

INDICATIVE HEADS OF TERMS FOR EXTENDIBLE HURRICANE BONDS
(COUPON-PRESERVING MATURITY EXTENSION VERSION-BULLET
STRUCTURE)

The following overview is qualified in its entirety by, and should be read in conjunction with, the more detailed information set out in the Terms and Conditions of the Hurricane Bonds.

ISSUER:	[Insert name of Sovereign]. ¹
HURRICANE BONDS:	[Insert Currency and Amount] [•] per cent. [fixed/floating] rate Bonds due [•] 20[•], linked to [CTC Event].
CURRENCY:	[•].
FORM OF THE BONDS:	The Bonds will be issued in global [registered/bearer] form and cleared through the Depository Trust Company.
ISSUE PRICE:	[100]% of the Principal Amount.
DENOMINATION:	The Bonds will be issued in minimum denominations of [•] and integral multiples of [•] in excess thereof.
STATUS:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Bonds rank, and will rank, equally among themselves and with all other unsubordinated and unsecured borrowed money of the Issuer; provided, however, that, consistent with similar provisions in the Issuer's other indebtedness, this provision shall not be construed so as to require the Issuer to pay all items of its indebtedness rateably as they fall due. The due and punctual payment of the Bonds and the performance of the obligations of the Issuer with respect thereto are backed by the full faith and credit of the Issuer.

[Status and ranking to be drafted to meet the requirements of individual issuer but in line with

¹ This term sheet is drafted on the basis that the sovereign is the Issuer. To the extent that the issuer could be another entity, for example, a state-owned entity but with a sovereign guarantee the term sheet can be updated accordingly. This term sheet assumes that the Issuer benefits from CCRIF's insurance cover.

ICMA's enhanced pari passu clause disavowing the rateable payment interpretation.]

- INTEREST RATE:** [•] per cent. [fixed/floating].
- INTEREST AMOUNT:** The Bonds will bear interest at the Interest Rate on the Principal Amount from time to time.
- INTEREST PAYMENT DATES:** Interest will be payable on the Bonds [quarterly/semi-annually] in arrears on the [•],[•],[•] and [•] in each year, subject to the deferral of payments described below. [If any such date is not a Business Day, the applicable payment shall be made on the immediately succeeding Business Day].
- PRINCIPAL AMOUNT:** The initial Principal Amount of the Bonds is their face amount on issuance. The Principal Amount may be increased through a further fungible issuance of the Bonds by the Issuer.
- PRINCIPAL PAYMENTS AND MATURITY DATE:** The Principal Amount of the Bonds shall be repaid in full on [•], subject to the deferral of payments described below.
- DEFERRAL OF PAYMENTS:** Following the occurrence of any Caribbean Tropical Cyclone Event², as defined in the CCRIF Policy (a "CTC Event"), in respect of which a Policy Payment has been made to the Issuer, and subject to the Trigger Conditions being satisfied, the Issuer may, by following the Deferral Procedure for the Trustee and the Deferral Procedure for the Bondholders, elect to defer repayment of the Principal Amount and all Interest Amounts (a "Deferral Claim") to the date which falls three years after their original due dates. The Issuer may make no more than [•] Deferral Claim.
- For the purposes of this section:
- "Caribbean Tropical Cyclone Event", "Ceding Percentage", "Coverage Limit", "Exhaustion Point", "Insured Event" and "Policy Payment"** have the meanings given to such terms in the CCRIF Policy.
- "CCRIF"** means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or

² Scope TBD: include also other events? e.g Caribbean Earthquake Event/ Covered Area Rainfall Event (e.g. Barbados)

any successor thereof, with whom the Issuer has entered into the CCRIF Policy.

"CCRIF Policy" means the Parametric Insurance Contract dated [•] which the Issuer has entered into with CCRIF to insure against risks of tropical cyclone, including any documents incorporated by reference therein and any attachments, annexes, appendices or supplements thereto (including but not limited to the applicable coverage summary and associated loss curve data spreadsheet), as such CCRIF Policy may be amended or supplemented from time to time. A certified copy of the CCRIF Policy (including all such documents, attachments, annexes, appendices and supplements) as in effect on the issue date of the Bonds (the **"Issue Date"**) has been provided to the Trustee on or before the Issue Date.

