indemnity, shall have failed to institute any such action, suit or proceeding and no

direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.7, it being understood and intended, and being expressly covenanted by every Holder of Debt Securities of a Series with every other Holder of Debt Securities of such Series and the Trustee, that no one or more Holders shall have any right in any manner whatever by virtue or by availing itself of any provision of this Indenture or of the Debt Securities to affect, disturb or prejudice the rights of any other Holder of Debt Securities of such Series or to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture or under the Debt Securities of such Series, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Debt Securities of such Series. For the protection and enforcement of this Section, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 4.6. Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.

(a) Except as otherwise provided herein or in the Terms of the Debt Securities, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Debt Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(b) No delay or omission of the Trustee or of any Holder of Debt Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 4.5, every power and remedy given by this Indenture or by law to the Trustee or to the Holders of Debt Securities may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by such Holders.

SECTION 4.7. Control by Holders.

(a) Subject to Section 4.7(c), the Holders of a Majority in aggregate principal amount Outstanding of the Debt Securities of any Series shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee by this Indenture with respect to the Debt Securities of such Series.

(b) Subject to Section 4.7(c), the Holders of more than 75% in aggregate principal amount Outstanding of the Debt Securities of any Series shall have the right to direct and approve the settlement or compromise of any legal proceeding for the enforcement of the Debt Securities of that Series commenced by the Trustee.

(c) Any direction pursuant to Section 4.7(a) or (b) shall only be in accordance with law and the provisions of this Indenture, and (subject to the provisions of Section 5.1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in

good faith by decision of its board of directors, the executive committee, or a trust committee of directors or Authorized Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of the Holders of Debt Securities of that Series that did not join in the giving of said direction, it being understood that, subject to Section 5.1, the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee at its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction by the Holders of the Debt Securities with respect to which such action is to be taken.

SECTION 4.8. Payments After a Default. Upon the occurrence of an Event of Default and the subsequent declaration by the Holders of not less than 25% of the aggregate Outstanding principal amount of such Series of Debt Securities that the principal amount of all the Debt Securities of a Series is due and payable immediately (pursuant to paragraph 5 of the Terms of the Debt Securities), the Trustee may by notice in writing: (a) to Grenada and each paying agent, require the paying agent (if any) to deliver all Debt Securities of such Series and all monies, documents and records held by them with respect to the Debt Securities of such Series to the Trustee or as the Trustee otherwise directs in such notice; and (b) require any paying agent to act as agent of the Trustee under this Indenture and the Debt Securities of such Series, and thereafter to hold all Debt Securities of such Series and all monies, documents and records held by it in respect of Debt Securities of such Series to the order of the Trustee.

ARTICLE FIVE

CONCERNING THE TRUSTEE

SECTION 5.1. Duties and Responsibilities of the Trustee. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee;

(b) in the absence of gross negligence, willful misconduct or bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be

furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(c) the Trustee shall not be liable for any error of judgment made in good faith by a Authorized Officer or Authorized Officers of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(d) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it with respect to Debt Securities of any Series in good faith in accordance with the direction of the Holders of not less than a Majority in aggregate principal amount Outstanding of the Debt Securities of such Series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(e) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee or paying agent be liable under or in connection with this Indenture for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if the Trustee or paying agent has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

None of the provisions contained in this Indenture shall require the Trustee to expend, advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not satisfactorily assured to it.

SECTION 5.2. Certain Rights of the Trustee.

Subject to Section 5.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Official's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of Grenada mentioned herein shall be sufficiently evidenced by an Official's Certificate (unless other evidence in respect thereof be herein specifically prescribed);

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel, absent gross negligence, willful misconduct or bad faith of the Trustee;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Holders of Debt

Securities pursuant to the provisions of this Indenture, unless such Holders of Debt Securities shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default with respect to a Series of Debt Securities and after the curing or waiving of all Events of Default with respect to a Series of Debt Securities, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, guaranty, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a Majority in aggregate principal amount of the Debt Securities of such Series at the time Outstanding; provided that if the payment within a reasonable time to the Trustee of the documented costs, expenses or liabilities likely to be reasonably incurred by it in the making of such investigation is, in the opinion of the Trustee, not assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require from the Holders of Debt Securities of such Series indemnity or other security satisfactory to the Trustee against such expenses properly incurred or liabilities as a condition to proceeding; the documented expenses reasonably incurred in every such examination shall be paid by Grenada or, if paid by the Trustee or any predecessor trustee, shall be repaid by Grenada upon demand;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Trustee shall not be responsible for any negligence or willful misconduct on the part of any such agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be deemed to have notice of any Default or Event of Default with respect to a series of Debt Securities unless a Authorized Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the applicable series of Debt Securities and this Indenture;

(i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder;

(j) the Trustee may request in writing that Grenada deliver an Officials' Certificate setting forth the names of individuals and/or titles of officials authorized at such time to take specified actions pursuant to this Indenture, which Officials' Certificate may be signed by any person authorized to sign an Officials' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded;

(k) whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article; and

(l) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

SECTION 5.3. Trustee Not Responsible for Recitals, Disposition of Debt Securities or Application of Proceeds Thereof. The recitals contained herein and in the Debt Securities shall be taken as the statements of Grenada, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Debt Securities. The Trustee shall not be accountable for the use or application by Grenada of any of the Debt Securities or of the proceeds thereof.

SECTION 5.4. Trustee May Hold Debt Securities; Collections. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Debt Securities with the same rights it would have if it were not the Trustee. The Trustee is entitled to enter into business transactions with Grenada or any of its affiliates without accounting for any profit resulting from such transactions.

SECTION 5.5. Monies Held by Trustee. All monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. The Trustee shall not be under any liability to any Person for interest on any monies received by it hereunder.

SECTION 5.6. Compensation and Indemnification of Trustee and Its Prior Claim.

(a) To the extent not already required by Sections 4.1 or 5.6(b), Grenada covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, compensation as agreed between Grenada and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and Grenada covenants and agrees to pay or reimburse the Trustee and each predecessor trustee upon its request for all documented expenses, disbursements and advances properly and reasonably incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the compensation, documented expenses and disbursements reasonably incurred of its counsel and of all agents and other persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or willful misconduct.

(b) To the extent not already required by Sections 4.1 or 5.6(a) Grenada also covenants to indemnify the Trustee and each predecessor trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including the documented costs and expenses reasonably incurred of defending itself against or investigating any claim of liability with respect to the foregoing. The obligations of Grenada under this Section to compensate and indemnify the Trustee and each predecessor trustee and to pay or reimburse the Trustee and each predecessor

trustee for documented expenses, disbursements and advances reasonably incurred or made shall constitute additional indebtedness hereunder and shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture. Such additional indebtedness shall be a senior claim to that of the Debt Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Debt Securities, and the Debt Securities are hereby subordinated to such senior claim. When the Trustee incurs expenses or renders services after an Event of Default of the Debt Securities occurs as specified in Section 5, the expenses and compensation for the services are intended to constitute expenses of administration under the bankruptcy law or any similar law for the relief of debtors.

SECTION 5.7. Right of Trustee to Rely on Official's Certificate. Subject to Sections 5.1 and 5.2, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof shall be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Official's Certificate delivered to the Trustee, and shall, in the absence of negligence or willful misconduct on the part of the Trustee, be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 5.8. Persons Eligible for Appointment as Trustee. The Trustee hereunder shall at all times be a corporation having a combined capital and surplus of at least U.S.\$50,000,000, doing business under the laws of the United States or of any state or territory thereof or of the District of Columbia, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state or District of Columbia supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 5.9. Resignation and Removal; Appointment of Successor Trustee.

(a) The Trustee may at any time resign with respect to the Debt Securities of one or more Series by giving not less than 90 days' written notice of resignation to Grenada and by providing notice thereof to the affected Holders at the expense of Grenada as provided in paragraph 11 of the Terms of the Debt Securities of the affected Series. Upon receiving such notice of resignation, Grenada shall promptly appoint a successor trustee with respect to such Series by written instrument in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after such notice of resignation has been given, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder of Debt Securities of the affected Series who has been a bona fide Holder of a Debt Security of such Series for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor trustee with respect to the Debt Securities of the affected Series.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 5.8 and shall fail to resign after written request therefor by or on behalf of Grenada or by any Holder; or

(ii) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, Grenada may remove the Trustee and appoint a successor trustee with respect to all affected Debt Securities by written instrument, in duplicate, one copy of such instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, any Holder who has been a bona fide Holder of a Debt Security of any affected Series for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee with respect to the Debt Securities of such Series.

