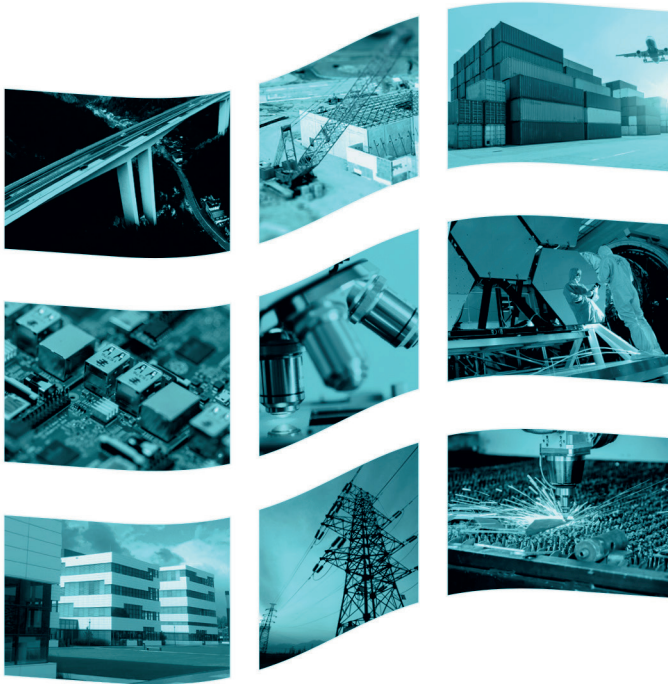


EIX: Estates and Infrastructure Exchange

Guide to Private Placement for Project Sponsors



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What is EIX?

Estates and Infrastructure Exchange 'EIX' is to be a new, regulated investment exchange that aims to increase the flow of capital into infrastructure and development projects. As a marketplace we act as the bridge between capital and major projects.

EIX works globally with national and regional governments, transport authorities and private infrastructure and development companies to finance major infrastructure and development projects across all sectors. EIX allows professional investors to bid for stakes in multiple project bonds, diversify risk and trade those holdings on a risk-adjusted basis.

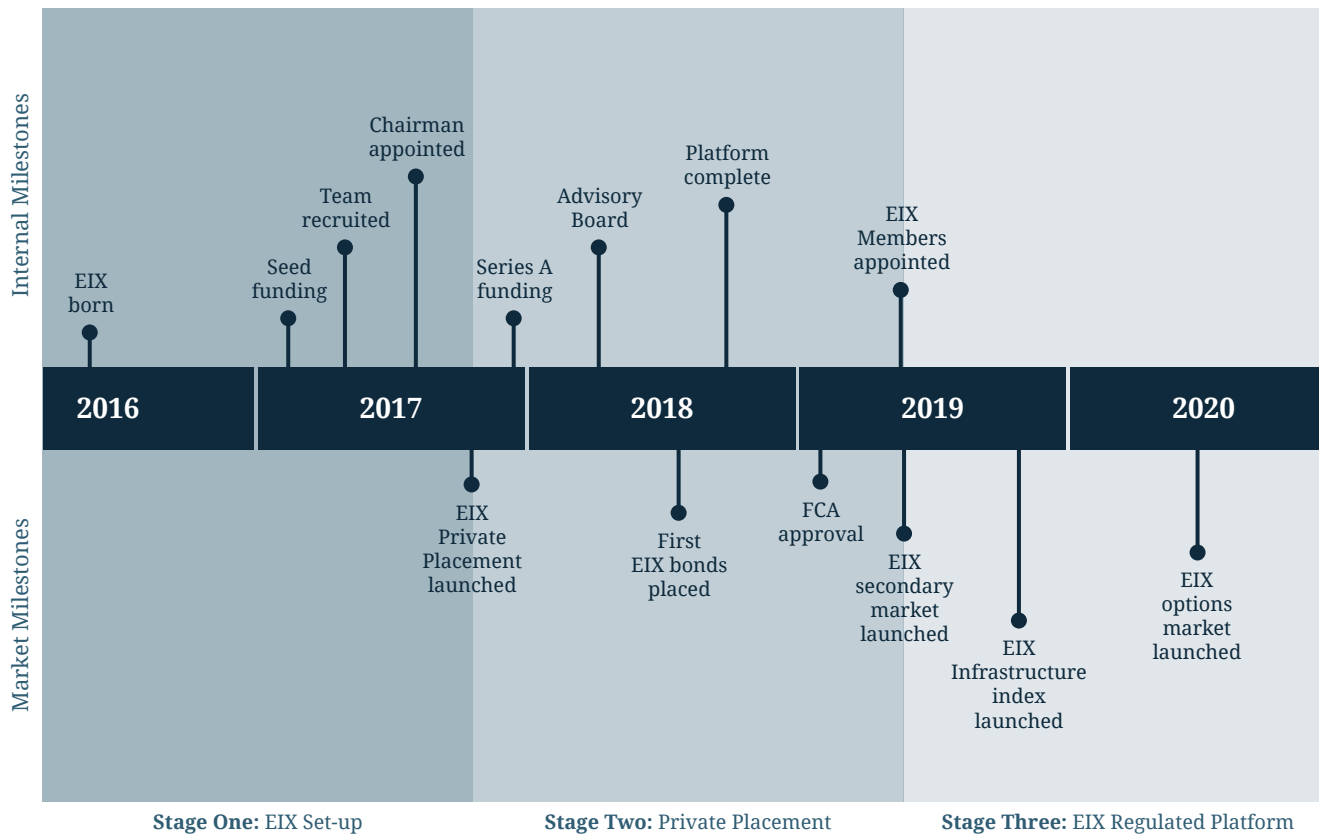
By turning highly illiquid, long-term infrastructure investments into tradable debt and equity style investments, the flow of capital into projects globally will accelerate.

