

# NBFG and NBF Overview



## National Bank Financial Group (“NBFG”)

- Asset base of \$215.6 billion
- Tier 1 Capital Ratio of 9.5% (Basel III)
- Market capitalization of \$14.8 billion
- ~20,100 employees
- Schedule I bank
- 150 years of operations in Canada



## National Bank Financial (“NBF”)

- 100% owned subsidiary of National Bank of Canada
- Offices in Toronto, Montréal, Calgary, Vancouver, New York, Hong Kong, and London
- Leading retail distribution network with \$96 billion of assets under management
- Over 2,500 employees

### Investment Banking

- One of Canada’s largest and fastest growing integrated investment banks
- Full-service national firm with operations in Toronto, Montréal, Calgary and Vancouver

### Equity Capital Markets

- Market share has doubled since 2001 with over 345 Lead managed underwritings since 2001
- Approximately \$22 billion in capital raised since 2001 as Lead and Co-Lead

### Debt Capital Markets

- #1 ranked corporate trading team for Overall Quality of Trader Service (Brendan Wood International)
- Top-ranked trader of government bonds (IDA statistics)

### Credit Capital Markets

- Lending relationship with 400+ corporate clients
- Infrastructure, acquisition, and traditional operating credit and term financing
- Billion+ bank debt underwriting capacity

### Derivatives & Capital Markets

- Equity, Interest Rate, Commodity and Foreign Exchange groups
- Risk management, structured products and structured funding transactions
- Over \$4.9 billion in structured products issued
- Winner of 2012 Structured Products House of the Year for Canada by Structured Products magazine
- Client base includes institutional, corporate, retail and High Net Worth individuals

**NBF is an Integrated National Firm**

# NBF Infrastructure and Power Project Finance

## Background

### Infrastructure Finance at NBF

- NBF leads with a team that has a proven, market leading track record of success and breadth of experience
- Since 2004, NBF professionals have closed 49 infrastructure transactions in North America with a transaction value of ~\$31.7 billion

### Value Proposition

- Full service - success based
  - Advisory-led with ability to offer bank/bond financings and other products (hedging/swaps, structured notes, etc.) to transactions
  - Client-first advice and objectivity
- NBF relationships
  - NBF provides ready access to key infrastructure market stakeholders, including all relevant sources of funding
- Reliability
  - NBF presence significantly improves execution certainty
- NBF has positioned itself as a leader in the underwriting of project finance rated bonds, unrated private placement issues and bank construction financing
  - Sole, rated bond underwriting for up to \$1.25 billion
  - Sole, unrated private placement bond underwriting for up to \$200 million (up to \$300 million with a partner)
  - Bank lead underwriting for up to \$500 million; club participations for up to \$200 million

### Infrastructure Products and Services

- Advise on commercial and financial transaction structures
  - Analyze tender and project documents for risk allocation and mitigation
  - Prepare, run and maintain project transaction models and related sensitivities
  - Design, execute and evaluate funding competitions on behalf of sponsors/investors
  - Manage due diligence process including interface with project technical advisors
    - Insurance, technical, lifecycle, tax, etc.
- Debt underwriting commitments (rated/unrated project bonds, bank construction and mini-perm financing)
- Related products including swaps, structured notes, etc.

### NBF Funding / Arranging Activity

- In the last 36 months, NBF has arranged:
  - Institutional private placement commitments totalling \$2.5 billion
  - Bank debt financing totalling \$4.1 billion
  - Bond underwriting commitments in excess of \$6.6 billion

# NBF Infrastructure and Power Project Finance

## NBF Value-Add

### > NBF Relationships

- NBF provides ready access to key infrastructure market stakeholders, including all relevant sources of financing across Canada

### NBF Reliability <

- NBF presence significantly improves execution certainty
- NBF has one of the largest and most experienced infrastructure teams in Canada

### > NBF Infrastructure Experience

- NBF is consistently recognized as one of the market leaders in the infrastructure space
- Extensive and recent experience in financial advisory and underwriting for landmark infrastructure projects

### NBF Senior Commitment <

- NBF will dedicate a “best-in-class” team across its Infrastructure Finance, Debt Capital Markets, Credit Capital Markets and Risk Management Solutions functions with extensive senior management participation

### > NBF Flexibility

- NBF is capable of tailoring its financial advisory services to accommodate specific requirements of the Client

### NBF Market Innovation <

- NBF has the capabilities to explore various market innovations, leveraging its financial advisory experience and recent and on-going regular market sounding and access



# NBF Infrastructure and Power Project Finance Team and Business Units



## Key Product Groups

### Debt Capital Markets

<b>Denis Girouard</b> (MTL)	EVP <sup>(1)</sup> and Co-Head of Fixed Income
<b>Sean St. John</b> (TOR)	EVP <sup>(1)</sup> and Co-Head of Fixed Income
<b>Daniel Franzese</b> (NYC)	Managing Director, Head of Private Placements

### Global Debt Syndicate

<b>Yves Locas</b> (TOR)	Managing Director and Head of Syndication
<b>Kevin Lind</b> (TOR)	Director
<b>Philippe L'Écuyer</b> (TOR)	Analyst

## Dedicated Infrastructure Team

<b>Peter Hepburn</b>	Managing Director, Head of Infrastructure Finance
<b>Antony Lawrence</b>	Managing Director
<b>Beata Swist</b>	Director
<b>John Pak</b>	Director
<b>Julian Martensen</b>	Vice-President
<b>James Wan</b>	Vice-President
<b>Richard Kim</b>	Associate
<b>Alan Chen</b>	Associate
<b>Alban Randanne</b>	Associate

## Key Product Groups

### Corporate and Investment Banking

<b>Yanick Blanchard</b> (MTL)	EVP <sup>(1)</sup> and Head of Corporate and Investment Banking
<b>David Torrey</b> (TOR)	Managing Director and Head, CCM
<b>Mark Williamson</b> (CAL)	Managing Director and Co-Head, CCM Calgary

### Risk Management Solutions
















<b>Jean-Francois Babin</b> (MTL)	Head of Risk Management Solutions Group
<b>René Cayouette</b> (TOR)	Managing Director Risk Management Solutions Group

**Infrastructure Deals are Supported by Key Bank Executives**

(1) Executive Vice President.