(c) The Holders of a Majority in aggregate principal amount Outstanding of the Debt Securities of any Series may at any time remove the Trustee and appoint a successor trustee for the Debt Securities of such Series by delivering to the Trustee so removed, to the successor trustee so appointed and to Grenada the evidence provided for in Section 6.1 of the action in that regard taken by the Holders.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 5.9 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 5.10.

SECTION 5.10. Acceptance of Appointment by Successor Trustee.

(a) In the case of an appointment hereunder of a successor trustee with respect to all Debt Securities, each successor trustee so appointed shall execute and deliver to Grenada and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of Grenada or of the successor trustee, upon payment of its charges then unpaid, the Trustee ceasing to act shall pay over to the successor trustee all monies at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, Grenada shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 5.6.

(b) In case of the appointment hereunder of a successor trustee with respect to the Debt Securities of one or more (but not all) Series, Grenada, the predecessor trustee and each successor trustee with respect to the Debt Securities of the affected Series shall execute and deliver an indenture supplemental hereto wherein each successor trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those Series to which the appointment of such successor trustee relates, (ii) shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those Series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in any such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of any such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those Series to which the appointment of such successor trustee relates; but, on request of Grenada or any successor trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor trustee all property and money held by such retiring Trustee hereunder with respect to the Debt Securities of that or those Series to which the appointment of such successor trustee relates.

(c) Upon acceptance of appointment by a successor trustee as provided in this Section 5.10, Grenada shall provide notice thereof to the affected Holders as provided in paragraph 11 of the Terms of the Debt Securities. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.9. If Grenada fails to provide such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be provided at the expense of Grenada.

SECTION 5.11. Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which a Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which a Trustee shall be a party, or any corporation succeeding to the corporate trust business of a Trustee, shall be the successor of such Trustee hereunder, provided that such corporation shall be eligible under the provisions of Section 5.8, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case a successor to the Trustee succeeds to the trusts created by this Indenture at a time when any of the affected Debt Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of the predecessor trustee and deliver such Debt Securities so authenticated; and, in case at that time any of the affected Debt Securities shall not have been authenticated, any successor to the Trustee may authenticate such Debt Securities either in the name of any predecessor trustee hereunder or in the name of the

successor trustee; and in all such cases such certificate shall have the full force provided in the Debt Securities or in this Indenture for a certificate of the Trustee; provided that the right to adopt the certificate of authentication of a predecessor trustee or to authenticate Debt Securities in the name of a predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 5.12. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or institution as a separate or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and only to the extent that the Trustee by the laws of any jurisdiction is incapable of exercising such powers, rights and remedies and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from Grenada be required by the separate or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by Grenada; provided, that if an Event of Default shall have occurred and be continuing and if Grenada does not execute any such instrument within fifteen (15) days after request therefor, the Trustees shall be empowered as an attorney-in-fact for Grenada to execute any such instrument in Grenada's name and stead. In case any separate or co-trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate or co-trustee.

Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

- (i) all rights and powers, conferred or imposed upon the Trustee shall be conferred or imposed upon and may be exercised or performed by such separate trustee or co-trustee; and

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Section.

Any separate trustee or co-trustee may at any time appoint the Trustee as its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

ARTICLE SIX

CONCERNING THE HOLDERS

SECTION 6.1. Evidence of Action Taken by Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of any Series of Debt Securities may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments is or are received by the Trustee for such Series. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 5.1 and Section 5.2) conclusive in favor of the Trustee and Grenada, if made in the manner provided in this Article.

SECTION 6.2. Proof of Execution of Instruments and of Holding of Debt Securities. Subject to Section 5.1 and Section 5.2, the execution of any instrument by a Holder or his agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Debt Securities for purposes of this Indenture shall be proved by the Register maintained pursuant to Section 2.6(a) or by a certificate of the Trustee.

SECTION 6.3. Holders to Be Treated as Owners. Grenada, the Trustee and any agent of Grenada or the Trustee may deem and treat any Person in whose name any Debt Security shall be registered upon the Register as the absolute owner of such Debt Security (whether or not such Debt Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Indenture, interest (including Additional Amounts) on such Debt Security and for all other purposes; and none of Grenada, the Trustee or any agent of Grenada or the Trustee shall be affected by any notice to the contrary. All such payments so made to any such Person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Debt Security.

SECTION 6.4. Debt Securities Owned by Grenada or Any Public Sector Instrumentalities Deemed Not Outstanding.

(a) In determining whether the Holders of the requisite principal amount of Debt Securities Outstanding have consented to or voted in favor of any Modification or other action or instruction hereunder or, in the case of a meeting, whether sufficient Holders are present for quorum purposes, any Debt Securities owned or controlled, directly or indirectly, by Grenada or by any Public Sector Instrumentality of Grenada shall be disregarded and deemed not to be Outstanding. As used in this Indenture, “Public Sector Instrumentality” means any department, ministry or agency of the central government of Grenada or any corporation, trust, financial institution or other entity owned or controlled by the central government of Grenada or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a Majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or entity. In determining whether the Trustee shall be protected in relying upon any such Modification or other action or instruction, only Debt Securities that an Authorized Officer of the Trustee knows to be so owned or controlled shall be so disregarded.

(b) Debt Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Debt Securities and that the pledgee is not Grenada or a Public Sector Instrumentality. In case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Trustee, upon the certificate, statement or opinion of or representations by the Trustee, unless such counsel knows, or in the exercise of reasonable care should know, that such certificate, statement or opinion or representations is erroneous.

(c) Upon request in writing of the Trustee, Grenada shall furnish to the Trustee promptly one or more Official’s Certificates listing and identifying all Debt Securities, if any, known by Grenada to be owned or held by or for the account of Grenada or a Public Sector Instrumentality; and, subject to Section 5.1 and Section 5.2, the Trustee shall be entitled to accept such Official’s Certificate or Certificates as conclusive evidence of the facts therein set forth and of the fact that all Debt Securities not listed therein are Outstanding for the purpose of any such determination.

SECTION 6.5. Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 6.1, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Debt Securities of any Series or of the percentage of votes cast required in this Indenture in connection with such action, any Holder of a Debt Security the serial number of which is shown to be included among the serial numbers of the Debt Securities of Holders that have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Debt Security. Except as aforesaid, any such action taken by a Holder shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Debt

Security and of any Debt Securities issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon any such Debt Security.

ARTICLE SEVEN

SUPPLEMENTAL INDENTURES

SECTION 7.1. Supplemental Indentures Without Consent of Holders. Grenada and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge any property or assets to the Trustee as security for the Debt Securities of any Series;

(b) to add to the covenants of Grenada such further covenants, restrictions, conditions or provisions (including, where applicable, provisions for redemption, defeasance and sinking funds) as Grenada and the Trustee shall consider to be appropriate for the Holders of Debt Securities of any Series, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture or in the Debt Securities of that Series; provided that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders to waive such an Event of Default; or

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in the Debt Securities of any Series or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in the affected Debt Securities or in any supplemental indenture; or to make such other provisions in regard to matters or questions arising under this Indenture, the Debt Securities of any Series or under any supplemental indenture as Grenada and the Trustee may deem necessary or desirable and which shall not adversely affect the interests of the Holders of the Debt Securities of the affected Series.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Debt Securities of the affected Series, notwithstanding any of the provisions of Section 7.2 or Article Eleven.

SECTION 7.2. Supplemental Indentures With Consent of Holders. Upon approval of a Modification pursuant to Section 11.2, Grenada and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of changing in any manner or eliminating any of

the provisions of this Indenture (or the Terms of the Debt Securities of a Series affected by such Modification pursuant to such approved Modification).

Upon the request of Grenada, accompanied by a copy of the supplemental indenture and upon the filing with the Trustee of evidence of the consent of Holders and other documents, if any, required by Section 6.1, the Trustee shall join with Grenada in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by Grenada and the Trustee of any supplemental indenture pursuant to the provisions of this Section, Grenada shall at the expense of Grenada provide notice thereof to the affected Holders as provided in paragraph 11 of the Terms of the Debt Securities, setting forth in general terms the substance of such supplemental indenture. Any failure of Grenada to publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7.3. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture and the Debt Securities of the affected Series shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, Grenada and the Holders of the affected Series shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.4. Documents to Be Given to Trustee. The Trustee, subject to the provisions of Section 5.1 and Section 5.2, shall be entitled to receive, if it requests in writing to Grenada, in addition to the documents required by Section 9.5, one or more Official's Certificate or Certificates and Opinion or Opinions of Counsel addressed to the Trustee as conclusive evidence that any such supplemental indenture complies with the applicable provisions of this Indenture.