EIX is a global exchange, based in the City of London. We work with a network of corporate finance advisors across Europe, the Middle East and Africa.

Our Strategic Advisors include Chris Phillips, Chairman of Places for People and Joe Seet, Senior Partner of Sigma Partners. Our Chairman is Ian Reeves CBE, who also serves as Chairman of GCP Infrastructure Investments Limited, a listed FTSE 250 company.

EIX's ambition is to unlock the billions of underinvested global capital and increase the flow of investment into infrastructure and regeneration projects that will help people to live easier, sustainable and more fulfilling lives around the world.

EIX Timeline



The EIX Story

The EIX story so far

2016

EIX originated when Mark Worrall and Mike Blakey set off to establish what is to be the world's first regulated exchange for infrastructure and real estate funding.

2017

Seed funding was secured from high net worth individuals. A team of six core members of staff were recruited from a cross section of industries.

Prof Ian Reeves CBE was appointed as Chairman. In September, EIX opened doors to the Private Placement market.

2018

Series A funding was secured from a large City Trust.

The first meeting of the EIX Advisory Board was held, chaired by Chris Phillips.

EIX in the future

2018

EIX places its first private bonds into the market following the first competitive auction.

Construction of the EIX technical platform is completed.

2019

EIX is granted regulatory approval by the FCA and EIX Members are appointed.

EIX exceeds its target of £2 billion of privately placed bonds into the market.