# NBF Infrastructure and Power Project Finance

## Select Closed Infrastructure Transactions




<p>October 2015</p>  <p><b>\$186,660,328</b></p> <p>Co-Lead Underwriter and Financial Advisor for the North Commuter Parkway Project</p>	<p>October 2015</p>  <p><b>\$227,800,000</b></p> <p>Bond Placement Agent for the South Fraser Perimeter Road Refinancing</p>	<p>October 2015</p>  <p><b>\$311,700,000</b></p> <p>Co-Underwriter and Sole Bookrunner for the MU Wind Farm Project</p>	<p>September 2015</p>  <p><b>\$181,087,000</b></p> <p>Co-Underwriter and Financial Advisor for the Saskatchewan Hospital North Battleford</p>	<p>August 2015</p>  <p><b>\$1,167,031,000</b></p> <p>Co-Lead Underwriter and Financial Advisor for the Regina Bypass Project</p>
<p>July 2015</p>  <p><b>\$1,274,869,000</b></p> <p>Co-Lead Underwriter and Co-FA for the Eglinton Crosstown LRT Project</p>	<p>June 2015</p>  <p><b>\$195,341,000</b></p> <p>Co-Lead Underwriter and Financial Advisor for the AMT Maintenance Facility Project</p>	<p>June 2015</p>  <p><b>\$1,832,101,000</b></p> <p>Co-Lead Underwriter and Co-Financial Advisor for the New Bridge for the St. Lawrence Corridor Project</p>	<p>March 2015</p>  <p><b>\$325,600,000</b></p> <p>Sole Underwriter and Sole Bookrunner for the Grand Bend Wind Project</p>	<p>September 2014</p>  <p><b>\$92,916,000</b></p> <p>Co-Underwriter, and Sole Bookrunner for the Tretheway Creek Hydro Power Project</p>
<p>June 2014</p>  <p><b>\$231,523,000</b></p> <p>Financial Advisor and Co-Lead Underwriter for the North Island Hospitals Project</p>	<p>February 2014</p>  <p><b>\$299,183,000</b></p> <p>Co-Lead Underwriter for the John Hart Generating Station Replacement Project</p>	<p>November 2013</p>  <p><b>\$324,512,000</b></p> <p>Lead Underwriter for the Providence Care Hospital Project</p>	<p>September 2013</p>  <p><b>\$390,000,000</b></p> <p>Co-Underwriter for ten Solar Farms</p>	<p>July 2013</p>  <p><b>\$265,700,000</b></p> <p>Financial Advisor and Underwriter for Sorel-Tracy Detention Centre Project</p>

NBF is a Leading Advisor, Underwriter and Arranger for Infrastructure Projects in Canada

# NBF Infrastructure and Power Project Finance Project Awards


National Bank Financial Markets,  
the leading financial partner  
to infrastructure / project finance  
corporations

## Selected 2015 Landmark Infrastructure Transactions

<p>August 2015</p> <p><b>\$1,167,031,000</b></p>  <p>Regina Bypass</p> <p>Co-Lead Underwriter and Financial Advisor</p>	<p>July 2015</p> <p><b>\$1,274,869,000</b></p>  <p>Eglinton Crosstown LRT</p> <p>Co-Lead Underwriter and Financial Advisor</p>	<p>June 2015</p> <p><b>\$1,835,101,000</b></p>  <p>New Bridge for the St. Lawrence</p> <p>Co-Lead Underwriter and Financial Advisor</p>
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## Top 10 Financial Advisors - Q3 2015 <sup>(1)</sup>

*“Q3 was another stellar quarter for National Bank of Canada, which again took the number one spot in the global financial adviser rankings” - Inspiratia (October 2015)*

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## Infrastructure and Project Finance Awards

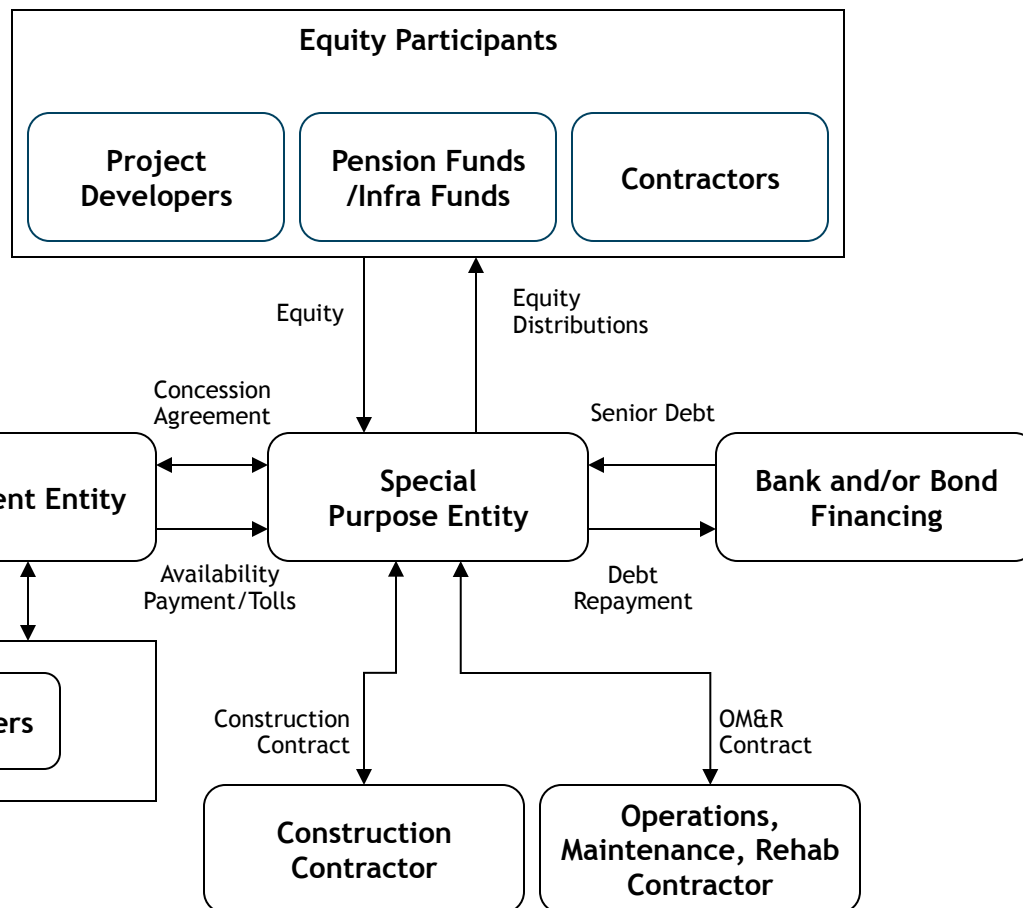
<p>October 2015</p>  <p>Gold Award Winner - Effective Procurement</p> <p>New Bridge for the St. Lawrence Project</p>	<p>October 2015</p>  <p>Gold Award Winner - Innovation and Excellence</p> <p>Eglinton Crosstown Light Rail Transit Project</p>	<p>October 2015</p>  <p>Gold Award for Best Social Infrastructure Project</p> <p>Sorel-Tracy Detention Centre Project</p>	<p>October 2015</p>  <p>Silver Award for Best Social Infrastructure Project</p> <p>North Island Hospitals Project</p>
<p>March 2015</p>  <p>North American Social Infrastructure</p> <p>North Island Hospitals Project</p>	<p>October 2014</p>  <p>Gold Award Winners - Project Financing</p> <p>John Hart Station Replacement Project</p>	<p>October 2014</p>  <p>Silver Award Winner - Infrastructure Sustainability</p> <p>North Island Hospitals Project</p>	<p>October 2014</p>  <p>Silver Award for Best Rail / Transit Project</p> <p>The Confederation Line Project</p>
<p>October 2014</p>  <p>Gold Award Winners - Infrastructure</p> <p>St. Thomas Consolidated Courthouse Project</p>	<p>March 2014</p>  <p>Deal of the Year 2013 - Light Rail Deal</p> <p>The Confederation Line Project</p>	<p>October 2013</p>  <p>Gold Award Winners - Transportation Innovation</p> <p>The Confederation Line Project</p>	<p>October 2013</p>  <p>Silver Award Winners - Project Financing</p> <p>Northeast Anthony Henday Drive Project</p>