"Deferral Procedure for the Bondholders" means the Issuer providing, at its own expense, a notice to the holders of the Bonds as provided in the Notices provision of the terms and conditions of the Bonds, describing in reasonable detail the particulars of the applicable CTC Event giving rise to the right to make such Deferral Claim.

"Deferral Procedure for the Trustee" means the Issuer delivering to the Trustee, within [•] weeks of the receipt by the Issuer of a Policy Statement in respect of the applicable CTC Event, the following documents:

(A) a certificate from the Issuer stating that the Issuer is making a Deferral Claim, describing in reasonable detail the particulars of the applicable CTC Event giving rise to the right to make such Deferral Claim and confirming the matters set out in paragraphs (ii) and (iii) of the definition of Trigger Conditions;

(B) a duly certified copy of the CCRIF Policy; and

(C) a written report from CCRIF confirming that the applicable CTC Event is an Insured Event in respect of which a Policy Payment has been made to the Issuer and specifying the amount of the Modelled Loss in respect of the applicable CTC Event, the Return

Period (years) applicable to the relevant CTC Event, and the amount of the Policy Payment. Promptly after the submission of a Deferral Claim, the Issuer shall at its own expense provide notice thereof to the holders of the Bonds, describing in reasonable detail the particulars of the applicable CTC Event giving rise to the right to make such Deferral Claim.

Following the making of a Deferral Claim, the Issuer shall use commercially reasonable efforts to provide the Trustee with summary reports from time to time to keep the Trustee informed of the progress of its post-event relief, recovery and reconstruction programs, and, whenever available, the economic loss assessment consequential upon the occurrence of the applicable CTC Event.

"Modelled Loss" means has the meaning given to such term in the CCRIF Policy, provided that, if the Modelled Loss from the applicable CTC Event is more than [•]% higher than the Reference Modelled Loss, **"Modelled Loss"** for purposes of (iii) of the definition of Trigger Conditions will be the Reference Modelled Loss.

"Reference Modelled Loss" means the Modelled Loss in respect of the applicable CTC Event, calculated under the CCRIF Policy as in effect on the Issue Date, using the relevant Return Period (years) applicable to the relevant CTC Event. When calculating the Reference Modelled Loss, the Return Period (years) applicable to the relevant CTC Event, if not divisible by [•], shall be rounded down to the nearest number that is divisible by [•].

"Return Period (years)" means the return period applicable to the relevant CTC Event as such term is used in the model and formulae detailed in the CCRIF Policy³.

"Trigger Conditions" means:

- (i) that the CCRIF Policy is in full force and effect, and CCRIF has issued a written report confirming that the applicable CTC Event is

³ TBD whether maintaining a CCRIF Policy and payment of premium should be a covenant and failure to do so an event of default.

an Insured Event in respect of which a Policy Payment has been made to the Issuer;

(ii) that since the Issue Date, none of the Ceding Percentage, the Coverage Limit or the Exhaustion Point applicable to tropical cyclones⁴ has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by the Issuer to CCRIF to maintain such Ceding Percentage, Coverage Limit or Exhaustion Point, as the case may be; and

(iii) the Modelled Loss (as defined above) to the Issuer from the applicable CTC Event is greater than U.S.\$ [•] million.⁵

EARLY REDEMPTION OF THE TBD BONDS:

EVENTS OF DEFAULT:

Each of the following events is an Event of Default:

- (a) the Issuer fails to pay principal or interest on any Bond (subject to appropriate grace periods);
- (b) the Issuer is in default in the performance of any other covenant, condition or provision under or in respect of the Bonds or the Indenture and continues to be in default for a time period to be agreed after written notice has been given to the Issuer by [any holder] [the Trustee];
- (c) cross-default;⁶
- (d) the Issuer declares a moratorium with respect to the Bonds, including where such moratorium forms part of a general moratorium over all or part of the Issuer's External Indebtedness⁷;
- (e) the Issuer rescinds, repudiates or expropriates, (or purports to do so) any of the

⁴ If event to include earthquake/rainfall event, reference to applicable exhaustion point to be made herein.

⁵ Parameters for setting this TBD.

⁶ Cross-default/cross-acceleration to reflect equivalent provisions in other bonds of the Issuer by reference to External Indebtedness or equivalent as in other bonds of the Issuer.

⁷ Definition to reflect equivalent or similar definitions in the other bonds of the Issuer.