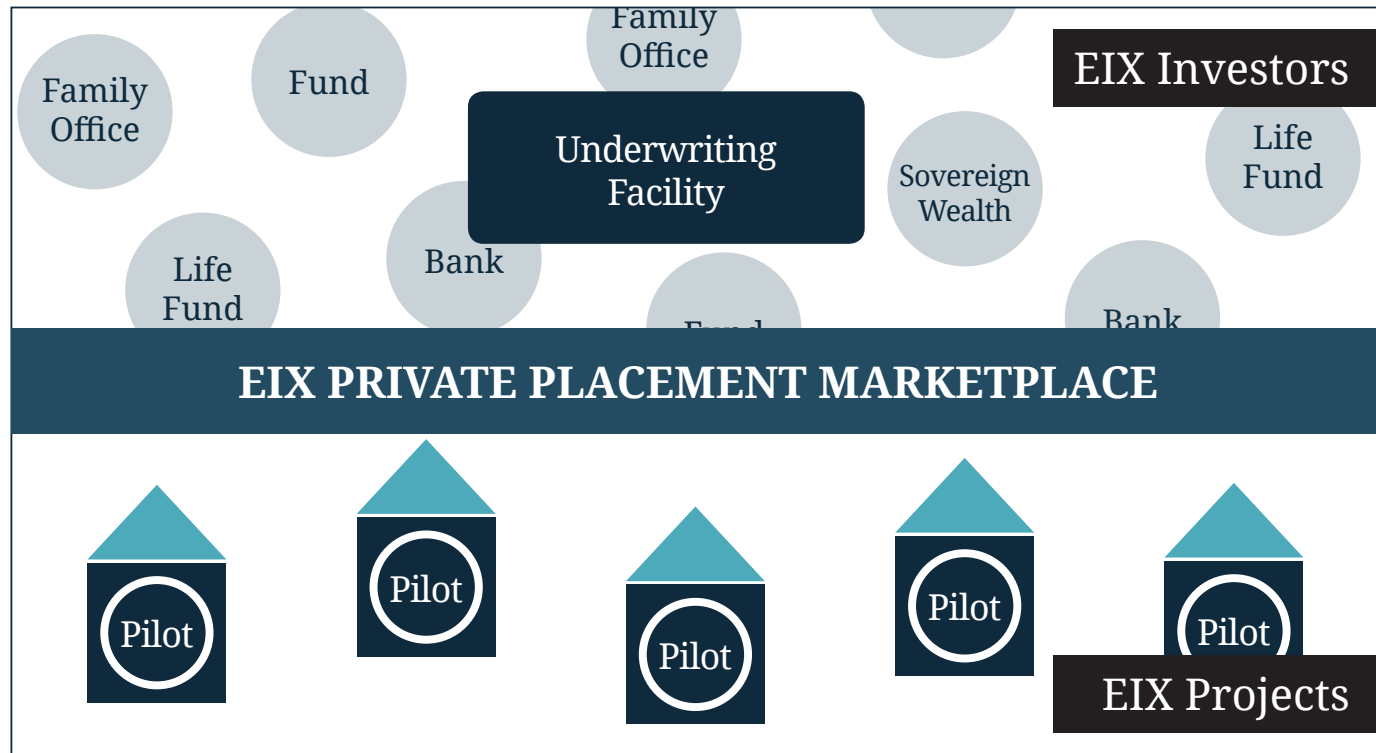
EIX launches its secondary market for infrastructure and development bonds and opens for trading.

EIX launches the first project-level infrastructure index.

2020

EIX launches the first project finance options exchange. This allows investors to trade in options linked to EIX bonds.

EIX Private Placement Marketplace



KEY: ● = Bond investor ▲ = Project Sponsor (Bond Issuer) ◻ = Pilot

Parties involved in EIX Private Placement marketplace

EIX privately places new bond issuances in infrastructure and development capital projects. The placement process requires the participation of several market participants. A summary of the roles of different participants in the EIX Private Placement process are set out below.

Project Sponsors

Project Sponsors are governments and companies that require capital to construct new assets or refinance existing assets. EIX works with a wide range of Project Sponsors from national and local governments globally to all ranges of private companies.