SECTION 7.5. Notation on Debt Securities in Respect of Supplemental Indentures. Debt Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation in form and manner approved by the Trustee as to any matter provided for by such supplemental indenture. If Grenada or the Trustee shall so determine, new Debt Securities so modified as to conform, in the opinion of the Trustee, to any modification of this Indenture contained in any such supplemental indenture may be prepared by Grenada at the expense of Grenada, authenticated by the Trustee and delivered in exchange for the Debt Securities of the affected Series.

ARTICLE EIGHT

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONIES

SECTION 8.1. Satisfaction and Discharge of Indenture. If at any time (a) Grenada shall have paid or caused to be paid the principal of and interest (including Additional Amounts) on all of the Debt Securities of any Series Outstanding hereunder, as and when the same shall have become due and payable, or (b) Grenada shall have delivered to the Trustee for cancellation all Debt Securities of any Series theretofore authenticated (other than any Debt Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.7) or (c) (i) all the Debt Securities of any Series not theretofore delivered to the Trustee for cancellation shall have become due and payable within one year and (ii) Grenada shall have irrevocably deposited or caused to be deposited with the Trustee the entire amount (other than monies repaid by the Trustee or any paying agent to Grenada in accordance with Section 8.3 and Section 8.4) sufficient to pay at maturity all Debt Securities of that Series not theretofore delivered to the Trustee for cancellation, including principal and interest (including Additional Amounts) due or to become due to such date of maturity as the case may be, and if, in any such case, Grenada shall also pay or cause to be paid all other sums payable hereunder by Grenada, then this Indenture shall cease to be of further effect with respect to the Debt Securities of that Series (except as to (i) rights of registration of transfer and exchange, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Debt Securities, (iii) rights of Holders to receive payments of principal thereof and interest (including Additional Amounts) thereon, (iv) the rights, obligations and immunities of the Trustee hereunder and (v) the rights of the Holders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and the Trustee, on demand of Grenada accompanied by an Official's Certificate of Grenada and an Opinion of Counsel addressed to the Trustee and at the cost and expense of Grenada, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture with respect to the Debt Securities of that Series. Grenada agrees to reimburse or cause the reimbursement of the Trustee for any documented costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Debt Securities.

SECTION 8.2. Application by Trustee of Funds Deposited for Payment of Debt Securities. Subject to Section 8.4, all monies deposited with the Trustee pursuant to Section 8.1 shall be held in trust by the Trustee and applied by it to the payment, either directly or through any paying agent (including Grenada acting as its own paying agent), to the Holders of the particular Debt Securities for the payment of which such monies have been deposited with the Trustee, of all sums due and to become due thereon as principal and interest (including Additional Amounts); but such money need not be segregated from other funds except to the extent required by law.

SECTION 8.3. Repayment of Monies Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to any Series of Debt Securities, all monies then held by any paying agent under the provisions of this Indenture for such Series shall, upon written demand of Grenada be repaid to Grenada or transferred to the Trustee for the benefit of the Holders, and thereupon such paying agent shall be released from all further liability with respect to such monies.

SECTION 8.4. Return of Monies Held by Trustee or Other Paying Agent. Any monies deposited with or paid to the Trustee or to any paying agent for the payment of the principal of or interest (including Additional Amounts) on any Debt Security and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable shall be repaid to or for the account of Grenada by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Grenada and, to the extent permitted by law, the Holder of such Debt Security shall thereafter look only to Grenada for any payment which such Holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease. Grenada shall hold returned, unclaimed monies in trust for the relevant Holder of the Debt Security until such time as the claims against Grenada for payment of such amounts shall have been prescribed pursuant to paragraph 13 of the Terms of the Debt Securities.

ARTICLE NINE

MISCELLANEOUS PROVISIONS

SECTION 9.1. Officials of Grenada Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Debt Security, or because of any indebtedness evidenced thereby, shall be had against any official of Grenada under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Debt Securities by the Holders thereof and as part of the consideration for the issue of the Debt Securities.

SECTION 9.2. Provisions of Indenture for the Sole Benefit of Parties and Holders. Nothing in this Indenture or the Debt Securities, expressed or implied, shall give or be construed to give to any Person, firm or corporation, other than the parties hereto and their successors and the Holders, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders.

SECTION 9.3. Successors and Assigns of Grenada Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of Grenada shall bind its successors and assigns, whether so expressed or not.

SECTION 9.4. Notices and Demands on Trustee and Holders. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders to or on Grenada shall be given or served at the option of the sender either by facsimile transmission (except as otherwise specifically provided herein) or by certified or registered mail, postage prepaid addressed (until another address of Grenada is filed by Grenada with the Trustee) to c/o Ministry of Finance, Financial Complex, The Carenage, St. George's, Grenada, West Indies, Attention: The Permanent Secretary of the Ministry of Finance, fax 473-440-4115, telephone 473-440-2829. Any notice, direction, request or demand by or on behalf of Grenada or any Holder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if sent at the option of the sender either by facsimile transmission or by certified or registered mail, postage prepaid, to the Corporate Trust Office, 4 New York Plaza,

Floor 15, New York, New York 10004, Attention: Worldwide Securities Services, fax 212-623-6207, telephone 212-623-5162.

All notices delivered to both Grenada and the Trustee shall be in English. If sent by facsimile, notices shall be deemed effective upon telephonic confirmation of receipt thereof. If sent by certified or registered mail postage prepaid, notice shall be deemed to have been given, made or served three Business Days after it has been sent.

Where this Indenture provides for notice to Holders of any or all Series, such notice shall be sufficiently given (unless otherwise herein expressly provided) if given in accordance with paragraph 11 of the Terms of the Debt Securities of the affected Series. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service or otherwise, it shall be impracticable to mail or publish notice to Grenada or the Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be deemed reasonable by the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 9.5. Officials' Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by or on behalf of Grenada to the Trustee to take any action under any of the provisions of this Indenture, at the request in writing of the Trustee, Grenada shall furnish to the Trustee an Official's Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel addressed to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an official of Grenada may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such official knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the

exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters, upon the certificate, statement or opinion of or representations by an official or officials of Grenada, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an official of Grenada or of counsel, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of Grenada, unless such official or counsel knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

SECTION 9.6. Payments Due on Non-Business Days. In any case where the Payment Date shall not be a Business Day, then payment of principal or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment so made on such next succeeding Business Day shall have the same force and effect as if made on such Payment Date and no interest shall accrue for the payment made for such period on account of such delay.

SECTION 9.7. Governing Law; Consent to Jurisdiction; Waiver of Immunities.

(a) This Indenture and the Debt Securities shall be governed by and construed in accordance with the law of the State of New York.

(b) Grenada hereby irrevocably submits to the jurisdiction of any New York state or federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Debt Securities or this Indenture, and Grenada hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Grenada hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of Grenada. Grenada hereby irrevocably appoints its Consul General in New York City with an office at the Permanent Mission of Grenada to the United Nations, 800 Second Avenue, Suite 400-K, New York, New York 10017, United States of America as its agent (the "Process Agent") to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, except actions arising out of U.S. federal or state securities laws, brought in such New York state or federal court sitting in New York City. Such service may be made by mailing or delivering a copy of such process to Grenada in care of the Process Agent at the address specified above for the Process Agent, and Grenada hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, Grenada also irrevocably consents to the service of any and all process in any such action or proceeding in such New York state or federal court sitting in New York City by the mailing of

copies of such process to itself at its address specified in Section 9.4 hereof. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Section 9.7 shall affect the right of the Trustee or (in connection with legal actions or proceedings by any Holder as permitted by this Indenture) any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any Holder to bring any action or proceeding against Grenada or its property in the courts of other jurisdictions.

(d) To the extent that Grenada has or hereafter may acquire or have attributed to it any immunity under any law (other than the laws of Grenada) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Grenada hereby irrevocably waives such immunity in respect of its obligations under this Indenture. To the extent that Grenada has or hereafter may have any immunity under the laws of Grenada (i) from jurisdiction of any court, (ii) from any legal process in the courts of Grenada (other than immunity from attachment prior to judgment and attachment in aid of execution), or (iii) from any legal process in any court other than a court of Grenada, whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise, with respect to itself or its property, Grenada hereby irrevocably waives such immunity to the fullest extent permitted by the laws of Grenada, in respect of its obligations under this Indenture. Without limiting the generality of the foregoing, Grenada agrees that the waivers set forth in this Section 9.7(d) shall be to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States (the “Immunities Act”) and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, Grenada reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under the United States federal securities laws or any state securities laws, and Grenada’s appointment of the Process Agent does not extend to such actions.

(e) Grenada hereby irrevocably waives, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice that requires or otherwise establishes as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to this Indenture the posting of any bond or the furnishing, directly or indirectly, of any other security.

SECTION 9.8. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 9.9. Waiver of Jury Trial. **Each of Grenada and the Trustee hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Indenture or the Debt Securities of any Series.**

SECTION 9.10. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE TEN

PROVISIONS FOR MEETINGS OF HOLDERS

SECTION 10.1. Meeting of Holders.

