

**INDICATIVE HEADS OF TERMS FOR FACILITY WITH HURRICANE LINKED  
EXTENDIBLE FEATURE  
(DEBT SERVICE DEFERRAL VERSION)**

*The following overview is qualified in its entirety by, and should be read in conjunction with, the more detailed information set out in the Facility Agreement (as defined below).*

<b>BORROWER:</b>	[Insert name of Sovereign]. <sup>1</sup>
<b>LENDER:</b>	[Insert name of lender].
<b>LOAN AMOUNT:</b>	[Insert Currency and Amount] available for drawdown. <sup>2</sup>
<b>FORM OF FACILITY:</b>	[Term loan facility] <sup>3</sup> .
<b>TERMINATION DATE:</b>	The date falling [•] [months/years] from the first utilisation date of the Facility.
<b>[PURPOSE]:</b>	[•].
<b>RANKING:</b>	Customary for loan facilities but disavowing the rateable payment interpretation.
<b>INTEREST RATE:</b>	[•] per cent. [fixed/floating] [per annum].
<b>INTEREST AMOUNT:</b>	The Principal Amount from time to time will bear interest at the Interest Rate.
<b>INTEREST PAYMENT DATES:</b>	Subject to the occurrence of a CTC Event (as defined below), each Interest Amount will be payable [quarterly/semi-annually] in arrears on the [•],[•],[•] and [•] in each year. [If any such date is not a Business Day, the applicable payment shall be made on the immediately succeeding Business Day].

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<sup>1</sup> This term sheet is drafted on the basis it is a bilateral loan (rather than there being a syndicate) and that the borrower is the sovereign. To the extent that the borrower is another entity, for example a state-owned entity but benefiting from a sovereign guarantee, the term sheet would need to be expanded to refer to the borrower and the guarantor as obligors and consequential changes made throughout. This term sheet assumes the Borrower benefits from CCRIF Insurance Cover.

<sup>2</sup> Specify if multiple drawdowns or just one single drawdown and consequential length of availability period.

<sup>3</sup> The starting point here is a single currency term loan rather than a revolver facility.

<sup>4</sup> Specify if the Borrower may use proceeds at its discretion or whether particular use of proceeds are contemplated.

**PRINCIPAL AMOUNT:**

The initial Principal Amount of the Facility may be increased through capitalization of interest if a CTC Event occurs (as described below).

**PRINCIPAL PAYMENTS AND PRINCIPAL PAYMENT DATES:**

Subject to the occurrence of a CTC Event, the Principal Amount of the Facility shall be repaid on the dates and in the amounts specified in the Schedule attached hereto. Any such amount (other than the last) may, at the election of the Borrower, not be made on the original due date if a CTC Event occurs.

**CTC EVENT:**

(a) Following the occurrence of any Caribbean Tropical Cyclone Event<sup>5</sup>, as defined in the CCRIF Policy (a "CTC Event"), in respect of which a Policy Payment has been made to the Borrower, and subject to paragraph (b) below, the Borrower may elect to defer payment of the Deferred Payment Amounts so that each such remaining principal and interest payments falls due on the date falling [•] years after its original due date. <sup>6</sup>

(b) The Borrower shall be entitled to defer the Deferred Payment Amounts following the occurrence of a CTC Event only if all the following conditions are satisfied:

(i) the CCRIF Policy is in full force and effect and CCRIF has issued a written report confirming that the applicable CTC Event is an Insured Event in respect of which a Policy Payment has been made to the Borrower;

(ii) that since the drawdown date<sup>7</sup>, none of the Ceding Percentage, the Coverage Limit or the Exhaustion Point applicable to tropical cyclones<sup>8</sup> has been reduced, unless it has been reduced by CCRIF and CCRIF has declined a request submitted by the Borrower to CCRIF to maintain such Ceding Percentage, Coverage Limit or Exhaustion Point, as the case may be; and

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<sup>5</sup> Scope of CTC Event TBD: include also other events? e.g. Caribbean Earthquake Event/Covered Area Rainfall Event.