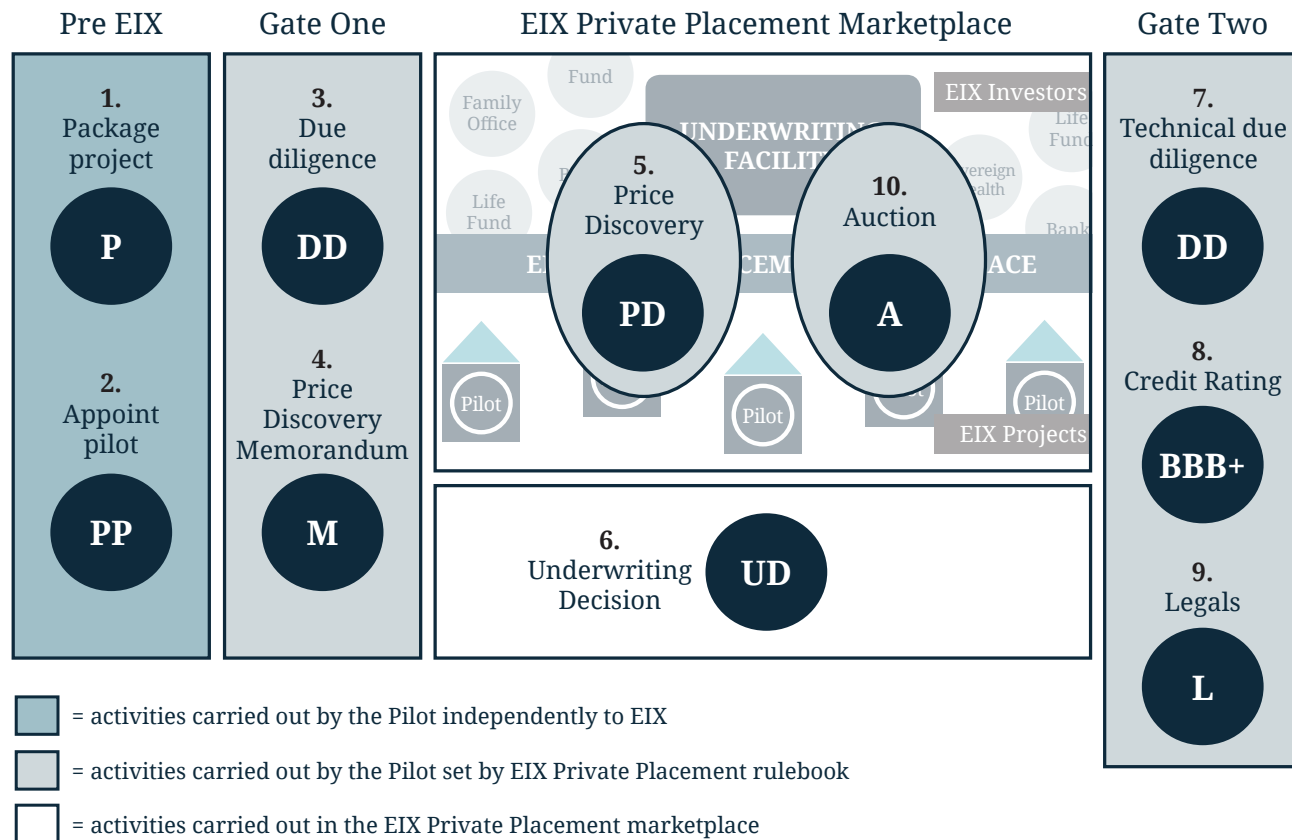
Pilots

Pilots are firms or companies that project manage the EIX Private Placement process on behalf of a Project Sponsors. EIX has a Panel of approved Pilots, all of whom are authorised by the FCA, or equivalent regulatory authority, to provide corporate finance advice. Project Sponsors appoint a Pilot to guide them through the Private Placement steps as set out in the EIX Private Placement Rulebook.

Investors

EIX has a wide range of investors who are currently in the market to place funds in new bond issuances. They range from large institutions such as banks and insurance companies to medium sized funds, sovereign wealth funds and private family offices, some of which have hundreds of billions of assets under management. All EIX Private Placement investors will undergo KYC and AML checks and have been chosen on the basis of their reputational strength and interest in this asset class.

EIX Private Placement Flow



EIX Private Placement Process

Pre-EIX

Prior to raising finance with EIX, project sponsors may appoint a corporate finance advisor to structure and package the project. (1) Once a project is ready to be financed by EIX, the Project Sponsor will appoint a Pilot from EIX's Panel of approved Pilots. (2)

Gate One

The first step is to provide all project documentation in a standardised library format. In addition a detailed Due Diligence template will need to be filled out. (3) The Pilot and Project Sponsor will be required to draft a Price Discovery Memorandum. (4) This is a document that sets out the description of the project, uses for the capital, net cash flow projections and a comprehensive assessment of the project risks and is set out in the Private Placement Rulebook.

Price Discovery Process

EIX hosts a Price Discovery exercise where 3-5 EIX investors are invited to provide an indicative cost of capital for the prospective bond. (5)

Underwriting Decision

At this stage Project Sponsors choose whether to underwrite the bond issuance. (6)

Gate Two

During the second stage of Due Diligence, the Pilot and Project Sponsor will commission independent, expert third parties to review and provide opinions on different aspects of the project, including a market/sector review, commercial reviews and construction review. This independent validation is set out in the EIX Private Placement Rulebook. (7)

The Private Placement Rulebook requires all projects raising more than £100mn to secure a formal credit rating. (8) All of that material will be pulled into a Bond Prospectus to be drawn up by the Project Sponsor's chosen law firm. (9)

Auction

The Bond Prospectus is introduced onto the (10) EIX Private Placement Marketplace and a competitive auction determines the price and allocation.