(1) Source : Inspiratia.

## Typical Project Risk Structure

# Typical Infrastructure Project Finance Transaction Structure

## Design, Build, Finance, and Maintain Project Structure



## Benefits of Financing Model

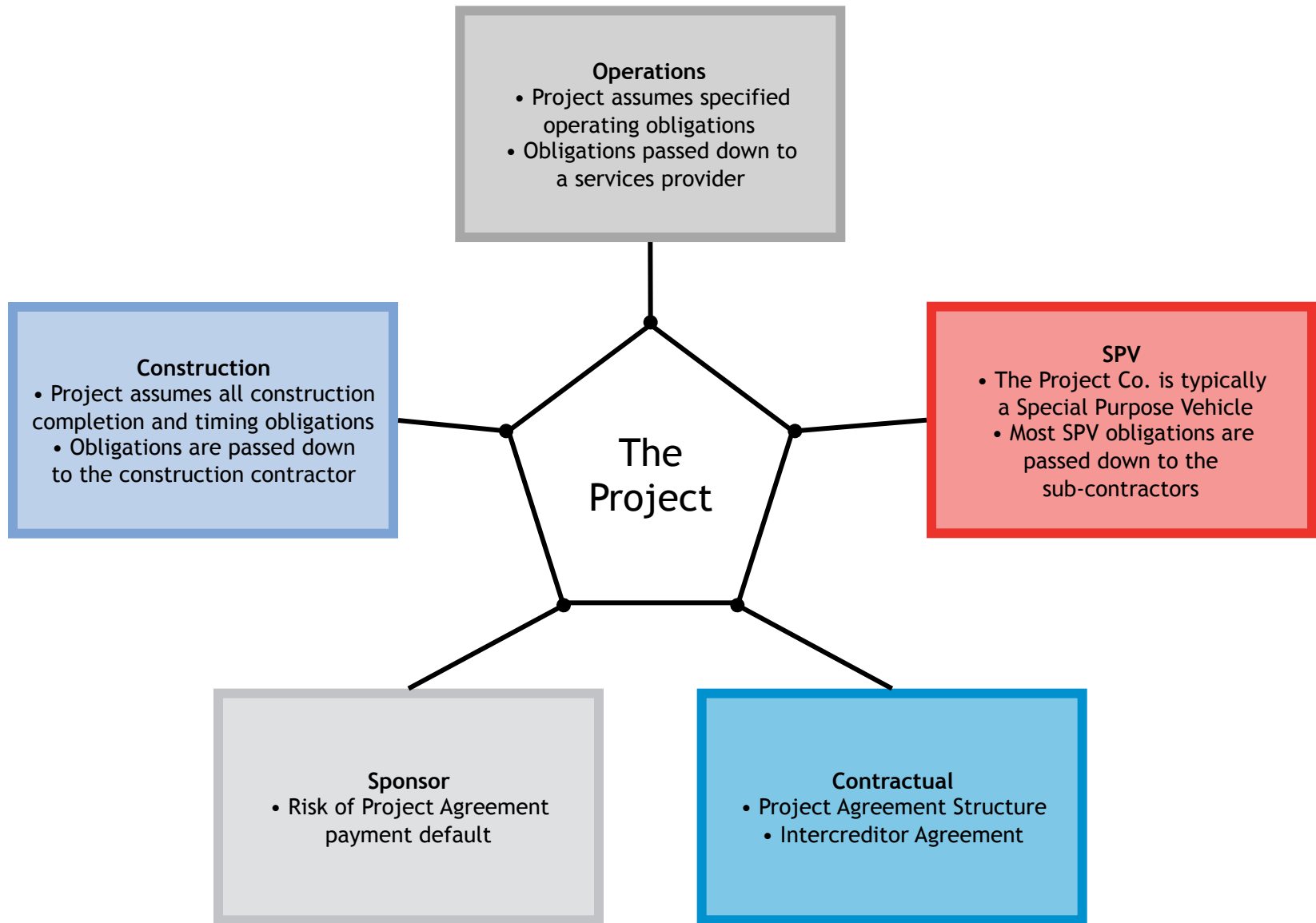
- **Maximum leverage to produce lower project WACC**
  - Opportunity to leverage equity investment
  - Off-balance sheet treatment of debt financing
  - Avoids negative impact of the project sponsor's credit
  - Circumvent any covenants on the sponsor's obligations
  - Credit risk of project may be more highly rated than that of sponsors
  - Potentially better tax treatment for the project, the sponsors, or both
  - Permits lenders to evaluate project on stand-alone basis
  
- **Essential Infrastructure**
  - Hospitals
  - Roads/Bridges
  - Prisons
  - Schools
  - Rapid Transit
  - Courthouses



