

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 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 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 penalty margins.

Grenada will issue a press release and post a notice on its website 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 or 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 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 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 exchange only for the New U.S.\$ Bonds, and Schedule B Claims are entitled to be exchange 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, and 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 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 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 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 "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 principal amount of the New U.S. \$ Bonds may instruct the Trustee in writing to accelerate such series following the occurrences 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.

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.

DATE

September 9, 2005

ACTION

Commencement Date of the Offer

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

Offer Period

The Offer is open during this period

September 30, 2005

Date

Exchange Ratios Publications

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)**

Expiration Date and Time

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

Announcement Date

Grenada will announce on this date or as soon as possible thereafter the results of the Offer.

October 20 and 21, 2005

Bondholders Meetings

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

Closing Date

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 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 “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.

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 of the Schedule B Claim plus (ii) the accrued but unpaid interest therein 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 Claims.

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 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 agent 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 maybe, of the full amount of the New Bonds. This rounded amount will be 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 considerations for tenders of Eligible Claims (the Exchange Ratio) for a particular 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 September 15,2005 (which date will be the same for all 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 due2012, 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 amount 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 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 Granted 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, maybe withdrawn, for any reason, at any time prior to 3:00 pm (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 Acceptances, as applicable, shall automatically be deemed to be withdrawn.

Voting Proxies

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

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

Unit Trust Corporation 7.7 5% 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 of one or more resolutions that would have the effect of amending the relevant series to confirm 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 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 State 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 State (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 (0) 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 “Jurisdiction Restrictions”

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

For a description of certain restriction 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 undertaking 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.

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, "sings 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 US\$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 US\$100 million.

In addition, after Hurricane Ivan struck Grenada, the Caribbean Development Bank, which holds claims against Grenada aggregating EC\$174.5 million, agreed to provide financial assistance by approving a concessionary loan of US\$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 US\$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 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 approximately EC\$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-terms 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 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.