EIX Bond

SENIOR DEBT

MEZZ



EQUITY

EIX Private Placement Instruments

EIX only offers one financial instrument – bonds. This standardisation makes EIX Private Placement bonds accessible to a wide range of existing and new investors looking to invest in infrastructure and development. It also makes the instruments directly comparable. However, within the bond structure, the instruments are designed to meet the individual financial requirements of the project.

Why bonds

Bonds are similar to loans in that there is a lender and borrower. However, the financial and legal structure of a bond makes it easier for multiple parties to finance simultaneously, whereas loans are simpler to administer when there is one lending party. The bond structure also requires all assets to be placed into a Special Purpose Vehicle (SPV) as collateral.

Contained within the bond can be a variety of different asset classes, including:

- **Senior debt** is debt that takes greater priority over all other types of debt or equity. In the case of default, the lenders of senior debt have the first charge over the project assets, which are held in the SPV.
- **Subordinated debt** has a lower priority than senior debt, should default arise. Lenders of subordinated debt require a comparatively higher interest rate to compensate for the greater risk.

Equity

EIX can also raise project equity if required. Equity is by its nature higher risk as there is no recourse in the case of default.

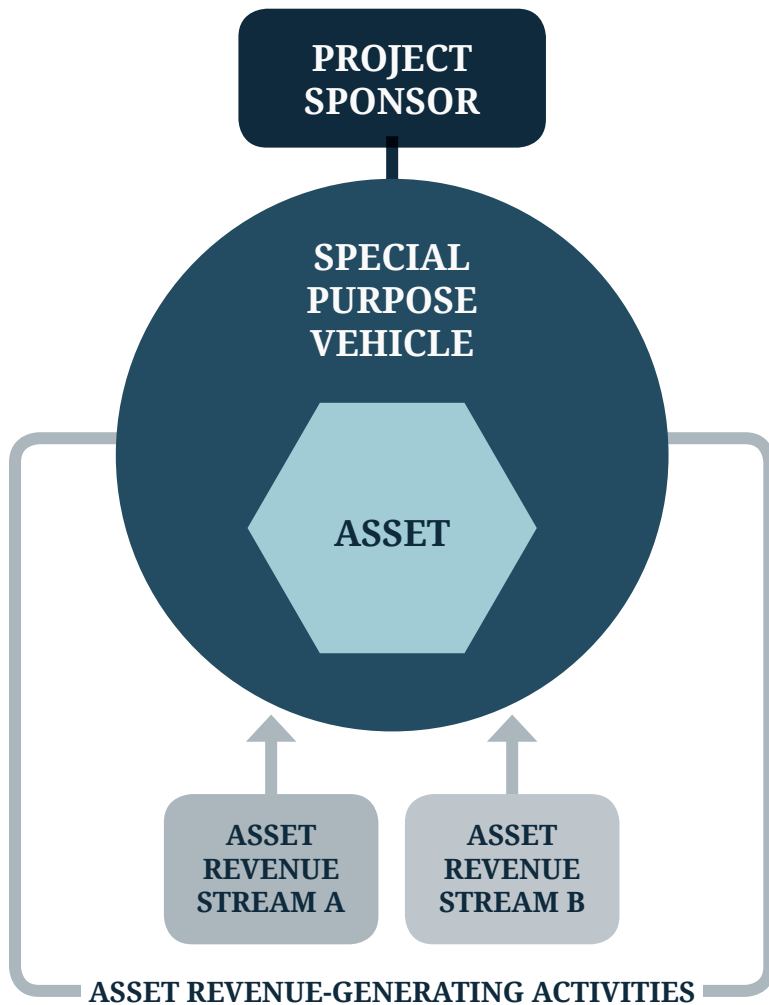
Terms

EIX offers bond terms from five to seventy plus years. We can designate EIX bonds in Sterling, USD and Euros. The bond repayments can be structured as straight amortisation or bullet payments.

Green bonds

EIX are fully aligned with the Green Bond Principles and work with the Climate Bonds Initiative and their recommended Second Opinion Providers. EIX gives investors the ability to capitalise on the financial and ethical benefits of the rapidly growing Green Bonds market.





What projects are suitable for EIX Private Placement?

Capital Projects

EIX Private Placement bonds are suitable for capital projects structured as project finance. Most projects involve the construction or refinancing of infrastructure, real estate projects or regeneration sites. We do not place corporate bonds. EIX bonds require the assets (existing or to be constructed) to be sequestered in a Special Purpose Vehicle as security for the duration of the term.