(a) Grenada or the Trustee at any time may, and upon a request in writing to the Trustee made by Holders holding not less than 10% in aggregate principal amount of the Debt Securities of any Series at the time Outstanding the Trustee shall, convene a meeting of Holders of the Debt Securities of that Series. The Trustee shall give notice of each meeting of Holders of the Debt Securities of a Series, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Debt Securities of any Series a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Debt Securities of that Series or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Debt Securities of that Series. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of Grenada and its counsel.

The quorum requirements at any meeting of Holders of Debt Securities of any Series are set forth in paragraph 6(b) of the Terms of the Debt Securities. No business shall be transacted in the absence of a quorum, unless a quorum is present when the meeting is called to order. In the absence of a quorum within thirty minutes of the time appointed for any such meeting, the meeting may be adjourned for a period of not less than ten days as determined by the chairman of the meeting. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

(b) Any Holder of a Debt Security of the Series with respect to which such meeting is being held who has executed an instrument in writing appointing a Person as proxy shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; provided that such Holder shall be considered as present or voting only with respect to the matters covered by such instrument in writing. Any resolution passed or decision taken at any meeting of Holders of Debt Securities of any Series duly held in accordance with this Section shall be binding on all the Holders of Debt Securities of such Series whether or not present or represented at the meeting.

(c) The appointment of any proxy shall be proved by having the signature of the person executing the proxy guaranteed by any bank, banker, trust company or London or New York Stock Exchange member firm satisfactory to Grenada. The holding of Debt Securities shall be proved by the Register maintained in accordance with Section 2.6 or by a certificate or certificates of the

Trustee, provided that the holding of a beneficial interest in a Global Security shall be proved by a certificate or certificates of the Depositary.

(d) The Trustee shall appoint a temporary chairman of the meeting. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a Majority in aggregate principal amount of the Debt Securities of such Series represented at the meeting. At any meeting, each Holder of Debt Securities of such Series or proxy shall be entitled to one vote for each U.S.\$100 (or, in the case of Debt Securities denominated in any other currency, an equivalent amount in such other currency) principal amount of Debt Securities of such Series held or represented by that Holder; provided, that no vote shall be cast or counted at any meeting in respect of any Debt Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder of Debt Securities of such Series or proxy. Any meeting of Holders duly called at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

(e) The vote upon any resolution submitted to any meeting of Holders of one or all Series shall be by written ballot on which shall be subscribed the signatures of the Holders of Debt Securities of such Series or proxies and on which shall be inscribed the serial number or numbers of the Debt Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of such Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published as provided above. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to Grenada and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE ELEVEN

MODIFICATIONS

SECTION 11.1. Modifications. Any modification, amendment, supplement or waiver (each, a "Modification") to this Indenture or the Terms of the Debt Securities of one or more Series may be made or given pursuant to (a) a written action of the Holders of the Debt Securities of that Series without the need for a meeting, or (b) by vote of the Holders of the Debt Securities of that Series taken at a meeting of Holders thereof, in each case in accordance with the terms of this Article 11 and the other applicable provisions of this Indenture and the Debt Securities.

SECTION 11.2. Modifications Affecting Debt Securities of a Single Series. Modifications to the Terms of the Debt Securities of a single Series, or to the Indenture insofar as it affects the Debt Securities of a single Series, may be made, and future compliance therewith may be waived,

(a) in the case of any Non-Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than a Majority in aggregate principal amount of the Debt Securities of such Series at the time Outstanding, or

(b) in the case of any Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than 75% in aggregate principal amount of the Debt Securities of such Series at the time Outstanding.

SECTION 11.3. Modifications in the Context of Exchange Offers. If any Reserve Matter Modification pursuant to Section 11.2(b) is sought in the context of a simultaneous offer to exchange the Debt Securities of one or more Series for new debt instruments of Grenada or any other Person, Grenada shall ensure that the relevant provisions of the affected Debt Securities, as amended by such Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

SECTION 11.4. Reopening and New Issuance of Debt Securities. Grenada covenants and agrees that it shall not issue new Debt Securities or reopen any existing Series of Debt Securities with the intention of placing such Debt Securities with Holders expected to support any Modification proposed by Grenada (or that Grenada plans to propose) for approval pursuant to this Article 11.

SECTION 11.5. Binding Effect. Any Modification consented to or approved by the Holders of the Debt Securities of one or more Series pursuant to this Article 11 shall be conclusive and binding on all Holders of the Debt Securities of that Series, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Debt Securities of that Series, whether or not notation of such Modification is made upon the Debt Securities of that Series. Any instrument given by or on behalf of any Holder of a Debt Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Debt Security.

SECTION 11.6. Information.

(a) Before seeking the consent of any Holder of a Debt Security of any Series to a Reserve Matter Modification affecting that Series, Grenada shall provide to the Trustee (for onward distribution to the Holders of the affected Debt Securities) the following information:

(i) a description of the economic or financial circumstances that, in Grenada's view, explain the request for the proposed Modification;

(ii) if Grenada shall at the time have entered into a standby arrangement, arrangement under the extended fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(iii) a description of Grenada's proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and

internal debtholders) in connection with Grenada's efforts to address the situation giving rise to the requested Modification.

(b) Prior to any vote on a Reserve Matter Modification affecting any Series of Debt Securities pursuant to Section 11.2, Grenada shall deliver to the Trustee a certificate signed by an Authorized Representative of Grenada specifying, for Grenada and each Public Sector Instrumentality, any Debt Securities of that Series falling within clause (iv) of the definition of Outstanding set forth below or, if no Debt Securities of that Series are owned or controlled by Grenada or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Grenada to this effect.

SECTION 11.7. Documents to be Given to the Trustee. The Trustee, subject to the provisions of Section 5.1 and Section 5.2, shall be entitled to receive, if it requests in writing to Grenada, in addition to the documents required by Section 9.5, one or more Official's Certificates or Certificates and Opinion or Opinions of Counsel addressed to the Trustee as conclusive evidence that any such Reserve Matter Modification complies with the applicable provisions of this Indenture.

SECTION 11.8. Certain Definitions.

(a) "Non-Reserve Matter" means any Modification other than a Modification constituting a Reserve Matter.

(b) "Outstanding" means, in respect of the Debt Securities of any Series, the Debt Securities of that Series authenticated and delivered pursuant to this Indenture except:

(i) Debt Securities of that Series theretofore canceled by the Trustee or delivered to the Trustee for cancellation or held by the Trustee for reissuance but not reissued by the Trustee;

(ii) Debt Securities of that Series that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the Trustee;

(iii) Debt Securities of a Series in lieu of or in substitution for which other Debt Securities of a Series shall have been authenticated and delivered pursuant to this Indenture; and

(iv) Debt Securities owned or controlled by Grenada or by any Public Sector Instrumentality as provided in Section 6.4(a).

(c) "Reserve Matter" means any Modification that would:

(i) change the date for payment of principal or premium of, or any installment of interest on, the Debt Securities of a Series;

(ii) reduce the principal amount or redemption price or premium, if any, payable under the Debt Securities of a Series;

(iii) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Debt Securities of a Series;

(iv) reduce the interest rate on the Debt Securities of a Series;

(v) change the currency or place of payment of any amount payable under the Debt Securities of a Series;

(vi) change the obligation of Grenada to pay Additional Amounts in respect of the Debt Securities of a Series;

(vii) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Article 11 (and the corresponding provision of the Terms of the Debt Securities) in respect of the Debt Securities of a Series;

(viii) authorize the Trustee, on behalf of all Holders of the Debt Securities of a Series, to exchange or substitute all the Debt Securities of that Series for, or convert all the Debt Securities of that Series into, other obligations or securities of Grenada or any other Person; or

(ix) change the pari passu ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Debt Securities of a Series.

(d) “Reserve Matter Modification” means any Modification constituting a Reserve Matter.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date hereof.

GRENADA

By:

Name: The Hon. Anthony Boatswain
Title: Minister of Finance

Witness:

Name:
Title:
Address:

JPMORGAN CHASE BANK, N.A. as
Trustee

By:

Name: John T. Needham, Jr.
Title: Vice President

Witness:

Name:
Title:
Address:

FORM OF DEBT SECURITY

[Include if Debt Security is a Global Security: — UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO GRENADA OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OTHERWISE BY OR TO ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) THE INDENTURE AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH SECTION 2.6 OF THE INDENTURE.]

