

National Infrastructure Summit

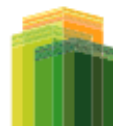
PPP Financing Considerations and Market Outlook

January 27, 2011



RBC Capital Markets®

National Infrastructure Summit
Sommet national de l'infrastructure



January 26-28 REGINA, SK 2011 26 au 28 janvier

Market Overview

Canadian PPP Market in 2010-2011

- A number of deals reached financial close in 2010, and one has already reached financial close in 2011

Project Name	Province	Funding Structure	Financial Close Date	Funding Size (C\$ millions, approx.)
CSEC Long-Term Accommodation Project	Ontario	Bond (Short) / Bond (Long)	January 2011	1,000
The Windsor-Essex Parkway	Ontario	Bank	December 2010	1,100
Surrey Memorial Hospital Redevelopment	BC	Private Placement	December 2010	250
St-Joseph's Healthcare Hamilton	Ontario	Bond (Short) / Bond (Long)	December 2010	350
Thunder Bay Consolidated Courthouse	Ontario	Private Placement	November 2010	200
OPP Modernization Project	Ontario	Bank	September 2010	175
Women's College Hospital	Ontario	Bank	July 2010	250
South Fraser Perimeter Road	BC	Bank	July 2010	<200
McGill University Health Centre (MUHC) Glen Campus	Quebec	Bank (Short) / Bond (Long)	July 2010	1,200
Forensic Services & Coroner's Complex	Ontario	Bank (Short) / Bond (Long)	June 2010	300
Montreal University Hospital Research Centre (CRCHUM)	Quebec	Bond (Short) / Bond (Long)	May 2010	400
RCMP E Division Headquarters	Ontario	Bond	April 2010	200
Alberta Schools (ASAP II)	Alberta	Bank	April 2010	150
Southeast Stoney Trail	Alberta	Private Placement	March 2010	<200
Disraeli Bridges	Manitoba	Bank (Short) / Private Placement (Long)	March 2010	<150
Waterloo Region Consolidated Courthouse	Ontario	Bank (Short) / Private Placement (Long)	March 2010	250

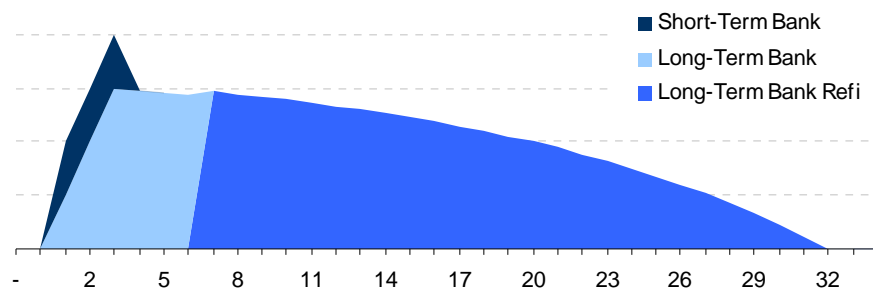
- Increasing appetite from Canadian PPP debt financiers
 - Banks have demonstrated strong interest for providing short-term debt and are increasingly looking to finance the project's long-term funding requirements at competitive rates
 - New debt investors are showing increased interest in the Canadian PPP bond sector, driving competitive tension and reducing funding costs

PPP Senior Debt Financing Considerations

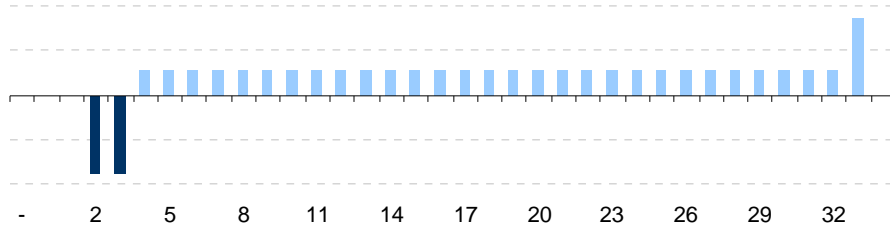
- Common to receive two forms of payment from government authorities: milestone / completion payments throughout the construction period and/or periodic availability payments throughout the operations period
- This type of payment structure generally requires both short-term funding to bridge the completion payments, and long-term financing which is amortized until the expiry of the concession
- Two main subsets of financing are typically competed during a project's bid phase: bank and bond
- Common financing structure involves short-term bank combined with long-term bond