Revenues

Suitable projects have definable revenue streams that are created by the capital assets. EIX bonds are secured both by the project assets held in the SPV and the projected revenues. The more secure those future revenues can be made, the less risky the bond. Suitable revenue streams include:

- Government guaranteed revenues/grants (e.g. landlord, payor on behalf of social tenants, purchaser of outputs)
- Contracted revenues (off-take contracts) for future purchase of energy, minerals
- Tax Incremental Finance/Land Value Capture
- Usage charges like tolls, tickets sales taxes
- Leases and PRS sales

Investment Grade

Many EIX investors look for bonds that have a shadow or formal credit rating that makes them 'investment grade' or higher. This means a minimum credit rating of BBB- (Standard & Poor's) or Baa3 (Moody's). Projects that have a government guarantee, or water-tight off-take contract are more likely to be designated investment grade. EIX Pilots work with a number of market participants including insurance companies and AAA-rated offtake purchasers to help underpin commercial risks where this is not possible.

Project Size

EIX Private Placement bonds are appropriate for projects that require a minimum of £25mn of capital up to billions.

Geography

EIX Private Placement bonds can be created for projects located in any country in the world. However, when the bonds are listed on EIX, a London-based exchange, it means that the Bond Prospectus and all contractual components, including recourse measures should the project default, are subject to UK law. This remains the case even if the project is located in a jurisdiction with an alternative rule of law.

**REGENERATION
AND
DEVELOPMENT**

TRANSPORT

ENERGY

**CAPITAL RELEASE
AND REFINANCE**

EIX Private Placement case studies

Outlined below are some of the projects that we are currently supporting.

Regeneration and development

- Finance to enable speculative office and commercial developments in major regeneration sites owned by development companies.
- Finance for road extensions and transport links to open up major housing development sites for local government agencies.
- Finance for infrastructure to prevent flooding and environmental impacts to safeguard and expand CBDs and residential neighbourhoods (in partnership with World Bank City Resilience Programme).
- Finance to construct mixed portfolios of PRS housing to be owned and operated by Local Authority Housing Companies and Housing Associations.
- Finance to help local governments and developers assemble land for regeneration and development.
- Finance to build revenue-generating new municipal buildings.

Energy

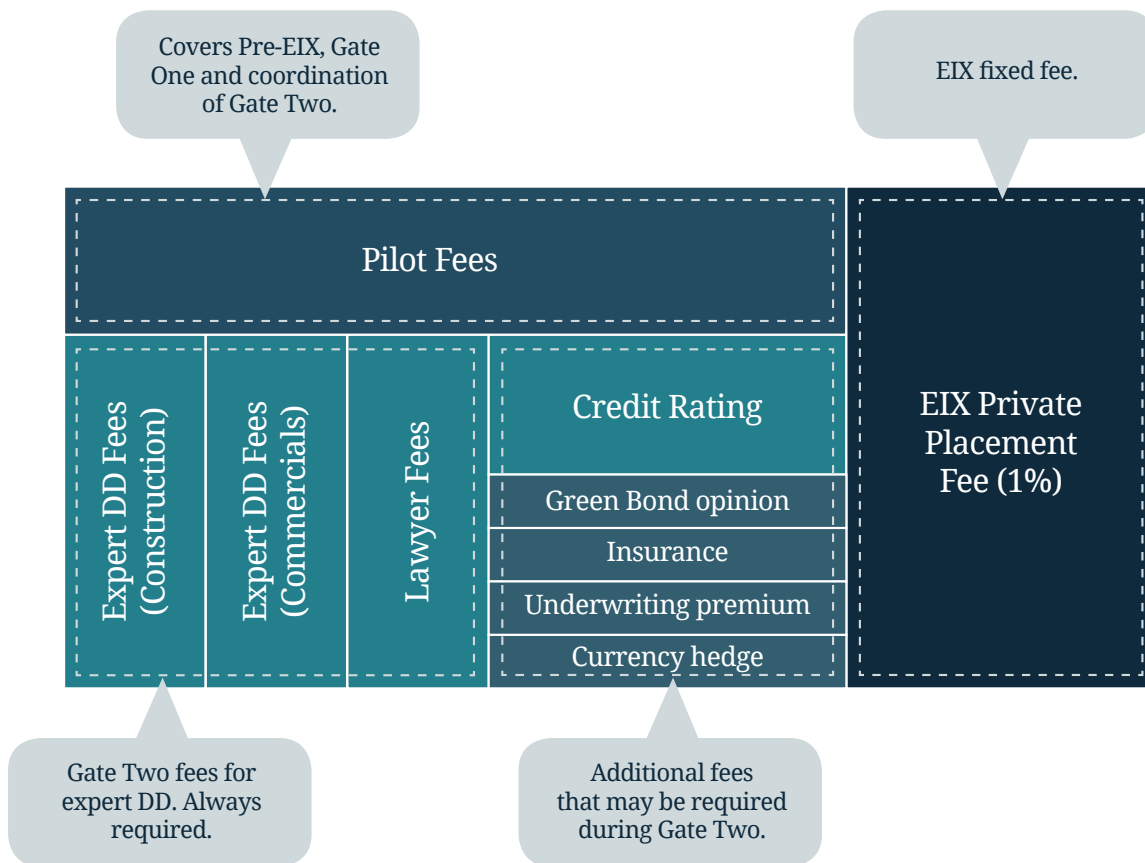
- Finance to build a new biomass power generating plant.
- Refinance of a solar windfarm in a developing country.
- Finance to construct a new district heating system.
- Finance to build a new tyres to energy facility that also produces recovered carbon black.