[Include if Debt Security is a Restricted Global Security or Debt Security Issued in Exchange Therefor (Unless, Pursuant to Section 2.6(f) of the Indenture, Grenada Determines that the Restrictive Legend May Be Removed): — THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LATEST DATE ON WHICH GRENADA OR ANY AFFILIATE OF GRENADA WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (1) TO GRENADA, (2) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE

PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (5) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT TO GRENADA’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (4) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Insert if Debt Security is a Regulation S Global Security or Debt Security Issued in Exchange Therefor (Unless, Pursuant to Section 2.6(f) of the Indenture, Grenada Determines that the Restrictive Legend May Be Removed): — THIS SECURITY HAS NOT BEEN AND SHALL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY IN ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE INDENTURE AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.]

[Note: The terms of any Series of Debt Securities (other than the New U.S.\$ Bonds) shall be substantially in the form of this Exhibit A, but with such modifications as shall be consistent with the Authorization establishing the terms of such Series of Debt Securities pursuant to Section 2.1 of the Indenture.]

CUSIP
ISIN

FORM OF FACE
GRENADA

U.S.\$ _____

U.S. Dollar Bonds Due 2025

GRENADA, for value received, hereby promises to pay to Cede & Co., or registered assigns, upon surrender hereof, the principal sum of _____ UNITED STATES DOLLARS (U.S.\$ _____) or such other amount as shall be the outstanding principal amount hereof on September 15, 2025, together with interest accrued from September 15, 2005 to, but excluding, the maturity date, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof. Grenada further unconditionally promises to pay interest in arrears on March 15 and September 15 of each year (each an “Interest Payment Date”), commencing on March 15, 2006 on any outstanding portion of the unpaid principal amount hereof at the interest rates per year set forth below:

<u>From (and including):</u>	<u>To (but excluding):</u>	<u>Interest Rate</u>
September 15, 2005	September 15, 2008	1.00%
September 15, 2008	September 15, 2011	2.50%
September 15, 2011	September 15, 2013	4.50%
September 15, 2013	September 15, 2015	6.00%
September 15, 2015	September 15, 2017	8.00%
September 15, 2017	September 15, 2018	8.50%
September 15, 2018	September 15, 2025	9.00%

Interest shall accrue from and including the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from September 15, 2005 until payment of said principal sum has been made or duly provided for. Such payments shall be made exclusively in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

This Security is issued pursuant to the Trust Indenture dated as of November 15, 2005, the “Indenture”) among Grenada and JPMorgan Chase Bank, N.A., as trustee (the “Trustee”), the terms of which Indenture are incorporated herein by reference. Reference is hereby made to the

further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, this Security shall not be valid or obligatory for any purpose.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, Grenada has caused this instrument to be duly executed.

Dated: _____

GRENADA

By: _____

Name:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities issued under the within-mentioned Indenture.

_____, as Trustee

Dated: _____

By: _____

Authorized Officer

[FORM OF REVERSE OF SECURITY]

TERMS AND CONDITIONS OF THE SECURITIES

1. General. (a) This Security is one of a duly authorized series of debt securities of Grenada, designated as its "U.S. Dollar Bonds Due 2025" (each Security of this series, a "Security" and, collectively, the "Securities"), and issued or to be issued in one or more series pursuant to a Trust Indenture, dated as of November 15, 2005, among Grenada and JPMorgan Chase Bank, N.A., as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the Parliament of Grenada in accordance with Section 8(2) of the Finance and Audit Act, Cap. 102 of the Laws of Grenada, as amended.

(c) The Securities are general, direct, unconditional, unsubordinated and unsecured obligations of Grenada for the payment and performance of which the full faith and credit of Grenada has been pledged and Grenada shall ensure that its obligations hereunder shall rank pari passu among themselves and with all of its other present and future unsecured and unsubordinated Debt (as defined below).

(d) The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by one or more registered global securities (each, a "Global Security") held by or on behalf of the Depository. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

(e) New U.S.\$ Bonds shall be issued in denominations of U.S.\$100 and integral multiples of U.S.\$100 in excess thereof.

2. Payments. (a) Principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in New York City or, subject to applicable laws and regulations, at the office outside of the United States of a paying agent, by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in New York City. Payment of interest (including Additional Amounts (as defined below)) on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of

such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such interest payment date; provided, however, that if and to the extent Grenada shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by Grenada by notice, as provided in Paragraph 11 hereof, by or on behalf of Grenada to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on a Global Security shall be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the Depository at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by the Depository with a bank in New York City. Payment of interest on Certificated Securities shall be made (i) by a U.S. dollar check drawn on a bank in New York City mailed to the Holder at such Holder's registered address or (ii) upon application by the Holder of at least U.S.\$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in New York City. "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York City or St. George's, Grenada (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) All monies paid by or on behalf of Grenada to the Trustee or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Security and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of Grenada by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Grenada. Grenada shall hold those unclaimed monies in trust for the relevant Holder or Holders of the Security or Securities until such time as the claims against Grenada for payment of such amounts shall have been prescribed pursuant to Paragraph 13 hereof, and, to the extent permitted by law, the Holder or Holders of such Security or Securities shall thereafter look only to Grenada for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease.

3. Taxation. All payments by Grenada in respect of the Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Grenada or any political subdivision or taxing authority thereof or therein having power to tax, unless Grenada is compelled by law to deduct or withhold such taxes, duties, assignments or

governmental charges. In such event, Grenada shall pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction; provided, however, that no such Additional Amounts shall be payable:

(a) in respect of any Security held by or on behalf of a Holder or a beneficial owner of a Security who is liable for such taxes, duties, assessments or governmental charges by reason of such Holder or beneficial owner having some present or former connection with Grenada other than merely by the holding of such Security or by receipt of income, principal or any payments in respect thereof;

(b) in respect of any Security held by or on behalf of a Holder or a beneficial owner of such Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such Holder or beneficial owner to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Grenada, or any political subdivision or taxing authority thereof or therein, of such Holder or beneficial owner or of the Holder or beneficial owner of any interest in such Security or any rights in respect thereof, if (A) compliance is required by Grenada, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 60 days prior to the first scheduled payment date for which compliance shall be required, Grenada has notified the Trustee in writing that Holders of Securities must comply with such certification, identification, information or other reporting requirement in order to receive Additional Amounts and (C) such requirement is not materially more onerous to such Holder or beneficial owner (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal law, regulation and administration practice (such as U.S. Internal Revenue Service Forms W-8BEN and W-9);

(c) in respect of any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the Security for payment on the last day of such period of 30 days; or

(d) in respect of any payment on the Securities to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Securities.

As used in this Paragraph 3, “Relevant Date” in respect of any Security means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee on or prior to such due date) the date on which notice is duly

given to the Holders in the manner described in Paragraph 11 below that such monies have been so received and are available for payment.

Grenada shall pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Grenada or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Securities or any other document or instrument referred to therein.

Grenada shall also indemnify the Holders and beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Grenada under the Securities.

Any reference to “principal” and/or “interest” in this Security shall be deemed to include any Additional Amounts which may be payable hereunder.

4. Negative Pledge Covenant of Grenada. So long as any Security shall remain Outstanding or any amount payable by Grenada under the Indenture shall remain unpaid, Grenada agrees that Grenada shall not create, incur, assume or suffer to exist any Lien (as defined below), other than any Permitted Lien (as defined below), on the assets or revenues of Grenada to secure Public Debt (as defined below), unless Grenada causes such Lien to secure equally and ratably the obligations of Grenada with respect to the Securities.

“Debt” means obligations (other than the Securities) of, or guaranteed (whether by contract, statute or otherwise) by, Grenada for borrowed money or evidenced by bonds, debentures, notes or other similar instruments.

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind, whether in effect on the date the Indenture becomes effective or at any time thereafter.

“Permitted Liens” means: (i) any Lien on property to secure Public Debt arising in the ordinary course of business to finance export, import or other trade transactions, which Public Debt matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such Public Debt was originally incurred; (ii) any Lien on property to secure Public Debt incurred solely for the purpose of financing any acquisition by Grenada (or, in the case of Public Debt guaranteed by Grenada, the obligor in respect of such debt) of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; (iii) any Lien on property arising by operation of law other than the law of Grenada (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law other than the law of Grenada) in connection with Public Debt, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers’ liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the

depositor's activities); (iv) any Lien existing on property at the time of acquisition, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without increase in the amount thereof; (v) any Lien in existence as of the date of the issuance of the Securities; and (vi) any Lien securing Public Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public Debt and (b) the property over which such Lien is granted consists solely of such assets and revenues.

“Public Debt” means any Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without limitation, debt securities issued under the Indenture).