<sup>6</sup> TBC if deferral election to be made on CTC Event in respect of all Deferred Payment Amounts or whether borrower to have a choice as to which payments to defer and when.

<sup>7</sup> And/or signing date.

<sup>8</sup> If event to include earthquake/rainfall event reference to applicable exhaustion point to be made here.

(iii) the Modelled Loss (as defined below) to the Borrower from the applicable CTC Event is greater than U.S.\$ [•] million.<sup>9</sup>

Upon electing to defer the Deferred Payment Amounts, the Borrower shall at its own expense:

(A) provide notice thereof (a "**Deferral Claim**") to the Lender under the Facility as provided in the Notices provision of the Facility, 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 in subparagraphs (b)(ii) and (b)(iii) above;

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

(C) provide to the Lender a written report from CCRIF confirming that the CTC Event is an Insured Event in respect of which a Policy Payment has been made to the Borrower and specifying the amount of the Modelled Loss in respect of the CTC Event, the Return Period (years) applicable to the CTC Event, and the amount of the Policy Payment. Promptly after the submission of a Deferral Claim, the Borrower shall use commercially reasonable efforts to provide the Lender with summary reports from time to time to keep the Lender informed of the progress of its post-relief, recovery and reconstruction programs, and, whenever available, the economic loss assessment consequential upon the occurrence of the applicable CTC Event.

The Borrower shall be entitled to make no more than [•]<sup>10</sup> Deferral Claims under the Facility.

(d) For the purposes of this clause: ["**Caribbean Tropical Cyclone Event**", "**Ceding Percentage**", "**Coverage Limit**", "**Exhaustion Point**", "**Insured**"]

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<sup>9</sup> TBD – parameters for setting this.

<sup>10</sup> TBD.

**Event**", "**Policy Payment**" have the meanings given to such terms in the CCRIF Policy.]<sup>11</sup>

**"CCRIF"** means CCRIF SPC (formerly, the Caribbean Catastrophe Risk Insurance Facility), or any successor thereto, with whom the Borrower has entered into the CCRIF Policy.

**"CCRIF Policy"** means the Parametric Insurance Contract dated [•] which the Borrower has entered into with CCRIF to insure against risks of tropical cyclone <sup>12</sup>, 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 date on which the Facility is signed has been provided to the Lender on or before the signing date as a condition precedent.<sup>13</sup>

**"Deferral Claim"**, in respect of an applicable CTC Event, has the meaning given to such term in paragraph (b) above.

**"Deferred Payment Amount"** means all principal payments as set out in the Schedule attached hereto and interest payments falling due under the Facility in respect of such principal.

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

**"Payment Date"**, for the Facility, means the dates specified for the payments of interest and/or principal thereunder.

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<sup>11</sup> TBC once the CCRIF Policy to be entered into by the Borrower is in agreed form.

<sup>12</sup> To be expanded, if earthquake event/covered area rainfall event included.

<sup>13</sup> Conditions precedents related to the CCRIF Policy to be set out.

**"Reference Modelled Loss"** means the Modelled Loss in respect of an applicable CTC Event, calculated under the CCRIF Policy as in effect on the date on which the Facility is signed<sup>14</sup>, 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 Policy.<sup>15</sup>

<b>VOLUNTARY PREPAYMENT:</b>	TBD.
<b>REPRESENTATIONS<sup>16</sup>:</b>	Customary for this type of Facility.
<b>COVENANTS<sup>16</sup>:</b>	Customary for this type of Facility.
<b>INFORMATION UNDERTAKINGS:</b>	Customary for this type of Facility.
<b>EVENTS OF DEFAULT<sup>17</sup>:</b>	Each of the following events is an Event of Default: <ul style="list-style-type: none"><li>(a) the Borrower fails to pay principal or interest on the Facility (subject to appropriate grace periods);</li><li>(b) the Borrower breaches a representation in the Facility Agreement in any material respect which is not remedied within a time period to be agreed;</li><li>(c) the Borrower is in default in the performance or compliance of any other covenant, condition or provision in the Facility Agreement and continues to be in default for [a time period to be agreed] after written notice has been given to the Borrower by the Lender;</li></ul>

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<sup>14</sup> Or on drawdown.