Transport

- Finance to build a new private rail line connecting two economic hubs.
- Finance to build the first stage of a new major port in Europe.
- Finance to expand an existing major port and provide new assembly facilities.

Capital release

- Long term leasehold on government owned land to release capital.



EIX Private Placement fees

EIX Private Placement fees are made up of several components and vary project by project.

EIX Private Placement fees

EIX charges a flat fee for fundraising which is deducted at financial close. EIX conducts all activities up to and through the Price Discovery exercise at no charge. At the point a Project Sponsor decides to proceed with an EIX Private Placement, a Placement Agreement is signed. Should the Private Placement not go ahead, break fees are included in most Listing Agreements.

Pilot fees

Project Sponsors are free to choose a Pilot from EIX's approved list. The fee structure and amount is negotiated directly between the Pilot and Project Sponsor, independently of EIX. EIX does not earn any fees from the Pilots as they are completely independent.

Gate Two fees

In order to produce expert validation of elements of the project (as required by the EIX Private Placement Rulebook), Project Sponsors/Pilots will need to contract directly with expert due diligence providers of their choice to produce the independent reports. These fees are negotiated directly by the Project Sponsor/Pilot. Some Project Sponsors may choose to draw upon existing framework agreements.

Additional Gate Two fees

In some circumstances it may be necessary to reduce the risk of some elements of a project and this may incur additional fees. For instance if bespoke construction insurance, or bond insurance is required (if the sovereign rating is low) a premium will be charged by the insurer. In addition, the ratings agencies will charge to produce a credit rating. Should the Project Sponsor decide to underwrite the Bond Issuance, the underwriter will charge a premium.

BENEFITS TO PROJECT SPONSORS

SPEED

TRANSPARENCY

PRICE

BENEFITS TO INVESTORS

DEAL FLOW

**STAKES &
DIVERSIFICATION**

**SECONDARY
MARKET**

Benefits of EIX Private Placement

EIX's ambition is to create a permanent, structural solution to the global issue of lack of capital flow into major infrastructure and development projects.

For Project Sponsors:

Speed

The creation of a single, streamlined Private Placement process and rulebook for Project Sponsors to follow means that projects can take as little as three to six months to finance.

Transparency

The Price Discovery Process and Auction provides a transparent record of competitive prices. This is helpful for politicians and officials as the process is auditable, regulated and public.

Price

The introduction of competition into the funding process (through the Auction) creates a marketplace where potential investors bid against each other, putting downward pressure on the price quoted. This allows projects to be financed at lower rates.

For Investors:

Deal Flow

The creation of a single Private Placement process allows EIX investors to source a steady flow of infrastructure and development deals directly. This reduces the time and cost of finding deals.

Stakes and diversification

EIX's bonds are structured to enable investors to take slices of bonds. This allows investors to build a portfolio of EIX Private Placement stakes across different asset types and geographies.

Secondary market

The launch of EIX's secondary market in 2019 will provide investors with an exit and thus turns an illiquid asset class into a liquid one. This will help investors to take stakes in projects with greater risk as they know there will be a way of trading out at fair price.



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