5. Events of Default. If one or more of the following events (“Events of Default”) shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) Grenada fails to pay principal of or interest on any of the Securities, or any Additional Amounts due in respect thereof, as and when the same shall become due and payable, whether at maturity, upon redemption, by declaration or otherwise, and such failure continues unremedied for a period of 30 days; or
- (b) Grenada fails duly to observe or perform any of the covenants or agreements provided herein or in the Indenture (in each case, other than those referred to in Paragraph 5(a) hereof), and such failure continues for a period of 60 days; or
- (c) Public Debt of Grenada (other than any Eligible Claim (as defined below)) issued, or amended as to payment terms, on or after the original issuance date of the Securities, having an aggregate principal amount of not less than U.S.\$25,000,000 (or its equivalent in other currencies) shall become due and payable due to acceleration upon an event of default and such acceleration shall not have been rescinded or annulled; or
- (d) Grenada or a court of proper jurisdiction shall declare a general suspension of payments or a moratorium on payment of Grenada's Public Debt (other than any Eligible Claim) issued, or amended as to payment terms, on or after the original issuance date of the Securities; or
- (e) the validity of the Securities or the Indenture shall be contested in a formal administrative, legislative or judicial proceeding by Grenada or any legislative, executive or judicial body or official of Grenada which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Securities or the Indenture invalid or unenforceable, or Grenada shall deny any of its obligations hereunder or thereunder

to any of the Holders, or any constitutional provision, treaty, convention, law, regulation, official communique, decree, ordinance or policy of Grenada, or any final decision by any court in Grenada having jurisdiction, shall purport to render any material provision of the Securities or the Indenture, invalid or unenforceable or shall purport to prevent or delay the performance or observance by Grenada of any of its material obligations hereunder or thereunder to any of the Holders; or

(f) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable Grenada to make or perform its material obligations under the Securities or the Indenture, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Holders; or

(g) the adoption of any applicable law, rule or regulation or any change therein which shall make it unlawful for Grenada to comply with Paragraph 3 hereof; or

(h) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Grenada in connection with any judgment (other than in respect of an Eligible Claim) for the payment of money exceeding U.S.\$50,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 consecutive days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(i) Grenada shall cease to be a member of, or eligible to use the general resources of, the International Monetary Fund, and such failure shall continue for a period of 60 days,

then in each and every such case, upon notice in writing by the Holders (the “Demanding Holders”) (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Securities to Grenada, with a copy to the Trustee, of any such Event of Default and its continuance, the Demanding Holders may declare the principal amount of all the Securities due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of Grenada, unless prior to such date all Events of Default in respect of all the Securities shall have been cured; provided that if, at any time after the principal of the Securities shall have been so declared due and payable, and before the sale of any property pursuant to any judgment or decree for the payment of monies due which shall have been obtained or entered in connection with the Securities, Grenada shall pay or shall deposit (or cause to be paid or deposited) with the Trustee a sum sufficient to pay all matured installments of interest and principal upon all the Securities which shall have become due otherwise than solely by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal of each Security at the rate of interest specified herein, to the date of such payment of interest or principal) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably

incurred, and all advances made for documented expenses and legal fees, reasonably incurred by the Trustee and each predecessor Trustee, and if any and all Events of Default hereunder, other than the nonpayment of the principal of the Securities which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least 66⅔% in aggregate principal amount of the Securities then Outstanding, by written notice to Grenada and to the Trustee, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to this Paragraph 5 need not be taken at a meeting pursuant to Paragraph 6 hereof. The Trustee shall not be obligated to take any action with respect to an Event of Default under Paragraphs 5(e) and 5(f) hereof unless it shall have received written notification from Demanding Holders of 25% of the aggregate principal amount of Outstanding Securities that an Event of Default described in such Paragraphs has occurred.

Upon the occurrence of an Event of Default under this Paragraph 5, Grenada shall give written notice promptly after becoming aware thereof to the Trustee.

“Eligible Claim” means a debt security or other debt instrument or obligation of Grenada identified as a Schedule A Claim or a Schedule B Claim in the Offering Memorandum dated September 9, 2005, as amended by the Supplement thereto dated October 5, 2005, relating to Grenada’s offer to exchange this Security and certain other debt securities for, as applicable, eligible Schedule A Claims or Schedule B Claims.

“Offer” means Grenada’s offer to exchange this Security and certain other debt securities for Schedule A Claims and Schedule B Claims, respectively, as indicated in Grenada’s Offering Memorandum dated September 9, 2005, as amended by the Supplement thereto dated October 5, 2005.

6. Holders’ Meetings. (a) Grenada or the Trustee at any time may, and upon a request in writing to the Trustee made by Holders holding not less than 10% in aggregate principal amount of the Securities at the time Outstanding the Trustee shall, convene a meeting of Holders of the Securities. The Trustee shall give notice of each meeting of Holders of the Securities, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Securities a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Securities or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of Grenada and its counsel.

(b) Holders entitled to vote a majority in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum at a meeting convened for the purpose referred to above. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days

prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

Further provisions for meetings of Holders are contained in Article 10 of the Indenture.

7. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, Grenada in its discretion may execute, and upon the request of Grenada, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to Grenada and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of Grenada or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security, if so requested by Grenada, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 7(e) hereof, a Certificated Security or Securities may be changed for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.5(e) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 7(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in the City of New York or at the office of a paying agent accompanied by an executed instrument of transfer substantially as set forth in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 7 shall be borne by Grenada, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax

or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

8. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights.

9. Paying Agents; Transfer Agents; Registrar. Grenada has initially appointed the paying agents, transfer agents and registrar listed at the foot of this Security. Grenada may at any time appoint additional or other paying agents, transfer agents and registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Securities are Outstanding Grenada shall maintain in The City of New York (i) a paying agent, (ii) an office or agency where the Securities may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar acts shall be promptly given in the manner described in Paragraph 11 hereof.

10. Enforcement. No Holder of any Securities shall have any right by virtue of or by availing itself of any provision of the Indenture or the Securities to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture or the Securities, or for any other remedy hereunder or under the Securities, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of the Securities shall have made specific written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of indemnity shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.7 of the Indenture, it being understood and intended, and being expressly covenanted by every Holder of Securities with every other Holder of Securities and the Trustee, that no one or more Holder shall have any right in any manner whatever by virtue or by availing itself of any provision of the Indenture or of the Securities to affect, disturb or prejudice the rights of any other Holder of Securities or to obtain priority over or preference to any other such Holder, or to enforce any right under the Indenture or under the Securities, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of the Securities. For the protection and enforcement of this Paragraph 10, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

11. Notices. All notices to the Holders shall be published in (a) a leading newspaper having general circulation in either Grenada or the Republic of Trinidad and Tobago and (b) if and for so long as the Securities are listed on a securities exchange outside of the Eastern Caribbean region and it is required for continued listing thereon, in a leading newspaper having general

circulation in the region where the securities exchange is located. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three Business Days after it has been sent.

12. Further Issues of Debt Securities. Grenada may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the Securities (or the same except for the amount of the first interest payments) so long as the additional debt securities are consolidated and form a single series with any outstanding series.

13. Prescription. All claims against Grenada for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by applicable law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by law.

14. Debt Management. If, on any of the dates set forth below (each, a “Target Date”), the aggregate Outstanding Principal Amount (as defined below) of the Securities exceeds the amount of the Original Principal Amount (as defined below) shown opposite such Target Date (for each such Target Date, the “Maximum Amount”) then Grenada shall, on the next interest payment date immediately following such Target Date, make a partial redemption of the Securities in a principal amount equal to the difference between the Outstanding Principal Amount of the Securities on the Target Date (as notified to Grenada by the Trustee) and the Maximum Amount for that Target Date:

<u>Target Date</u>	<u>Maximum Amount of Original Principal</u>
December 31, 2021 (16 years after December 31, 2005)	80%
December 31, 2022 (17 years after December 31, 2005)	60%
December 31, 2023 (18 years after December 31, 2005)	40%
December 31, 2024 (19 years after December 31, 2005)	20%

For purposes of this Paragraph 14, “Outstanding Principal Amount” means the aggregate principal amount of the Securities Outstanding on any Target Date as shown on the records of the Trustee less the amount of any further issue of Securities (as permitted by Paragraph 12 above) that have been consolidated with the Securities; and “Original Principal Amount” means the principal amount of the Securities Outstanding on the date that is 60 days after original issuance (as determined by the Trustee). Not less than 30 days following each Target Date, the Trustee shall notify Grenada of the principal amount of the Securities outstanding on that date and of the amount, if any, of the partial redemption due on the next interest payment date as required by this Paragraph 14.

15. Redemption.

(a) Grenada may redeem the Bonds, in whole or in part, at any time (each, a “Redemption Date”) by giving the Trustee not less than 45 nor more than 60 days prior written notice of such Redemption Date and the principal amount of Securities to be redeemed on such date. The Trustee shall promptly notify the Holders thereof, at the expense of Grenada.