# Infrastructure Project Finance - Key Agreements and Payment Regime

Project Agreement	<ul style="list-style-type: none"><li>■ The Project Agreement is the principal agreement that is entered into between Project Co and the Government Sponsor and governs the design, construction, financing, operation and maintenance of the Project</li><li>■ Specifies all major aspects of the project, including risk allocation (i.e. construction &amp; operation requirements, payment mechanism, events of default, compensation on termination, etc.)</li></ul>
Direct Agreement	<ul style="list-style-type: none"><li>■ Entered into between the Government Sponsor and Lenders</li><li>■ Gives the Lenders the right to step in and operate the project if Project Co fails to perform</li></ul>
Loan Agreement	<ul style="list-style-type: none"><li>■ Entered into between the Lenders and Project Co</li><li>■ Stipulates the terms and conditions of the loan (i.e. amount, drawdown conditions, pricing, repayment schedule, maturity)</li></ul>
Equity Contribution Agreement	<ul style="list-style-type: none"><li>■ Entered into between the Equity Provider and the Project Co</li><li>■ Stipulates the terms and conditions, as well as timing of the equity injection</li></ul>
Construction Contract	<ul style="list-style-type: none"><li>■ Entered into between the Construction Company and Project Co</li><li>■ Construction Co undertakes the design (if applicable), construction, and commissioning of the Project</li><li>■ Turnkey, fixed-price, date-certain design-build (design if applicable) agreement</li></ul>
Services Contract	<ul style="list-style-type: none"><li>■ Entered into between the Service Provider and Project Co</li><li>■ Service Co undertakes the operation and maintenance of the project and all of the associated risks</li></ul>
Milestone Payments	<ul style="list-style-type: none"><li>■ Payments by the Government Sponsor during construction phase of the project</li></ul>
Completion Payment	<ul style="list-style-type: none"><li>■ Payment by the Government Sponsor at completion of construction</li><li>■ Interim payment may be paid upon completion of a specified phase of construction work</li></ul>
Annual Availability Payment	<ul style="list-style-type: none"><li>■ Payment by the Government Sponsor on an annual basis to recover project costs<ul style="list-style-type: none"><li>➢ Including: capex, construction, lifecycle, operating, and financing costs</li></ul></li><li>■ Provides return on economic capital (equity investor)</li></ul>

# P3 Project Risk Analysis - 5 Key Risks



# Risks, Mitigants and Due Diligence

The majority of P3 and infrastructure projects contain some or most of the following risks:

## Construction Period

- Planning, permits, licenses and approvals
- Design risk
- Construction schedule
- Construction price
- Geotechnical and environmental review

## Operating Period

- Input cost risk
- Facilities management
- Lifecycle cost
- Payment mechanism (deductions for poor performance)

- Risks are mitigated by transaction structural features, selection of strong and capable contractors, and adequate security packages for both the construction and operating periods

The following factors should be considered as part of a due diligence review of P3 and infrastructure projects:

## Sponsor Due Diligence

- How long has the Sponsor been in existence
- Details of their existing portfolio
- Have they worked with other members of the Consortium on similar transactions
- Financial strength and credit profile
- Are they a financial player or a “take and hold” type investor

## Construction Contractor Due Diligence

- Breadth and depth of their overall and P3 experience
- Are they also an investor in this project
- What is their current backlog
- Have they worked with other member of the Consortium on similar transactions
- Financial strength and credit profile
- Bonding capabilities
- Geographic relevance

## Service Provider Due Diligence

- Breadth and depth of their overall and P3 experience
- Previous work with other members of the Consortium
- Financial strength and credit profile
- Geographic relevance

- NBF Infrastructure Team assists lenders with their due diligence and does most of the “heavy-lifting”

## P3 / Project Risk

# Construction Risk

## Construction Period Risks

Planning, permits, licenses and approvals







Design risk

Construction schedule

Construction price

Geotechnical and environmental review

## Construction Period Risk Mitigants

	<p>Construction Contractor</p>	<ul style="list-style-type: none"> <li>Are all, or virtually all, of the construction risks passed down to the construction contractor?</li> <li>Is the construction contractor passing down major construction component risks (e.g. mechanical and electrical) to sub-contractors?</li> <li>Is the construction contractor large enough to complete the project comfortably?</li> <li>Does the construction contractor have a strong local presence and good relationships with key local sub-contractors in the project market?</li> </ul>
	<p>Lenders Technical Advisor (“TA”)</p>	<ul style="list-style-type: none"> <li>Can the TA provide a detailed report on all key risks of the construction prior to financial close?</li> <li>Can the TA be involved during the construction period to provide lenders with periodic (typically monthly) reviews of progress and money spent to date?</li> </ul>
	<p>Independent Certifier (“IC”)</p>	<ul style="list-style-type: none"> <li>Is there an IC retained by the Authority/Government to monitor the private sector work and ensure compliance to the Project Agreement over the concession period?</li> </ul>
	<p>Monthly Cost to Complete Test</p>	<ul style="list-style-type: none"> <li>Is money provided to fund construction based on a cost to complete test?</li> <li>Does the Lenders’ TA provide a report reviewing construction to date, progress relative to schedule, cost to date, and a cost to complete test?</li> </ul>
	<p>Long-stop Date</p>	<ul style="list-style-type: none"> <li>What is the transaction’s long-stop date? Is it at least a year?</li> <li>Is the Lenders’ long-stop date negotiated inside of the project agreement long-stop date to allow lenders the opportunity to step-in and remediate problems?</li> </ul>
	<p>Lender step-in rights</p>	<ul style="list-style-type: none"> <li>Can Lenders step-in and take control of the project prior to the Government sponsor putting the project into default?</li> </ul>

# Construction Risk

## Construction Period Risk Mitigants (cont'd)

### Construction Period Insurance

- Has the Insurance Advisor reviewed the construction period insurance package and opined that it is sufficient for the Project and meets the requirements of the Project Agreement?

## Construction Performance Security Package

### Performance Bond

- Is the Performance Bond 40 - 50% of the total contract value?

### Labour and Material Bond

- Is the Bond 40 - 50% of labour and materials based on contract value?

### Letter of Credit to fund Liquidated Damages

- Is the L/C 5 - 10% of total contract value with a step down mechanism after completion?
- Is the L/C used in combination with some form of profit retention?

### Parent Company Guarantees

- Does the construction contractor provide a guarantee with an overall liability cap of at least 50%?

## Construction Contractor Due Diligence Checklist

### Construction Contractor Due Diligence

- ✓ What is the breadth and depth of their overall and P3 experience?
- ✓ Are they also an investor in this project?
- ✓ What is their current backlog?
- ✓ Have they worked with other member of the Consortium on similar transactions?
- ✓ What is their financial strength and credit profile?
- ✓ Are their bonding capabilities sufficient?
- ✓ What is the geographic relevance of the project to the contractor?