<sup>15</sup> TBD whether maintaining the CCRIF Policy and payment of premium should be a covenant and failure to do so an event of default.

<sup>16</sup> TBD whether we should specify some.

<sup>17</sup> TBD whether separate category of Mandatory Prepayment Events to be included.

- (d) cross-default (by reference to External Indebtedness);<sup>18</sup>
- (e) the Borrower declares a moratorium with respect to the Facility, including where such moratorium forms part of a general moratorium over all or part of the Borrower's [External Indebtedness];
- (f) the Borrower rescinds or repudiates (or purports to do so) the Facility or its obligations arising under the Facility or otherwise declares invalid its obligations under the Facility or any other financial instrument which constitutes any [External Indebtedness] of the Borrower;
- (g) the Borrower ceases to be a member in good standing or becomes ineligible to use the resources of the IMF; and
- (h) any applicable order, decree, enactment, treaty or regulation prevents the Borrower from performing its obligations under or in respect of the Facility.<sup>19</sup>

The Lender at its discretion may, give notice to the Borrower, that the Principal Amount under the Facility shall forthwith become immediately due and payable if any of Event of Default occurs.

*[These are sample Events of Default. Events of Default to be set by individual borrowers and to be consistent across all of such borrower's facilities on terms acceptable to the lender.]*

**NEGATIVE PLEDGE:**

So long as any amount under the Facility remains outstanding, the Borrower 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 Facility shall also be secured by such mortgage, pledge, lien or charge equally and rateably with such External Indebtedness or by such other security as

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<sup>18</sup> By reference to External Indebtedness or customary benchmark for facilities of this type entered into by the Borrower and as defined therein on terms acceptable to the lender.

<sup>19</sup> TBD - Other events of default which are typically included: invalidity; restructuring; significant judgment or arbitral award against the country being issued in respect of which no appeal or application to set aside may be made; material adverse change. Scope will depend both on standard terms of proposed Lender and on precedent transactions for the sovereign.

the Lender shall in its absolute discretion deem to be not materially less beneficial to its interests.<sup>20</sup>

**TAXATION:**

All payments by the Borrower on the Facility will be paid free and clear of any withholding taxes or other applicable taxes in the jurisdiction of the Borrower.

**DOCUMENTATION:**

(a) The Facility will be made available under a facility agreement (the "**Facility Agreement**").

(b) Other documentation will include [•]<sup>21</sup>.

**NOTICES:**

Notices will be given in accordance with the notice provisions under the Facility.

**GOVERNING LAW:**

New York law<sup>22</sup>.

**SUBMISSION TO FOREIGN  
COURTS/ARBITRATION:**

TBD.

**WAIVER OF IMMUNITY:**

Full waiver of sovereign immunity to be tailored to country specific context.

**RESTRICTIONS ON  
ASSIGNMENT/TRANSFERS:**

TBD.

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<sup>20</sup> Scope of Negative Pledge may vary borrower to borrower and lender to lender. The Negative Pledge should be in form typically given by the Borrower and required by the Lender in a facility of this type.

<sup>21</sup> TBD.

<sup>22</sup> Or such other law as the parties may agree.

## Schedule of payments of Principal Amounts

<b>Principal Payment Date</b>	<b>Proportion of Principal Amount<sup>23</sup></b>
1. The first [/second/third]/fourth Interest Payment Date falling in [•] (expressed as a year e.g. five years after issuance)	Ten per cent.
2. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 1)	Ten per cent.
3. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 2)	Ten per cent.
4. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 3)	Ten per cent.
5. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 4)	Ten per cent.
6. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 5)	Ten per cent.
7. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 6)	Ten per cent.
8. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 7)	Ten per cent.
9. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 8)	Ten per cent.
10. The first [/second/third]/fourth Interest Payment Date falling in [•] (one year later than date in 9)	Full remaining amount.

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<sup>23</sup> This is a level amortisation schedule which runs for ten years after an initial grace period.