

Subject: RE: RIN follow up
From: Paul Barrett <[REDACTED]>
Date: Fri, 20 Apr 2018 12:12:54 -0400
To: Vahe Stepanian <[REDACTED]>
Cc: Stewart Oldfield <[REDACTED]>,
Martin Zeman <[REDACTED]>

One more – what default/cumm loss assumptions are they using to get the expected return of 12-15%?

Paul Barrett

Alpha Group Capital LLC

142 W 57th Street, 11th Floor, New York, NY 10019

646-876-5277 (o) [REDACTED] (c)

From: Vahe Stepanian <[REDACTED]>
Sent: Thursday, April 19, 2018 5:53 PM
To: Paul Barrett <[REDACTED]>
Cc: Stewart Oldfield <[REDACTED]>
Subject: RE: RIN follow up

Paul-

Apologies for the delayed response – had a bit of a crazy day here. Answers to your questions:

Are the loans on completed infrastructure projects or more like construction loans? The RIN team is focused on investing in loans secured by operational infrastructure projects. RIN II will have concentration limitations that require 85% of the portfolio to be comprised of loans secured by operating assets. For reference, there are 3 loans currently in RIN I's portfolio that are either (i) greenfield construction or (ii) have a large brownfield expansion underway and comprise ~12% of RIN I's portfolio as of today.

Although these loans have do have some construction risk, we believe that these risks have been well mitigated as described in the table below.

Loan

Nature of Construction

Construction Risk Mitigants

Cheniere Energy (SPLNG,CCTP)

Assets includes operational pipeline, 4 operational LNG terminals, and 1 re-gasification/storage terminal. 1 additional LNG terminal under construction and another under consideration.

- Lump-sum, fixed-price, turnkey EPC Contracts for the construction with Bechtel, a premier engineering, construction and project management companies

- The EPC Contracts include liquidated-damage provisions requiring performing within 95% of design specifications and 18-month defect liability provisions and are guaranteed by Bechtel Global (entity that includes Bechtel's oil, gas, chemicals, power & communications businesses)

- Project uses proven and leading liquefaction tech (ConocoPhillips Optimized Cascade Process)

- Bechtel has built one-third of the world's liquefaction plants, is currently ahead of the guaranteed construction schedule for the first four trains of (with the first two trains complete), and previously built the Sponsor's existing regasification facilities at the Sabine Pass LNG terminal on time and within budget. Bechtel has never been called to pay delay or performance Liquidated Damages

Elba

The project is an expansion of an existing facility – infrastructure interconnections and LNG storage tanks are already in place. The Project's construction is currently 35% complete.

- Fixed price, lump sum, date-certain EPC Contract with delay Liquidated Damages.
- Backstopped by parent guaranty from IHI (Japanese Corp Rating of A-) for full payment and performance and letter of credit for 12.5% of contract price
- EPC work is generally mechanical in nature and IHI is a reputable and experienced EPC Contractor (worked on other LNG projects worldwide, including Gulf LNG, Cove Point, Adriatic LNG, and more)
- The Project has a budgeted contingency of \$41.7 million and a key Kinder Morgan (joint owner) subsidiary has pledged to fund an additional \$68.0 million in cost overruns, with no dilution to the Borrower.
- Kinder Morgan and the Borrower are committed to providing an additional \$62.6 million on a pro rata basis, resulting in a total contingency amount of \$172.3 million, well above the independent engineer's identified target amount of \$86.5 million

Sasol Chemicals

Project is an expansion of an existing petrochemical complex that currently generates EBITDA. The Borrower is constructing an additional petrochemical complex on the Westlake site called the Lake Charles Chemicals Project, which is 80% complete

- The Borrowers parent, Sasol, (rated Baa2/BBB-) has provided a completion guarantee
- The credit agreement limits the Secured Debt to Equity Ratio to 60:40, which equates to a minimum equity contribution from Sasol of ~\$4.4 billion

How do we have recourse on an essential infrastructure asset? ~98.4% of RIN I's portfolio is comprised of senior secured loan obligations. These loans' security packages typically include the assets and equity owned by the borrower.

I've also attached a copy of the PPM here, which I think will be helpful as you continue to dig in. Note it is watermarked for Alpha Group. Happy to answer additional questions.

Best,

Vahe

From: Paul Barrett [mailto:██]
Sent: Thursday, April 19, 2018 12:00 PM
To: Stewart Oldfield <██>
Cc: Vahe Stepanian <██>
Subject: RE: RIN follow up

Stu

2 questions for the team:

Are the loans on completed infrastructure projects or more like construction loans?

How do we have recourse on an essential infrastructure asset?

Thanks

Paul

Paul Barrett

Alpha Group Capital LLC

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646-876-5277 (o) [REDACTED]

From: Stewart Oldfield <[REDACTED]>
Sent: Tuesday, April 17, 2018 10:00 AM
To: Paul Barrett <[REDACTED]>
Subject: RE: RIN follow up

Just tried you. I'm around all day. Thanks

From: Paul Barrett [mailto:[REDACTED]]
Sent: Monday, April 16, 2018 7:45 PM
To: Stewart Oldfield <[REDACTED]>
Cc: Vahe Stepanian <[REDACTED]>
Subject: Re: RIN follow up

Let's chat tomorrow morning.

Paul Barrett

Alpha Group Capital LLC

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646-876-5277 (o) [REDACTED]
[REDACTED]

On Apr 16, 2018, at 6:11 PM, Stewart Oldfield <[REDACTED]>
wrote:

Paul,

Please let us know when it makes sense to follow up next on RIN. I'd also like to chat a bit about your inventory finance trade when you have a few minutes. Hope all is well,

Stew

<image001.png>

Stewart Oldfield, CFA, CAIA
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