# Operations Risk

## Operations Period Risks

Input cost risk

Facilities management

Lifecycle cost

Payment mechanism

## Operations Period Risk Mitigants

□	Operations Contractor	<ul style="list-style-type: none"> <li>Are all, or virtually all, of the operating period risks passed down to the operations contractor?</li> <li>Is the Operations Contractor a relatively large and capable company (e.g. Honeywell, Johnson Controls, SNC-Lavalin Operations &amp; Maintenance, Black &amp; MacDonald)?</li> </ul>
□	Lenders Technical Advisor ("TA")	<ul style="list-style-type: none"> <li>Has the Lenders TA opined that the operations, maintenance and lifecycle budget is sufficient to perform the required works during the operating period?</li> <li>Can the Lenders' TA conduct a periodic review of the services being performed to ensure that the operating period contractor is completing life cycle work appropriately and the remaining life-cycle works fall within the remaining budget?</li> <li>Can the Lenders' TA review the project's condition in the last 5 - 7 years of the concession to ascertain if it will meet hand back provisions?</li> </ul>
□	Project Agreement Payment Regime	<ul style="list-style-type: none"> <li>What is the regime for deductions under the operating contract, is it typical based on the opinion of the Lenders TA?</li> <li>What are the termination provisions during the operating period under the Project Agreement?             <ul style="list-style-type: none"> <li>Are they typical based on the opinion of the Lenders TA?</li> </ul> </li> <li>Does sensitivity analysis using the financial model indicate that the Project can withstand an approximate 30% increase in either the operations and maintenance budget or the lifecycle budget (or a combined 20% increase)?</li> </ul>
□	Debt Service Reserve Account	<ul style="list-style-type: none"> <li>Is the DSRA at least six months?</li> <li>Is it put in place at substantial completion?</li> </ul>
□	Tail	<ul style="list-style-type: none"> <li>Is there a tail of six months to a year? (tail is the time period between the maturity of the debt and the expiry of the project agreement)</li> </ul>

# Operations Risk

## Operations Period Risk Mitigants (cont'd)

<input type="checkbox"/>	Operating Period Insurance	<ul style="list-style-type: none"><li>■ Has the Insurance Advisor reviewed the operating period insurance package and opined that it is sufficient for the Project and meets the requirements of the Project Agreement?</li></ul>
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## Operations Performance Security Package

<input type="checkbox"/>	Liquid Security	<ul style="list-style-type: none"><li>■ Has the Sponsor arranged for a Letter of credit (typically 6 months of average O&amp;M and lifecycle payments)?</li></ul>
<input type="checkbox"/>	Parent Company Guarantees	<ul style="list-style-type: none"><li>■ Are there guarantees provided by the services and O&amp;M provider?</li><li>■ Do the guarantees have an overall liability cap of approximately 4x coverage of the annual services contract payment?</li></ul>
<input type="checkbox"/>	Debt Service Reserve Account	<ul style="list-style-type: none"><li>■ Does the account cover 6 months of principal and interest?</li><li>■ Is it funded at substantial completion?</li></ul>
<input type="checkbox"/>	Major Maintenance Reserve Account	<ul style="list-style-type: none"><li>■ If the services provider security package does not cover the lifecycle obligations, has a major maintenance reserve account been included?</li><li>■ Is the major maintenance reserve account funded on a three year look forward basis on an approximately 33%, 67%, 100% basis?</li></ul>

## Operations Contractor Due Diligence Checklist

<input type="checkbox"/>	Operations Contractor Due Diligence	<ul style="list-style-type: none"><li>✓ What is the breadth and depth of their overall and P3 experience?</li><li>✓ Have they completed work with other members of the Consortium?</li><li>✓ What is their financial strength and credit profile?</li><li>✓ Is the project of geographic relevance to the service provider?</li></ul>
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# Operations Risk

## Operations Period Sensitivity Analysis\*

□	Maintenance Costs	<ul style="list-style-type: none"> <li>■ How much can Maintenance costs increase while maintaining coverage ratios?               <ul style="list-style-type: none"> <li>➢ What is the maximum percentage increase for a DSCR of 1.00x?</li> <li>➢ What is the maximum percentage increase for a LLCR of 1.00x?</li> </ul> </li> </ul>
□	Lifecycle Costs	<ul style="list-style-type: none"> <li>■ How much can Lifecycle costs increase while maintaining coverage ratios?               <ul style="list-style-type: none"> <li>➢ What is the maximum percentage increase for a DSCR of 1.00x?</li> <li>➢ What is the maximum percentage increase for a LLCR of 1.00x?</li> </ul> </li> </ul>
□	SPV Costs	<ul style="list-style-type: none"> <li>■ How much can SPV costs increase while maintaining coverage ratios?               <ul style="list-style-type: none"> <li>➢ What is the maximum percentage increase for a DSCR of 1.00x?</li> <li>➢ What is the maximum percentage increase for a LLCR of 1.00x?</li> </ul> </li> </ul>
□	Annual Service Payment	<ul style="list-style-type: none"> <li>■ How much can the Annual Service Payment decrease while maintaining coverage ratios?               <ul style="list-style-type: none"> <li>➢ What is the maximum percentage decrease for a DSCR of 1.00x?</li> <li>➢ What is the maximum percentage decrease for a LLCR of 1.00x?</li> </ul> </li> </ul>

\* Assumes risk obligations transferred/passed through to operating contractor are not honoured

Debt Service Coverage Ratio (DSCR): Current cash flow available for debt service (“CFADS”) divided by total debt service (“DS”) for the period (principal and interest)

$$\frac{\text{CFADS}}{\text{DS}}$$

Loan Life Coverage Ratio (LLCR): Sum of all future cash flow available for debt service divided by debt outstanding for the period

$$\frac{\text{Sum of Future CFADS}}{\text{Debt Outstanding}}$$

# SPV Risk

## SPV Risk Due Diligence

### Sponsor Due Diligence






- ✓ How long has the Equity Provider been in existence?
- ✓ What are the details of their existing project portfolio?
- ✓ Have they worked with other members of the Consortium on similar transactions?
- ✓ What is their financial strength and credit profile?
- ✓ Are they a financial player or a “take and hold” type investor?
- ✓ Is the Equity being provided up front as cash or being supported by a Letter of Credit?

### Risk at the SPV

- Ensure that Lenders legal counsel has completed an SPV stranded risk analysis to ensure that the risks remaining at the SPV level are either procedural in nature (e.g. provision of annual SPV financial statements) or typical for a P3 transaction

# Contractual Risks

## Contractual Risks to Consider

	Payment on Termination Provisions	<ul style="list-style-type: none"><li>■ In the event of a Project Agreement termination prior to construction completion, how is the termination amount handled?<ul style="list-style-type: none"><li>➢ Is the termination regime typical for a P3 project?</li></ul></li></ul>
	Base Rate Risk and Credit Spread Risk	<ul style="list-style-type: none"><li>■ Does the Authority/Government assume responsibility for changes in the underlying base rate?</li><li>■ Is there a mechanism in place to protect investors against changes in Credit Spread prior to Financial Close?</li></ul>
	Project Agreement Structure	<ul style="list-style-type: none"><li>■ In the opinion of the Lenders legal counsel and the Lenders TA, is the risk transfer present in the Project Agreement typical and appropriate for a P3 transaction?</li></ul>
	Other Key Agreements	<ul style="list-style-type: none"><li>■ Has Lenders legal counsel reviewed all other key agreements and ensured that they are typical and appropriate for a P3 transaction? (e.g. final construction and services contracts, direct agreement)</li></ul>
	Lending Agreement	<ul style="list-style-type: none"><li>■ Has the lending agreement been prepared by an experienced P3 bond underwriter and experienced Lenders legal counsel?</li><li>■ In transactions where senior bank debt is present, have intercreditor issues been considered and have institutional lenders been appropriately protected?</li></ul>

# Sponsor Risk

## Sponsor Risk



Project Agreement Counterparty

- Is the counterparty to the Project Agreement a Government or Quasi Government entity?
- Is the counterparty to the Project Agreement considered to be generally credit worthy?
- The majority of Canadian P3 transactions have annual appropriations risk



Nature of Infrastructure Being Financed

- Is the infrastructure being financed considered to be critical or of high political importance?

