



HADRIAN'S WALL CAPITAL

Investor Requirements for Project Bonds

Europe 2020 Project Bond Initiative

April 11th, 2011

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REQUIRED CHARACTERISTICS FOR INVESTORS IN PROJECT BONDS



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Hadrian's Wall has conducted extensive market soundings and therefore anticipates strong bond investor demand for Project Bonds with the following characteristics:

- long term assets to match long dated liabilities;
- cash credit enhancement to produce the required ratings and reduced ratings volatility;
- negotiation of transaction terms and conditions by a party whose interests are economically aligned. Ideally, this should be the same party who will then manage the asset for the Project Bondholders;
- bond investors retain control rights on any significant senior creditor issues;
- an efficient day-to-day asset management service including but not limited to, processing of waivers, consents, drawdown requests etc.;
- asset manager provides routine monitoring, surveillance and reporting to fixed income investors;
- asset manager provides a communication and voting platform to fixed income investors.

INTERCREDITOR ARRANGEMENTS



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Arrangements should be designed to ensure efficient decision-making while an issue is performing within acceptable parameters. If, as and when performance of the issuer deteriorates, Senior Infrastructure Bond bond creditors will retain increasing creditor control rights. The Hadrian's Wall structure splits decisions into 4 categories:

- Level 1: entrenched rights of the Senior Infrastructure Bond creditors;
- Level 2: events that require majority decision of the bond creditors (Senior Infrastructure Bond and Subordinated Infrastructure Bond creditors combined);
- Level 3: events for which the Managing Creditor proposes a course of action, with bond creditors entitled to vote to reject the proposal (Senior Infrastructure Bond and Subordinated Infrastructure Bond creditors combined);
- Level 4: events for which the Managing Creditor has full rights to instruct the Infrastructure Company Bond Trustee.

INFORMATION TRANSPARENCY TO INVESTORS



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Project Bondholders will require transparent information reporting in order to satisfy their own internal reporting requirements regarding the on-going credit quality of their investments. The Infrastructure Company will generally be required to disclose to Project Bondholders:

- general information on construction progress;
- any significant operational events, including payment deductions;
- compliance with key covenants including actual financial ratios;
- consents and waivers;
- the occurrence of trigger and lock-up events and proposals for remediation;
- information on any event of default and the proposed remediation or enforcement action.

The asset manager will collate and review the required information, communicate it to Bondholders and deal with Bondholder enquiries which may arise.