(b) In the event of a failure by Grenada to comply with any of the Debt Management provisions of Paragraph 14 hereof, Grenada shall make a mandatory partial redemption of Securities on the date, and in the amount, called for by Paragraph 14.

(c) All redemptions shall be at 100% of the principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(d) If not all Outstanding Securities are being redeemed, the Trustee shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each Holder relative to the amount of Outstanding Securities. The Trustee shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to Grenada and each Holder.

16. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

17. Governing Law. (a) This Security and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

(b) Grenada hereby irrevocably submits to the jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Securities or the Indenture, and Grenada hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Grenada hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of Grenada. Grenada hereby irrevocably appoints its Consul General in New York City, with an office currently at the Permanent Mission of Grenada to the United Nations, 800 Second Avenue, Suite 400-K, New York, New York 10017, United States of America, as its agent (the “Process Agent”) to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, except actions arising out of U.S. federal or state securities laws, brought in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York. Such service may be made by mailing or delivering a copy of such process to Grenada, in care of the Process Agent at the address specified above for the Process Agent, and Grenada hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, Grenada also irrevocably consents to the service of any and all process in any such action or proceeding in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York by the mailing of copies of such process to itself at its address specified in Section 9.4 of the

Indenture. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Paragraph 17 shall affect the right of the Trustee or, in connection with legal action or proceedings by any Holder as permitted by the Indenture and this Security, any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any such Holder to bring any action or proceeding against Grenada or its property in the courts of other jurisdictions.

(d) To the extent that Grenada has or hereafter may acquire or have attributed to it any immunity under any law (other than the laws of Grenada) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Grenada hereby irrevocably waives such immunity in respect of its obligations under the Securities and the Indenture. To the extent that Grenada has or hereafter may have any immunity under the laws of Grenada (i) from jurisdiction of any court, (ii) from any legal process in the courts of Grenada (other than immunity from attachment prior to judgment and attachment in aid of execution), or (iii) from any legal process in any court other than a court of Grenada, whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise, with respect to itself or its property, Grenada hereby irrevocably waives such immunity to the fullest extent permitted by the laws of Grenada, in respect of its obligations under the Securities and the Indenture. Without limiting the generality of the foregoing, Grenada agrees that the waivers set forth in this Paragraph 17(d) shall be to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, Grenada reserves the right to plead sovereign immunity under such Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws, and Grenada's appointment of the Process Agent does not extend to such actions.

(e) Grenada hereby irrevocably waives, to the fullest extent permitted by applicable law, any requirement or other provision of law, rule, regulation or practice that requires or otherwise establishes as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the Securities or the Indenture, the posting of any bond or the furnishing, directly or indirectly, of any other security.

18. Currency Indemnification. The obligation of Grenada to any Holder under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so). If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, Grenada agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the

account of Grenada such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by Grenada in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

19. Warranty of Grenada. Subject to Paragraph 16 hereof, Grenada hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of Grenada enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

20. Definitive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

21. Modifications. (a) Any modification, amendment, supplement or waiver (each, a "Modification") to the Indenture or the terms and conditions of the Securities may be made or given pursuant to (i) a written action of the Holders of the Securities without the need for a meeting, or (ii) by vote of the Holders of the Securities taken at a meeting of Holders thereof, in each case in accordance with the terms of this Paragraph 21 and the other applicable provisions of the Securities and the Indenture.

(b) Modifications to the terms and conditions of the Securities, or to the Indenture insofar as it affects the Securities, may be made, and future compliance therewith may be waived,

(i) in the case of any Non-Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, or

(ii) in the case of any Reserve Matter (as defined below), with the consent of Grenada and the Holders of not less than 75% in aggregate principal amount of the Securities at the time Outstanding.

(c) If any Reserve Matter Modification pursuant to Paragraph 21(b)(ii) is sought in the context of simultaneous offer to exchange the Securities for new debt instruments of Grenada or any other Person, Grenada shall ensure that the relevant provisions of the affected Securities, as amended by such Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

(d) Any Modification consented to or approved by the Holders of the Securities pursuant to this Paragraph 21 shall be conclusive and binding on all Holders of the Securities, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Securities whether or not notation of such Modification is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Security.

(e) (i) Before seeking the consent of any Holder of a Security to a Reserve Matter Modification, Grenada shall provide to the Trustee (for onward distribution to the Holders of the Securities) the following information:

(A) a description of the economic or financial circumstances that, in Grenada's view, explain the request for the proposed Modification;

(B) if Grenada shall at the time have entered into a stand-by arrangement, arrangement under the extended Fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(C) a description of Grenada's proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debtholders) in connection with Grenada's efforts to address the situation giving rise to the requested Modification.

(ii) Prior to any vote on a Reserve Matter Modification affecting Securities pursuant to Paragraph 21(b), Grenada shall deliver to the Trustee a certificate signed by an Authorized Representative of Grenada specifying, for Grenada and each Public Sector Instrumentality (as defined below), any Securities falling within clause (D) of the definition of "Outstanding" set forth below or, if no Securities are owned or controlled by Grenada or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Grenada to this effect.

(f) For purposes of this Security,

(i) "Non-Reserve Matter" means any Modification other than a Modification constituting a Reserve Matter.

(ii) "Outstanding" means the Securities authenticated and delivered pursuant to the Indenture except:

(A) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation or held by the Trustee for reissuance but not reissued by the Trustee;

(B) Securities that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the Trustee;

(C) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the Indenture; and

(D) Securities owned or controlled directly or indirectly by Grenada or by any Public Sector Instrumentality as provided in Section 6.4 of the Indenture.

(iii) "Reserve Matter" means any Modification that would:

- (A) change the date for payment of principal or premium of, or any installment of interest on, the Securities;
 - (B) reduce the principal amount or redemption price or premium, if any, payable under the Securities;
 - (C) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Securities;
 - (D) reduce the interest rate on the Securities;
 - (E) change the currency or place of payment of any amount payable under the Securities;
 - (F) change the obligation of Grenada to pay Additional Amounts in respect of the Securities;
 - (G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Paragraph 21 (and the corresponding provision of the Indenture) in respect of the Securities;
 - (H) authorize the Trustee, on behalf of all Holders of the Securities, to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of Grenada or any other Person; or
 - (I) change the *pari passu* ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Securities.
- (iv) “Reserve Matter Modification” means any Modification constituting a Reserve Matter.
- (v) “Public Sector Instrumentality” means any department, ministry or agency of the central government of Grenada or any corporation, trust, financial institution or other entity owned or controlled by the central government of Grenada or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint greater than 50% of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust financial institution or entity.

REGULATION S DEBT SECURITIES CERTIFICATE

(For transfers pursuant to Section 2.6(b)(i), (iii) and (v)

of the Indenture)

To: JPMorgan Chase Bank, N.A.,
as Trustee

Re: [Title of Series of Debt Securities]
of Grenada (the "Debt Securities")

Reference is made to the Indenture, dated as of November 15, 2005, (the "Indenture"), between Grenada and JPMorgan Chase Bank, N.A., as Trustee. Terms used herein and defined in the Indenture or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used herein as so defined.

This certificate relates to US\$_____ principal amount of Debt Securities, which are evidenced by the following certificate(s) (the "Specified Debt Securities"):

CUSIP No(s). _____

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the "undersigned") hereby certifies that either (i) it is the sole beneficial owner of the Specified Debt Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Debt Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner". If the Specified Debt Securities are represented by a Global Security, they are held through DTC or an Agent Member in the name of the undersigned, as or on behalf of the owner. If the Specified Debt Securities are not represented by a Global Security, they are registered in the name of the undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Debt Securities be transferred to a person (the "Transferee") who shall take delivery in the form of a Regulation S Debt Security. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 903 or 904 or Rule 144 under the Securities Act and applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

1. Rule 903 or 904 Transfers. If the transfer is being effected in accordance with Rule 903 or 904:

(a) the Owner is not a distributor of the Debt Securities, an affiliate of Grenada or of any such distributor or a person acting on behalf of any of the foregoing;

(b) the offer of the Specified Debt Securities was not made to a person in the United States;

(c) either:

(i) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or

(ii) the transaction is being executed in, on or through the facilities of a designated offshore Debt Securities market (as defined in Regulation 5) and neither the Owner nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States;

(d) no directed selling efforts have been made in the United States by or on behalf of the Owner or any affiliate thereof;

(e) if the Owner is a dealer in Debt Securities or has received a selling concession, fee or other remuneration in respect of the Specified Debt Securities, and the transfer is to occur during the Distribution Compliance Period, then the requirements of Rule 904(c)(1) have been satisfied; and

(f) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

2. Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(a) the transfer is occurring after [date one year after original issue date of relevant Series of Debt Securities] and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144; or

(b) the transfer is occurring after [date two years after original issue date of relevant Series of Debt Securities] and the Owner is not, and during the preceding three months has not been, an affiliate of Grenada.