## Selected Canadian Case Studies (Last Two Years)

# NBF Infrastructure Finance

## North Commuter Parkway and Traffic Bridge Project (October 2015) - Closed

### NBF Role

- Financial Advisor (100%)
- Administrative Agent (100%)
- Loan Underwriter (50%)
- Account Bank (100%)

### Project Description

- Design, build, finance, operate and maintain of two new arterial roadways and a new river crossing located in the northern section of Saskatoon (the “North Commuter Parkway”) and a replacement river crossing bridge located in Saskatoon’s downtown core (the “Traffic Bridge”)
- The Project construction scope will entail the construction of the North Commuter Parkway and the replacement of the existing Traffic Bridge (290m)
- Construction period of 37 months from Financial Close to Service Commencement Date, plus 30 years of operations

### Capital Structure

Tranche	Description	\$	%
1	Private Placement Loan	\$96.6	48.1%
2	Bank Debt	\$90.8	45.3%
3	Equity	\$13.2	6.6%
<b>Total</b>		<b>\$200.6</b>	<b>100.0%</b>

### Other Project Information

#### Project Sponsors

Graham Capital (50%)  
BBGI CanHoldco Inc. (50%)

#### DB Contractor

Graham Infrastructure LP (100%)

#### Service Provider

Project Co retained operations, maintenance, and rehabilitation

#### Credit Rating

Unrated

#### Term

Amortizing LT Loan:  
32.69 years

#### Underwriters

National Bank Financial Inc.  
Sun Life Assurance Company of Canada

#### DSCR (min/avg)

1.20x / 1.24x

**GRAHAM**  
COMMUTER PARTNERS

**GRACORP**  
CAPITAL

**BBGI** A Global  
Infrastructure  
Company

# NBF Infrastructure Finance

## South Fraser Perimeter Road Refinancing Project (October 2015) - Closed

### NBF Role

- Bond Placement Agent

### Project Description

- FTG Fraser Transportation Group is a special and single purpose limited partnership formed to design, build, finance, operate, maintain, and rehabilitate the South Fraser Perimeter Road over a concession period of approximately 24 years
- FTG entered into an availability-based Concession Agreement with the Province of British Columbia and the British Columbia Transportation Financing Authority in July 2010
- The South Fraser Perimeter Road Project is part of Highway 17 in Metro Vancouver, connecting the Tsawwassen Ferry Terminal in southwest Delta to 176 Street (Highway 15) in North Surrey
- Substantial Completion was achieved in December 2013, 6-months ahead of schedule

### Capital Structure

Tranche	Description	\$	%
1	Rated Bonds	\$227.8	100.0%

### Other Project Information

#### Project Sponsors

ACS Infrastructure Canada (50%)  
Ledcor Group (25%)  
Star America Infrastructure Partners (25%)

#### O&M Provider

Mainroad Group

#### Credit Rating

A3 by Moody's

#### Term

18.2 years

#### Bond Placement Agents

Sumitomo Mitsui Banking Corporation  
National Bank Financial Inc.  
Casgrain & Company Limited

#### DSCR (min/avg)

1.20x / 1.20x



# NBF Infrastructure Finance

## Mesgi'g Ugu's'n Wind Farm Project (October 2015) - Closed

### NBF Role

- Bond Underwriter (50%)      ■ Swap Provider (100%)
- Bank Underwriter (100%)

### Project Description

- Build, own and operate a 149.25MW wind farm located on public lands in the Avignon Regional County Municipality, Quebec
- The Borrower will sell all the energy produced under a 20-year EPA with Hydro-Quebec Distribution
- It is anticipated that an average annual production of 532 GWh (corresponding to a P50 net capacity factor of 40.7%) will be generated by the Project
- The Project is being designed and constructed to utilize 46 3.2 MW wind turbines and one 2.05 MW turbine supplied by Senvion SE
- The wind farm and substation construction will be performed by Borea Construction ULC under an EPC contract

### Capital Structure

Tranche	Description	\$	%
1	Fixed Rate Credit Facility	\$159.5	42.3%
2	Floating Rate Credit Facility	\$103.0	27.3%
3	HQT Substation Facility *	\$49.2	13.0%
4	Equity	\$65.6	17.4%
<b>Total</b>		<b>\$377.3</b>	<b>100%</b>

### Other Project Information

#### Project Sponsors

Mi'gmawei Mawiomi Resources LP (50%)  
Innergex Renewable Energy Inc. (50%)

#### BoP EPC Contractor

Borea Construction ULC

#### Turbine Supply Provider and LT Service Contractor

Senvion SE

#### Service Provider

Innergex Renewable Energy Inc.

#### Credit Rating

Unrated

#### Term

Fixed Rate Credit Facility:  
~20.7 years Floating Rate Credit Facility:  
~10.7 years HQT Substation Facility:  
~1.8 years

#### Underwriters

National Bank Financial Inc.  
Sun Life Assurance Company of Canada

#### DSCR (P50) (min/avg)

2.13x / 2.46x



\* HQT Substation Facility is excluded from the gearing calculation



# NBF Infrastructure Finance

## Saskatchewan Hospital North Battleford Project (September 2015) - Closed

### NBF Role

- Financial Advisor (100%)      ■ Account Bank (100%)
- Bond Underwriter (40%)

### Project Description

- Design, build, finance and maintenance of an integrated mental health and correctional facility in North Battleford, Saskatchewan
- Total 284 beds including 188 non-secure beds and 96 secure beds
- The combined facility will specialize in psychiatric rehabilitation, and is expected to achieve synergies in delivering mental health services to both secure and non-secure clients
- Construction period of 33 months from Financial Close to Service Commencement Date, plus 30 years maintenance and rehabilitation term
- The Authority will make monthly payments to Project Co during the Construction Period

### Capital Structure

Tranche	Description	\$	%
1	Senior Long-Term Amortizing Bond	\$ 181.1	92.7%
2	Equity	\$14.2	7.3%
<b>Total</b>		<b>\$185.3</b>	<b>100.0%</b>

### Other Project Information

#### Project Sponsors

Gracorp Capital Partners LP (50%)  
Carillion Private Finance Ltd. (50%)

#### DB Contractors

Graham Design Builders LP (80%)  
Carillion Construction Inc. (20%)

#### Service Providers

VINCI Concessions S.A.S.  
Carmacks Maintenance

#### Credit Rating

Moody's: A3

#### Term

Amortizing LT Bond:  
32.5 years

#### Underwriters

TD Securities Inc.  
National Bank Financial Inc.