BANK FINANCING

Senior Debt Facility Amortization Profile

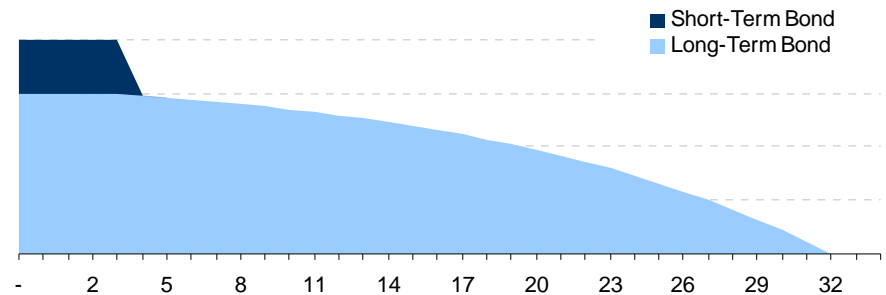


Equity Cash Flow Profile

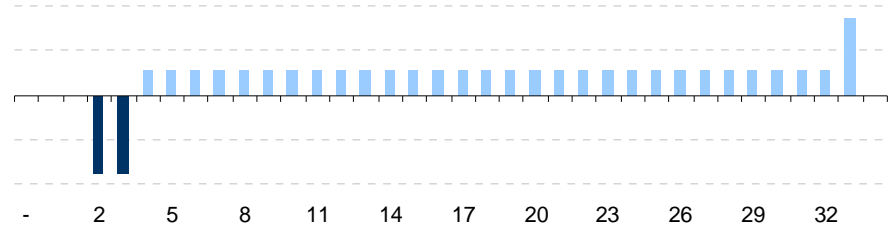


BOND FINANCING

Senior Debt Facility Amortization Profiles

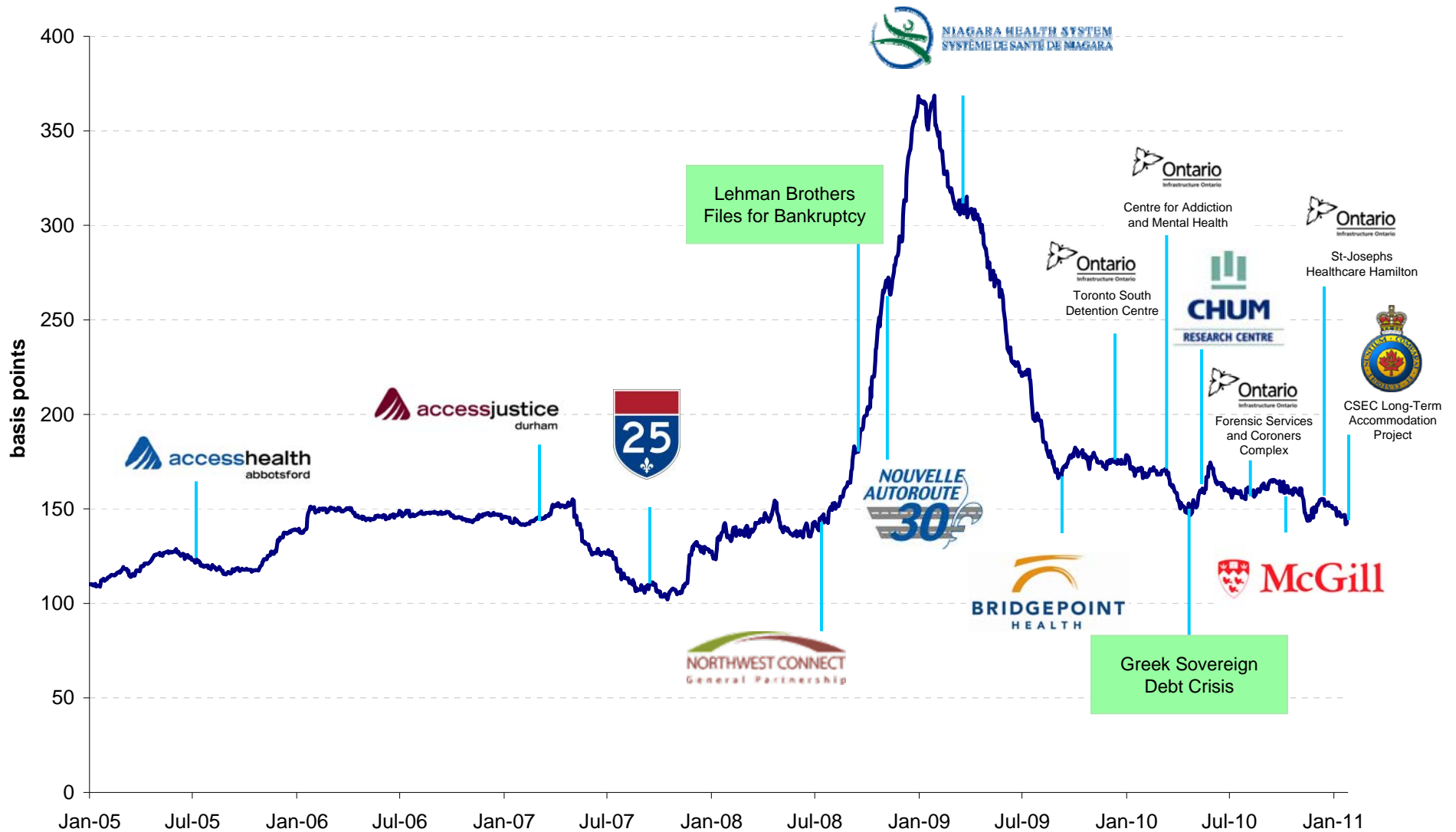


Equity Cash Flow Profile



Capital Markets Update

Bloomberg 30-year A-rated Corporate Spread



Short-Term Financing Options & Considerations

	PROS	CONS
Bank Financing	<ul style="list-style-type: none"> ▪ Progressive draws on the facility throughout construction (reduced negative carry) ▪ Competitive tension introduced by having several banks in the banking group <ul style="list-style-type: none"> – Abundance of capacity ▪ Canadian bank preference for short-term debt market 	<ul style="list-style-type: none"> ▪ Requires negotiating with a club of banks and potentially accepting “lowest common denominator” terms ▪ Certain constraints may come into play ▪ Additional execution complexity <ul style="list-style-type: none"> – Swap execution – Potential Intercreditor issues – Need for redundancy
Broadly Marketed Bond Financing	<ul style="list-style-type: none"> ▪ Deep capacity ▪ Underwritten solution results in negotiations with a single counterparty ▪ Certainty of funding at financial close ▪ No swap execution lends itself to a smoother closing 	<ul style="list-style-type: none"> ▪ Drawn entirely up-front (increased negative carry), minimized by re-investment rate products ▪ Pricing is dependent on the credit rating ▪ Pricing responsive to market volatility (mitigated by benchmarking of credit spreads)

Long-Term Financing Options & Considerations

	PROS	CONS
Bank Financing	<ul style="list-style-type: none"> ▪ Drawn progressively throughout the construction period ▪ Possibility of a refinancing gain ▪ Considerable appetite from global project finance banks 	<ul style="list-style-type: none"> ▪ Equity returns are may be highly sensitive to refinancing assumptions ▪ Some Authorities have indicated preference for bids without refinancing risk ▪ Capacity may be strained for large long term funding requirement ▪ Cash sweeps and refinancing introduce swap breakage complexities ▪ Increased exposure to financial counterparties
Broadly Marketed Bond Financing	<ul style="list-style-type: none"> ▪ Considerable capacity currently exists ▪ No refinancing risk ▪ Certainty of funding at financial close ▪ Underwritten solution results in negotiations with a single counterparty ▪ No swap execution lends itself to a smoother closing 	<ul style="list-style-type: none"> ▪ Drawn entirely at Financial Close results in negative carry during construction ▪ Requires payment of makewhole upon early redemption ▪ Pricing is highly dependent on the credit rating ▪ Pricing highly responsive to market volatility

