



# Europe 2020 Project Bond Initiative Deal structure – credit support and decision making

Clare Burgess

11 April 2011

**C L I F F O R D**  
**C H A N C E**

© Clifford Chance, 2011. All rights reserved

# The case for Project Bonds

Investment requirements in infrastructure

Long-term bank lending:

- Limited capacity
- Basel III

Bond solutions required to replace previous structures

# Credit Support Options

Aims:

- Improve ratings of senior debt
- Assist accessibility of projects for the broader capital markets investors
- Decrease overall cost of debt

What should support cover?

When is support needed?

Recycling of support

Refinancings

# Credit Support Options: Funded vs. Unfunded

Funded options:

- Equity
- Mezzanine Debt

Drawbacks

Unfunded options:

- Letter of Credit
- Guarantee
- Insurance
- Credit Default Swaps

# Decision making – who is in control?

Why are control rights important?

A principled view?

- “Skin in the game” participants
- Fiduciary duties
- Independent expert

# Decision making – who is in control?

Potential candidates:

- Bondholders
- Representative Bondholder / BH Committee
- Trustee
- “Super-Trustee”
- Mezzanine Investor
- Guarantor of Senior Debt

A combination?

# Deal structure – credit support and decision making

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

© Clifford Chance LLP 2010

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street, London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

UK-2727409-v1

# Worldwide contact information

## 30 offices in 21 countries

### Abu Dhabi

Clifford Chance  
13th and 14th Floors  
Al Niyadi Building  
Airport Road  
Sector W-14/02  
PO Box 26492  
Abu Dhabi  
United Arab Emirates  
Tel +971 (0)2 419 2500  
Fax +971 (0)2 419 2600

### Amsterdam

Clifford Chance  
Droogbak 1A  
1013 GE Amsterdam  
PO Box 251  
1000 AG Amsterdam  
Tel +31 20 7119 000  
Fax +31 20 7119 999

### Bangkok

Clifford Chance  
Sindhorn Building Tower 3  
21st Floor  
130-132 Wireless Road  
Pathumwan  
Bangkok 10330  
Thailand  
Tel +66 2 401 8800  
Fax +66 2 401 8801

### Barcelona

Clifford Chance  
Av. Diagonal 682  
08034 Barcelona  
Spain  
Tel +34 93 344 22 00  
Fax +34 93 344 22 22

### Beijing

Clifford Chance  
33/F, China World Office 1  
No. 1 Jianguomenwai Dajie  
Chaoyang District  
Beijing 100004  
People's Republic Of China  
Tel +86 10 6535 2288  
Fax +86 10 6505 9028

### Brussels

Clifford Chance  
Avenue Louise 65 Box 2  
1050 Brussels  
Belgium  
Tel +32 2 533 5911  
Fax +32 2 533 5959

### Bucharest

Badea Clifford Chance  
Excelsior Center  
28-30 Academiei Street  
12th Floor, Sector 1  
Bucharest, 010016  
Romania  
Tel +40 21 66 66 100  
Fax +40 21 66 66 111

### Dubai

Clifford Chance  
3rd Floor  
The Exchange Building  
Dubai International Financial Centre  
P.O. Box 9380  
Dubai, United Arab Emirates  
Tel +971 4 362 0444  
Fax +971 4 362 0445

### Düsseldorf

Clifford Chance  
Königsallee 59  
40215 Düsseldorf  
Germany  
Tel +49 211 43 55-0  
Fax +49 211 43 55-5600

### Frankfurt

Clifford Chance  
Mainzer Landstraße 46  
60325 Frankfurt am Main  
Germany  
Tel +49 69 71 99-01  
Fax +49 69 71 99-4000

### Hong Kong

Clifford Chance  
28th Floor  
Jardine House  
One Connaught Place  
Hong Kong  
Tel +852 2825 8888  
Fax +852 2825 8800