#### DSCR (min/avg)

1.15x / 1.20x



# NBF Infrastructure Finance

## Regina Bypass Project (August 2015) - Closed

### NBF Role

- Financial Advisor (100%)
- Swap Provider (32%)
- Co-Bond Underwriter (50%)
- Administrative Agent (100%)
- Bank Lender (27%)
- Account Bank (100%)

### Project Description

- Design, build, finance and maintenance of a free flow highway corridor through the Regina Region of Saskatchewan
- Project term is expected to consist of a 39-month construction period followed by a 30 year maintenance period
- Also included are the operation, maintenance and rehabilitation of most of the new bypass infrastructure and some existing elements over the interim O&M (May 1, 2016 to Substantial Completion) and operations periods

### Capital Structure

Tranche	Description	\$	%
1	Senior Long-Term Amortizing Bond	\$ 488.1	37.8%
2	Senior Long-Term Bullet Bond	\$141.0	10.9%
3	Senior Construction Facility	\$537.9	41.7%
4	Equity	\$87.8	6.8%
5	Senior Rehabilitation Facility*	\$34.8	2.7%
<b>Total</b>		<b>\$1,289.6</b>	<b>100%</b>

### Other Project Information

#### Project Sponsors

Gracorp Capital Partners LP  
VINCI Concessions S.A.S.  
Parsons Enterprises

#### DB Contractors

Graham Construction  
Parsons  
VINCI Construction Terrassement  
Carmacks

#### Service Providers

VINCI Concessions S.A.S.  
Carmacks Maintenance

#### Credit Rating

Moody's: A3

#### Term

Amortizing LT Bond:  
19.3 years Bullet LT Bond:

34.0 years

#### Underwriters

National Bank Financial Inc.  
RBC Dominion Securities Inc.

#### DSCR (min/avg)

1.15x / 1.20x



\* Senior Rehabilitation Facility is excluded from the gearing calculation

# NBF Infrastructure Finance

## Eglinton Crosstown LRT Project (July 2015) - Closed

### NBF Role

- Financial Advisor (100%)      ■ Swap Provider (100%)
- Co-Underwriter (60%)        ■ SDN Provider (100%)
- Bank Lender (100%)          ■ Administrative Agent (100%)

### Project Description

- Design, build, finance, maintenance and rehabilitation of a new light rail transit system on Eglinton Avenue in Toronto
- Project term is expected to be approximately 35.8 years consisting of a 70-month construction period followed by a 30 year maintenance period
- The Project forms a part of the transit priorities set out in the regional transportation plan adopted by Metrolinx in 2008 known as “The Big Move”

### Capital Structure

Tranche	Description	\$	%
1	Senior Long-Term Amortizing Bond	\$565.3	41.1%
2	Senior Long-Term Bullet Bond	\$166.6	12.1%
3	Senior Construction Facility	\$543.0	39.5%
4	Equity	\$99.7	7.3%
<b>Total</b>		<b>\$1,374.6</b>	<b>100%</b>

### Other Project Information

#### Project Sponsors

ACS Infrastructure Canada Inc.  
Aecon Concessions  
EllisDon Capital Inc.  
SNC-Lavalin Capital Inc

#### DB Contractors

Dragados, S.A.  
Aecon Group Inc.  
EllisDon Inc.  
SNC-Lavalin Group Inc.

#### Service Providers

ACS Infrastructure Canada Inc.  
Aecon O&M  
EllisDon Facilities Services Inc.  
SNC-Lavalin O&M Inc.

#### Credit Rating

Moody's: Baa2

#### Term

Amortizing LT Bond:            21.2 years  
Bullet LT Bond:                    35.9 years

#### Underwriters

National Bank Financial Inc.  
Scotia Capital Inc.

#### DSCR (min/avg)

1.20x / 1.49x



2015 Gold Award



# NBF Infrastructure Finance

## AMT Maintenance Facility Project (June 2015) - Closed

### NBF Role

- Financial Advisor
- Bond Underwriter
- Bank Lender
- Swap Provider
- Structured Deposit Note Provider
- Administrative Agent

### Project Description

- Design, build, finance and maintenance of a new commuter train maintenance centre in located in Pointe-Saint-Charles, Quebec
- Included in the scope is the construction of the Major Maintenance building and Railways to access the Major Maintenance building, and the construction of the remaining buildings and demolition of existing facilities
- The design-build period is scheduled to last approximately 31 months, which will be followed by the 30 year operation period

### Other Project Information

Project Sponsors	Fiera Axiom Infrastructure Canada II Limited Partnership
DB Contractors	Pomerleau Inc. Construction Kiewit Cie
Service Provider	Johnson Controls Canada L.P.
Credit Rating	Moody's: A3
Construction Cost	\$178.6 million
Term	32.1 years
Underwriters	National Bank Financial Inc. Desjardins Securities Inc.
DSCR (min/avg)	1.26x / 1.31x

### Capital Structure

Tranche	Description	\$	%
1	Long-term Rated Bond	\$144.2	67.5%
2	Short-term Bank Loan	\$51.1	23.9%
3	Equity	\$18.2	8.5%
<b>Total</b>		<b>\$213.5</b>	<b>100%</b>



# NBF Infrastructure Finance

## New Bridge for the St. Lawrence Corridor Project (June 2015) - Closed

### NBF Role

- Co-Financial Advisor
- Bond Underwriter
- Bank Lender
- Hedge Provider
- Reinvestment Product Provider
- Administrative Agent

### Project Description

- Design, build, finance, operations, maintenance, and rehabilitation of the New Champlain Bridge Corridor, covering approximately 8 km of highway in the Montreal area
- The construction will be completed in 53 months, followed by a 30-year operation period ending October 2049
- The new Champlain bridge is expected to open to traffic on December 1, 2018, 11 months before the substantial completion of total construction in October 2019

### Capital Structure

Tranche	Description	\$	%
1	Senior Long-term Amortizing Bond	\$577.1	29.3%
2	Senior Long-term Bullet Bond	\$111.5	5.7%
3	Senior Construction Facility	\$1,143.5	58.0%
4	Cash Equity	\$86.3	4.4%
5	Contingent Equity	\$51.6	2.6%
<b>Total</b>		<b>\$1,970.0</b>	<b>100%</b>