Bonds or its obligations arising under the Bonds or otherwise declares invalid its obligations under the Bonds;

- (f) the Issuer ceases to be a member in good standing or becomes ineligible to use the resources of the IMF; and
- (g) any applicable order, decree, enactment, treaty or regulation prevents the Issuer from performing its obligations under or in respect of the Bonds.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding shall, give notice to the Issuer that each Bond is, and shall forthwith become, immediately due and payable if any of Event of Default occurs.

"External Indebtedness" means, all Indebtedness [payable in any currency other than the currency of [•] that is not (i) issued pursuant to agreements or evidenced by instruments that expressly submit the resolution of all disputes to the exclusive jurisdiction of the courts of [•] or (ii) governed by [•] law.]

"Indebtedness" means, any borrowed money in the form of bonds or similar debt instruments (and whether linked to any index or not) issued or guaranteed by the Issuer which are, or are capable of being and intended to be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over the counter securities market.

*[These are sample Events of Default. Events of Default in these Bonds should reflect the events of default customary in the Issuer's other bonds.]*⁸

NEGATIVE PLEDGE:

So long as any Bond remains outstanding, the Issuer shall not create or permit to subsist any mortgage, pledge, lien or charge upon any of its present or future revenues, properties or assets to secure any External Indebtedness, unless the Bonds shall also be secured by such mortgage, pledge, lien or charge equally and rateably with such Relevant

⁸ Other events of default which are typically included: invalidity, significant judgment or arbitral award against the country being issued in respect of which no appeal or application to set aside may be made.

Indebtedness or by such other security (A) as the Trustee shall in its absolute discretion deem to be not materially less beneficial to the interests of the holders or (B) as may be approved by a resolution of the requisite majority of holders or written resolution of the holders.⁹

LISTING:

Yes.

RATING:

Yes/TBD.

AGGREGATED COLLECTIVE ACTION CLAUSES:

ICMA's template Standard Aggregated CACs to be included permitting aggregation with other bonds of the Issuer which include aggregated CACs.

RESERVED MATTERS:

These will, inter alia, include resolutions that would:

- (a) change the due date for the payment of the principal or any instalment of interest on the Bonds, (other than in accordance with the express terms of the Bonds);
- (b) reduce the Principal Amount (other than in accordance with the express terms of the Bonds) of the Bonds;
- (c) reduce the Interest Rate on the Bonds;
- (d) change the currency in which any payments are payable and the place of payment;
- (e) change certain definitions (including those used in the aggregated CACs and that of Reserved Matters) or certain other provisions, including majorities required, in the voting arrangements;
- (f) change the disenfranchisement provisions;
- (g) change the ranking of the Bonds;
- (h) authorize and/or instruct the Trustee, on behalf of all holders of the Bonds, to exchange or substitute all the Bonds for, or conversion of all Bonds into, other obligations or securities of the Issuer or any other person;

⁹ Scope of negative pledge may vary issuer to issuer. It should reflect the negative pledge provision in the Issuer's other bonds.

- (i) change the Events of Default;
- (j) change the governing law, jurisdiction provisions and waiver of immunities provisions;
- (k) change the definition of CTC Event; or
- (l) authorize the exchange of the Bonds in a manner which results in inequitable treatment of the holders.

TAXATION: All payments by the Issuer on the Bonds will be paid free and clear of any withholding taxes or other applicable taxes in the jurisdiction of the Issuer.

SELLING RESTRICTIONS: [*Depending on type of offering*].

DOCUMENTATION AND STRUCTURE: Trust structure. The Bonds will be constituted by a Trust Deed which will be available for inspection at the offices of the Trustee.

NOTICES: Notices will be given in accordance with the rules of the stock exchange where the Bonds are listed and via the Depository Trust Company in customary fashion. [Notices will also be published on the website of the Ministry of Finance of the Issuer at [•]].

GOVERNING LAW: New York law¹⁰.

JURISDICTION: TBD.
To the extent allowed by law, the Trustee may also take proceedings in any other court of competent jurisdiction.

SERVICE OF PROCESS: The Issuer will appoint a process agent in each jurisdiction in which the Issuer expressly submits to jurisdiction.

WAIVER OF IMMUNITY: Full waiver of sovereign immunity, to be tailored to country specific context.

CLEARING SYSTEM: Depository Trust Company.

¹⁰ Or such other law as customarily governs the Issuer's debt issuances. TBD.