

return to the infrastructure provider's shareholders. In a termination for infrastructure provider's default, the project assets are often transferred to the relevant counterparty in return for compensation to the infrastructure provider. Typically such compensation will be used to pay down the infrastructure provider's debt obligations, but will often be insufficient to ensure full repayment. In a no-fault termination scenario the levels of compensation will often be designed to be sufficient to repay the infrastructure debt obligations in full, with a limited surplus to be returned to the infrastructure provider's shareholders. Payment of such termination compensation is subject to the risk of a payment default by the relevant authority. There is also a risk that the assets at termination or upon expiry of the project/concession agreement will not be in the prescribed condition for delivery to the relevant counterparty. If the infrastructure provider and/or its lenders receives insufficient compensation upon a termination, proceeds received by the Issuer on the related Collateral Obligation could be adversely affected.

Development Risks

The Issuer may invest in further infrastructure debt relating to 'greenfield' assets. 'Greenfield' assets involve undeveloped land which will not produce income until development of the property is completed and the project is operational. Accordingly, any investments in loans to Obligor involved with 'greenfield' assets will be subject indirectly to the risks relating to the availability, expense and timely receipt of zoning, permitting and other regulatory approvals (including approvals for complementary facilities such as service areas), the cost and timely completion of construction of the infrastructure asset (including risks beyond the control of the Obligor, such as weather, labor conditions, material shortages and cost overruns) and the availability of both construction and permanent and/or bridge financing to the Obligor on favorable terms. See "—Construction Risks" below. These risks could result in substantial unanticipated delays or expenses to the Obligor and may prevent completion of development activities, any of which could have an adverse effect on an Obligor's ability to service its debt under the related Collateral Obligation.

Commodity Prices

The operation and cash flows of infrastructure debt Obligor may depend, in some cases to a significant extent, upon prevailing market prices for commodities such as oil, gas, coal, electricity, steel or concrete. Such market prices may fluctuate based on a variety of factors beyond the control of an Obligor, including, without limitation, weather conditions, foreign and domestic supply and demand, force majeure events, changes in laws or regulations, the price and availability of alternatives, international political conditions and overall economic conditions. An increase in commodity prices may reduce the profitability of the Obligor, which may adversely impact an Obligor's ability to service its debt under any related Collateral Obligation.

Construction Risks

Where an infrastructure project involves the construction of a new asset or significant refurbishment of an existing asset, there are risks that the construction of a new infrastructure asset (and ultimate certification of the services) may not be completed within the expected and/or agreed price and construction may not be completed on time. These risks may be due to a number of unforeseen factors, such as: political opposition; regulatory and permitting delays; delays in procuring sites, labor and materials; strikes; disputes; environmental issues; force majeure; latent defects; or failure by one or more of the infrastructure counterparties to perform in a timely manner their contractual, financial or other commitments. Typically, the infrastructure provider subcontracts its construction obligations to a construction contractor in an agreement (a "**Construction Contract**"). A Construction Contract will typically seek to pass risks relating to price and/or time to the construction contractor, subject to certain agreed maximum liabilities. If there is a delay in construction, the ability of the infrastructure provider to commence its full revenue earning capacity will likely be delayed. Under a Construction Contract, the construction contractor is typically required to pay liquidated damages to the infrastructure provider for failure to complete construction on time. While the level of liquidated damages is typically determined to ensure that the infrastructure provider, among other things, is able to meet its debt service obligations, a material delay or increase in costs not covered