Credit Considerations

TOP TEN LIST FOR CREDIT REVIEW

1	Nature of Revenue Stream	▪ Availability payments versus volume risk	✓
2	Nature of Payor	▪ Government obligation, non-guaranteed authority, end user	✓
3	Project Complexity	▪ Construction and operations	✓
4	Nature of Equity Investors (“Sponsors”)	▪ Experience and track record	✓
5	Nature of Contractors	▪ Experience, track record and financial strength	✓
6	Nature of Operators	▪ Experience, track record and financial strength	✓
7	Skin in the game	▪ Level of commitments from Sponsors, constructors and operators	✓
8	Construction Risk Mitigation Package	▪ Parent company guarantees, performance bonds, letters of credit ▪ Cost to complete test for construction draws	✓
9	Operating Risk Mitigation Package	▪ Parent company guarantees, performance bonds, letters of credit	✓
10	Covenant structure	▪ Reserve funds, coverage ratios, equity distributions, additional bonds, tail	✓

Select 2011-2012 PPP Pipeline

PROJECT	JURISDICTION	PROJECT DESCRIPTION	EST. SIZE RANGE	DATE OF FC
St. Josephs Healthcare – London & St. Thomas	Ontario	New mental health care facilities at 2 sites: London & St. Thomas	Medium	Early 2011
Mental Health Centre Penetanguishene	Ontario	New replacement mental health care complex in Penetanguishene	Medium	Early 2011
Maritime Radio Communications System	Maritimes	Integrated public safety radio communications system across the Maritime Region	Small	Summer 2011
CHUM Hospital	Quebec	Two-phase redevelopment involving a 772-bed hospital centre in downtown Montreal	Large	Summer 2011
Halton Healthcare Services	Ontario	New state-of-the-art hospital in Oakville	Large	Summer 2011
Sheppard East Maintenance Facility	Ontario	New maintenance and storage facility to house new light rail vehicles in Toronto	Medium	Summer 2011
Humber Healthcare	Ontario	Construction of a new state-of-the-art hospital on a new site in north-western Toronto	Large	Fall 2011
Northeast Anthony Henday Drive (Edmonton Ring Road 3)	Alberta	Construction of the northeast section of the Edmonton Ring Road	Large	2012
Evergreen Line Rapid Transit	BC	New rapid transit line that will connect Coquitlam to Vancouver	Medium	2012
407 East Extension	Ontario	Extension of Highway 407 eastward from Pickering to Oshawa	Large	2012

Small	< \$250 MM
Medium	\$250-500 MM
Large	> \$500 MM

Contact Information

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