### Istanbul

Clifford Chance  
Kanyon Ofis Binasi Kat. 10  
Büyükdere Cad. No. 185  
34394 Levent, Istanbul  
Turkey  
TEL +90 212 339 0000  
FAX +90 212 339 0099

### Kyiv

Clifford Chance  
75 Zhylyanska Street  
01032 Kyiv, Ukraine  
Tel +38 (044) 390 5885  
Fax +38 (044) 390 5886

### London

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ  
Tel +44 20 7006 1000  
Fax +44 20 7006 5555

### Luxembourg

Kremer Associés & Clifford Chance  
2-4 place de Paris  
B.P. 1147  
L-1011 Luxembourg  
Grand-Duché de Luxembourg  
Tel +352 48 50 50 1  
Fax +352 48 13 85

### Madrid

Clifford Chance  
Paseo de la Castellana 110  
28046 Madrid  
Spain  
Tel +34 91 590 75 00  
Fax +34 91 590 75 75

### Milan

Clifford Chance  
Piazzetta M.Bossi, 3  
20121 Milan  
Italy  
Tel +39 02 806 341  
Fax +39 02 806 34200

### Moscow

Clifford Chance  
Ul. Gasheka 6  
125047 Moscow  
Russian Federation  
Tel +7 495 258 5050  
Fax +7 495 258 5051

### Munich

Clifford Chance  
Theresienstraße 4-6  
80333 Munich  
Germany  
Tel +49 89 216 32-0  
Fax +49 89 216 32-8600

### New York

Clifford Chance  
31 West 52nd Street  
New York, NY 10019-6131, USA  
Tel +1 212 878 8000  
Fax +1 212 878 8375

### Paris

Clifford Chance  
9 Place Vendôme  
CS 50018  
75038 Paris Cedex 01  
France  
Tel +33 1 44 05 52 52  
Fax +33 1 44 05 52 00

### Prague

Clifford Chance  
Jungmannova Plaza  
Jungmannova 24  
110 00 Prague 1  
Czech Republic  
Tel +420 222 555 222  
Fax +420 222 555 000

### Rome

Clifford Chance  
Via Di Villa Sacchetti, 11  
00197 Rome  
Italy  
Tel +39 06 422 911  
Fax +39 06 422 91200

### São Paulo

Clifford Chance  
Rua Funchal 418 15th Floor  
04551-060 São Paulo SP  
Brazil  
Tel +55 11 3019 6000  
Fax +55 11 3019 6001

### Shanghai

Clifford Chance  
40th Floor  
Bund Centre  
222 Yan An East Road  
Shanghai 200002  
China  
Tel +86 21 2320 7288  
Fax +86 21 2320 7256

### Singapore

Clifford Chance  
One George Street  
19th Floor  
Singapore 049145  
Tel +65 6410 2200  
Fax +65 6410 2288

### Tokyo

Clifford Chance  
Akasaka Tameike Tower, 7th Floor  
17-7 Akasaka 2-Chome  
Minato-ku, Tokyo 107-0052  
Tel +(81 3) 5561 6600  
Fax +(81 3) 5561 6699

### Warsaw

Clifford Chance  
Norway House  
ul.Lwowska 19  
00-660 Warsaw  
Poland  
Tel +48 22 627 11 77  
Fax +48 22 627 14 66

### Washington, D.C.

Clifford Chance  
2001 K Street NW  
Washington, DC 20006 - 1001, USA  
Tel +1 202 912 5000  
Fax +1 202 912 6000

### Riyadh

(Co-operation agreement)  
Al-Jadaan & Partners Law Firm  
P.O.Box 3515, Riyadh 11481  
Fifth Floor, North Tower  
Al-Umam Commercial Centre  
Salah-AlDin Al-Ayyubi Street  
Al-Malaz, Riyadh  
Kingdom of Saudi Arabia  
Tel +966 1 478 0220  
Fax +966 1 476 9332