This certificate and the statements contained herein are made for your benefit and the benefit of Grenada and the Trustee.

Dated: _____

(Print the name of the undersigned, as such term is defined in the second paragraph of this certificate)

By: _____

Name:

Title:

(If the undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the undersigned must be stated)

RESTRICTED DEBT SECURITIES CERTIFICATE

(For transfers pursuant to Section 2.6(b)(ii), (iii),
(iv) and (v) of the Indenture)

To: JPMorgan Chase Bank, N.A.,
as Trustee

Re: [Title of Series of Debt Securities]
of Grenada (the “Debt Securities”)

Reference is made to the Indenture, dated as of November 15, 2005, (the “Indenture”), between Grenada and JPMorgan Chase Bank, N.A., as Trustee. Terms used herein and defined in the Indenture or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the “Securities Act”) are used herein as so defined.

This certificate relates to US\$ _____ principal amount of Debt Securities, which are evidenced by the following certificate(s) (the “Specified Debt Securities”):

CUSIP No(s). _____

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the “undersigned”) hereby certifies that either (i) it is the sole beneficial owner of the Specified Debt Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Debt Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the “Owner”. If the Specified Debt Securities are represented by a Global Security, they are held through DTC or an Agent Member in the name of the undersigned, as or on behalf of the Owner. If the Specified Debt Securities are not represented by a Global Security, they are registered in the name of the undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Debt Securities be transferred to a person (the “Transferee”) who shall take delivery in the form of a Restricted Debt Securities. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 144A or Rule 144 under the Securities Act and with applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as:

1. Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(a) the Specified Debt Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a

“qualified institutional buyer” within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(b) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner is relying on Rule 144A in connection the transfer.

2. Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(a) the transfer is occurring after [date one year after original issue date of relevant Series of Debt Securities] and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144; or

(b) the transfer is occurring after [date two years after original issue date of relevant Series of Debt Securities] and the Owner is not, and during the preceding three months has not been, an affiliate of Grenada.

This certificate and the statements contained herein are made for your benefit and the benefit of Grenada and the Trustee.

Dated:

Print the name of the undersigned, as such term is defined in the second paragraph of this certificate)

By: _____

Name:

Title:

(If the undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the undersigned must be stated)

UNRESTRICTED DEBT SECURITIES CERTIFICATE

(For removal of Securities Act Restrictive Legends pursuant
to Section 2.8 of the Indenture)

To: JPMorgan Chase Bank, N.A.,
as Trustee

Re: [Title of Series of Debt Securities]
of Grenada (the “Debt Securities”)

Reference is made to the Indenture, dated as of November 15, 2005, (the “Indenture”), between Grenada and JPMorgan Chase Bank, N.A., as Trustee. Terms used herein and defined in the Indenture or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the “Securities Act”) are used herein as so defined.

This certificate relates to US\$ _____ principal amount of Debt Securities, which are evidenced by the following certificate(s) (the “Specified Debt Securities”):

CUSIP No(s). _____

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the “undersigned”) hereby certifies that either (i) it is the sole beneficial owner of the Specified Debt Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Debt Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the “Owner”. If the Specified Debt Securities are represented by a Global Security, they are held through DTC or an Agent Member in the name of the undersigned, as or on behalf of the Owner. If the Specified Debt Securities are not represented by a Global Security, they are registered in the name of the undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Debt Securities be exchanged for Debt Securities bearing no Securities Act Restrictive Legend pursuant to Section 2.8 of the Indenture. In connection with such exchange, the Owner hereby certifies that the exchange is occurring after [date two years after original issue date of relevant Series of Debt Securities] and the Owner is not, and during the preceding three months has not been, an affiliate of Grenada. The Owner also acknowledges that any future transfers of the Specified Debt Securities must comply with all applicable Debt Securities laws of the states of the United States and other jurisdictions.

This certificate and the statements contained herein are made for your benefit and the benefit of Grenada and the Trustee.

Dated:

Print the name of the undersigned, as such term is defined in the second paragraph of this certificate)

By: _____

Name:

Title:

(If the undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the undersigned must be stated)

AUTHORIZATION

Reference is made to the Trust Indenture dated as of November 15, 2005 (the "Indenture") between Grenada and JPMorgan Chase Bank, N.A., as trustee (the "Trustee"). Terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The undersigned, acting on behalf of Grenada in the capacity specified below, hereby certifies that:

(A) Pursuant to Section 2.1 of the Indenture, there is hereby established a Series of Debt Securities, the [Title of Securities] (the "Securities"), to be issued in the initial aggregate principal amount of [U.S.\$] [Other Currency] _____ and delivered under the Indenture, as described in Grenada's Offering Memorandum dated [_____] (the "Offering Memorandum"), prepared in connection with the issuance of the Securities, copy of which Offering Memorandum is attached hereto as Annex A; and

(B) The Securities shall have the terms and be subject to the conditions set forth in the certificate[s] representing the Securities, [a] true, correct and complete specimen[s] of which [is] [are] attached hereto as Annex B.

This Authorization shall be governed by, and construed in accordance with, the law of the State of New York, except with respect to its authorization and execution by Grenada, which shall be governed by the laws of Grenada.

IN WITNESS WHEREOF, Grenada has caused this Authorization to be duly executed.

Dated: _____, 20__

By: _____
Name:
Title:

Annex A Offering Memorandum
Annex B Form of Security

GRENADA

FORM OF INCUMBENCY CERTIFICATE

Reference is made to the Trust Indenture dated as of November 15, 2005 (the “Indenture”) between Grenada and JPMorgan Chase Bank, N.A., as trustee (the “Trustee”). Terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

We, [Names] [Titles], acting on behalf of GRENADA in the capacity specified below, hereby certify that:

(A) each person listed below is (i) an Authorized Representative for purposes of the Indenture, (ii) duly elected or appointed, qualified and acting as the holder of the respective office or offices set forth opposite his/her name and (iii) in the case of the Minister of Finance, the duly authorized person who executed or will execute the [Title of Securities] Due _____ (the “Securities”) by his/her manual or facsimile signature and was at the time of such execution, duly elected or appointed, qualified and acting as the holder of the office set forth opposite his/her name;

(B) each signature appearing below is the person’s genuine signature; and

(C) attached hereto as Exhibit A is a true, correct and complete specimen of the certificates representing the Securities.

Name	Title	Signature
Anthony Boatswain	Minister of Finance	_____
Lennox Andrews	Permanent Secretary of the Ministry of Finance	_____

IN WITNESS WHEREOF, we have hereunto signed our names.

Dated: _____, 20__

By: _____
Name:
Title:

By: _____
Name:
Title:



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[2003](#) [2002](#) [2001](#)
[2000](#) [1999](#) [1998](#)
[1997](#) [1996](#) [1995](#)

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Statement by the IMF Staff Mission to Grenada

Press Release No. 06/197

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Ms. Nancy Wagner, head of an International Monetary Fund (IMF) staff mission to Grenada, issued the following statement on September 12, 2006 in St. George's:

"An IMF mission visited Grenada between August 31 and September 12, 2006 to review the implementation of the government's home-grown economic program that is supported by the IMF's Poverty Reduction and Growth Facility (PRGF). The mission held constructive discussions with the Prime Minister, the Deputy Prime Minister, the Minister of Finance and his staff, and representatives of various other ministries, public enterprises, the opposition, the business sector, and trade unions. Discussions centered on recent economic developments, fiscal performance, and progress with the government's structural reform agenda.

"The economy rebounded much faster than envisaged in 2005, with growth led by reconstruction and preparations for the 2007 Cricket World Cup. With the recovery occurring much quicker than anticipated, growth is set to slow in 2006. Going forward, agriculture will continue to recover, and prospects for the tourism sector look favorable, with a number of potential major investments on the horizon. Inflationary pressures that emerged in late 2005 on the heels of an adjustment of domestic fuel prices, have eased considerably in the first half of 2006.

"Although progress is being made on the fiscal front, including with the implementation of the National Reconstruction Levy, the budgetary situation remains challenging. This is in part due to a projected shortfall of foreign grants this year, which will increase the effort (including closer follow up with donors) needed to achieve the objectives of the 2006 budget. On the structural front, reforms have been initiated, but the pace of implementation should be stepped up to fully reap the benefits of these early efforts. While recognizing these challenges, the authorities underscored their deep commitment to the reform program. The IMF will continue to work closely with the authorities to assist them in the implementation of the program.

"The mission thanks the authorities for their warm hospitality and anticipates returning in the near term to continue discussions with a view to completing the first review under the PRGF program."

IMF EXTERNAL RELATIONS DEPARTMENT