### Other Project Information

Project Sponsors	SNC-Lavalin Capital Inc. ACS Infrastructure Canada Inc. HOCHTIEF PPP Solutions GmbH
DB Contractors	SNC-Lavalin Major Projects Inc. Dragados Canada Inc. Flatiron Construction Canada Limited
Service Provider	Self-performed by Private Partner
Credit Rating	Moody's: A3 (Stable)
Construction Cost	\$2.15 billion
Maturity Date	LT Amortizing Bond: October 31, 2045 Bullet LT Bond: April 30, 2049 Construction Facility: November 28, 2019
Underwriters	National Bank Financial Inc. HSBC Securities (Canada) Inc
DSCR (min/avg)	1.20x / 1.25x



**2015 Gold Award**



# NBF Infrastructure Finance

## Grand Bend Wind Project (March 2015) - Closed

### NBF Role

- Sole Underwriter of private placement debt
- Sole Bookrunner
- Administrative Agent

### Project Description

- The Grand Bend Wind Project is a 40-unit, 100 MW wind farm located in Grand Bend, Ontario with estimated net annual energy production of 331.3 GWh at P50
- The project is a 50/50 partnership with between Northland Power Inc. and Giiwedín FN Energy Corporation
- Plant operations, management and maintenance are contracted to Northland Power Inc. and a turbine supplier and maintenance agreement contracted with Siemens Canada Limited

### Capital Structure

Tranche	Description	%
1	Senior Debt	-85.0%
2	Equity	-15.0%
<b>Total</b>		<b>100%</b>

### Other Project Information

Project Sponsors	Northland Power Inc. Giiwedín Noodin FN Energy Corporation
EPC Contractors	JV between AMEC Foster Wheeler Americas Limited and Black & McDonald Limited
Term of Offering / Average Life	20.7 years / 13.7 years
Gearing	85 : 15 max
Pricing	Confidential
DSCR (min/avg)	P50: 1.59x / 1.99x P90: 1.30x / 1.63x



# NBF Infrastructure Finance

## Tretheway Creek Hydro Project (September 2014) - Closed

### NBF Role

- Co-Underwriter (50% NBF, 50% Sun Life)
- Debt Lender (NBC, \$36mm / 39% of total debt)
- Provider of debt service letter of credit (NBC, \$2.3mm/100%)
- Administrative Agent for Lenders

### Project Description

- The Tretheway Creek Hydro Project is a run-of-river hydroelectric project located in BC, expected to be in operation by Dec. 2015
- The project is 100% owned by Innergex Renewable Energy Inc.
- The contracted capacity for the plant is 21.2 MW with 81.0 GWh in anticipated yearly output
- The project's future revenues are contracted under an electricity purchase agreement valid for a 40-year term starting from commercial operation, with 100% of the energy produced sold to BC Hydro
- Design, engineering, procurement and construction are subcontracted to Jim Dent and a turbine supply agreement contracted with Rainpower North America Inc.

### Capital Structure

Tranche	Description	\$	%
1	Amortizing Debt	\$92.9	75.5%
2	Equity	\$30.2	24.5%
<b>Total</b>		<b>\$123.1</b>	<b>100%</b>

### Other Project Information

Project Sponsor	Innergex Renewable Energy Inc.
Term of Offering / Average Life	Construction + 40 years / 31.0 years
Debt Repayment	Amortizing Debt - Sculpted repayments
Benchmark Yield	3.50% GoC Dec. 1, 2045
Coupon	4.99%
DSCR	1.40x - 1.60x
Lending Syndicate	Sun Life Assurance Company of Canada National Bank of Canada National Bank Financial
DSRA	6 months of principal and interest

# NBF Infrastructure Finance

## North Island Hospitals Project (June 2014) - Closed

### NBF Role

- Lead underwriter on a Rated Senior Secured Amortizing LT Bond
- Financial Advisor

### Project Description

- Design, construction, financing, maintenance, and lifecycle rehabilitation of two new acute care hospitals on Vancouver Island, British Columbia
  - Total 248 beds, covering approximately \$72,000 m<sup>2</sup>
- Construction period of 34 months from Financial Close to Service Commencement Date, plus 30 years maintenance and rehabilitation term
- Inclusion of housekeeping service components (i.e. linen, waste management, help desk services)
  - Market testing on pre-determined dates, which adjust related payments for potential cost increases/decreases

### Capital Structure

Tranche	Description	\$	%
1	Long-term Rated Bond	\$231.5	87.1%
2	Equity	\$34.3	12.9%
<b>Total</b>		<b>\$265.8</b>	<b>100%</b>

### Other Project Information

Project Sponsors	Gracorp Capital Advisors Ltd. Balfour Beatty Investments LP
DB Contractor	Graham Design Builders LP
Service Provider	Honeywell Limited
Housekeeping Service Provider	Balfour Beatty Communities, LP
Credit Rating	S&P: A- / Stable
Construction Cost	\$421.87 million
Term	32.3 years
Pricing	LT Bond: GOC + 165 bps
Underwriters	National Bank Financial Inc. Scotia Capital Inc.
DSCR (min/avg)	1.30x / 1.30x



2014 Silver Award



**GRACORP**  
CAPITAL

**Balfour Beatty**



# NBF Infrastructure Finance

## John Hart Generating Station Project (February 2014) - Closed

### NBF Role

- Co-Underwriter on a Rated Senior Secured Amortizing LT Bond
- Account Bank

### Project Description

- Design, construction, financing, maintenance, and lifecycle rehabilitation of a replacement facility for a hydroelectric station on the Campbell River in British Columbia
- The Project is intended to replace the existing intake structure and powerhouse while increasing the installed capacity from 126MW to between 128MW and 132MW
- Construction period of approximately 5.5 years from Financial Close to Service Commencement Date, plus 15 years maintenance and rehabilitation term commencing on the Target Service Commencement Date

### Capital Structure

Tranche	Description	\$	%
1	Long-term Rated Bond	\$299.2	71.9%
2	Short-term Construction Loan	\$63.2	15.2%
3	Equity	\$53.8	12.9%
Total		\$416.2	100%

### Other Project Information

Project Sponsor	SNC-Lavalin Capital Inc.
DB Contractor	SNC-Lavalin Inc.
Service Providers	SLI Hydro Service Provider BC. Inc. IMPSA Project Management Canada Ltd.
Credit Rating	DBRS: BBB (High)
Construction Cost	\$697.9 million
Term	Short-Term Loan: ~5.6 years Senior Rated Bond: ~18.0 years
Pricing	ST Loan: 4.15% fixed rate LT Bond: GOC + 196 bps
Underwriters	ST Loan: Alberta Treasury Branches LT Bond: Scotia Capital / NBF
DSCR (min/avg)	1.26x / 1.26x



SNC • LAVALIN

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