Castlepines’ strength comes from its willingness to invest its own equity and transferred capital into each acquisition.

CASTLEPINES

FUNDING SECURE INVESTMENTS

Castlepines Corporation

Castlepines Corporation is an international equity fund that invests its own and partner equity in major assets for secure, long-term yields. Castlepines principally operates in the following sectors:

- power generation and utilities;
- mining and resources including oil and gas;
- infrastructure and all forms of real estate; and
- shipping and marine.

Castlepines seeks to purchase long-term, conservatively-yielding assets that provide a secure passive income stream. We fund 100% of the purchase price or capital required, usually all with equity only, no debt, and yet share 50% of ownership and profits with both the new partners and sponsors. Equity is sourced from Castlepines' own pension funds, large public pension funds and the pension funds of insurance companies. Castlepines has developed an investment model that provides access to substantial pension fund capital relatively quickly and efficiently. This capital is provided through one or more of our partner banks that act as pension fund advisers.

Castlepines generally takes no form of security over an asset, which normally means no mortgage, loan, lien or chargeover an asset.

Castlepines is a passive investor and does not seek to actively participate in the operation of assets or control the Board of asset-operating companies. We consider many alternative equity sources are harsh and often expensive in their terms and so seek to provide capital on more generous terms.

Castlepines' typical investment term is 20 years or longer, often to 35 and 40 years. Because we focus on secure long-term investments, equity costs to amortise capital and provide a return on equity are relatively low, well under double digits. If an investment term is shorter than 20 years, higher yields are required to enable Castlepines to amortise the capital over the shorter period. Castlepines is an investor, not lender. We invest directly into certain projects and assets, taking a direct ownership interest.

Benefits from a Castlepines investment

Benefits from a Castlepines investment

A Castlepines investment can provide companies with an opportunity to retrieve significant capital tied up in passive, low-growth assets that provide marginal returns, and to use those funds in more profitable areas. Assets sold to Castlepines can then be leased back for long periods at relatively low rates. The increased liquidity realised through a Castlepines investment can improve ratings and credit standing with lenders and suppliers.

The Castlepines approach can also be utilised by governments to enable them to focus on service delivery, rather than locking up funds through ownership of low-yielding assets. Through sale of these assets and lease-back at low rates, capital can be released and deployed by governments in more needed areas. Castlepines' investment in building new public assets is an alternative to government capital expenditure.

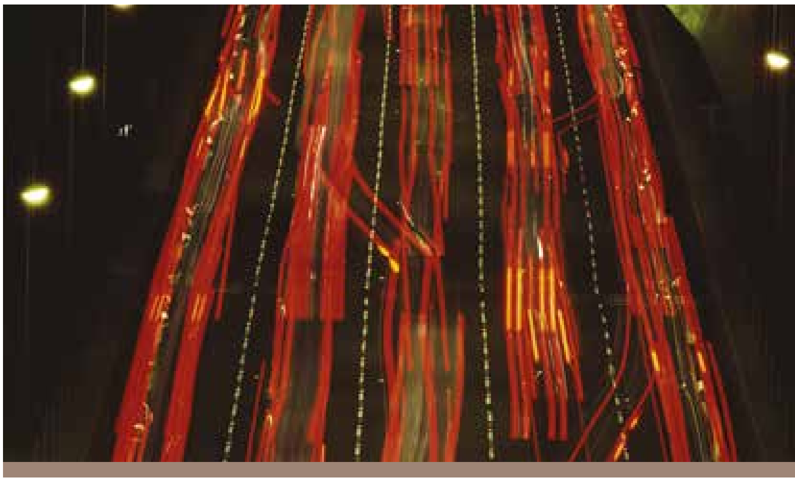
The Castlepines difference

The Castlepines difference

Castlepines differs from many other equity and hedge funds by:

- making all-equity investments, rather than the market norm of short-term debt-funded investments followed by asset sale or refinancing;
- having lower yield expectations and an exceptionally low cost of capital, through its long-term, all-equity investment model;
- sharing 50% of ownership and all profits with partners, developers and sponsors, versus the market norm of 10 – 15%;
- investing for very long periods, often 30 to 40 years;
- providing fixed terms and yields over the investment term;
- security on assets normally not being require; and
- taking no part in asset management decisions.

Castlepines' investment model will suit many worthwhile projects that would normally only be successful if such a long-term and low-cost approach were taken.



Investment Model and Strategy

Investment Model and Strategy

Castlepines Corporation's investment focus is on secure, long-term equity investments in major assets. Of importance to Castlepines is a stable basic yield, small annual inflationary increases and all income being net of outgoings/costs whether as a net lease or a "coupon" payment; whichever it is this must be paid by a party or entity rated investment grade by Standard and Poor's or Moody's – therefore above BBB- and Baa3 respectively.

The key to any Castlepines investment is ensuring that the return or coupon on the equity that we and our partner pension funds have contributed is secure, date-certain and sum-certain for the full investment term, and that the payer is 'investment grade'.

The key elements of Castlepines' investment strategy are:

- investing in assets with a purchase price typically greater than US$100 million or other "hard" currencies;
- assets leased by a strong entity for the investment term, normally 20 years or longer. Shorter terms are possible but require a higher

  yield. Assets are leased under a triple net lease structure or a bareboat charter basis for shipping. Alternatively, the assets can be operated under operations and maintenance and off-take contracts for the investment term with an agreed guaranteed floor to net income which Castlepines calls a "coupon"; and
- an agreed annual inflationary increase on coupon payments (commonly 3% per annum).

Investment Risk Management

Investment Risk Management

Castlepines adopts a suite of risk management strategies to ensure the security of an investment. This includes ensuring:

- "strong entities" as counter-parties (e.g. lessee, charterer or off-taker, as appropriate) are defined as investment grade only;
- where assets are to be constructed, substantial builders are required with performance guarantees and/or a completion bond, who are engaged under fixed-price turn-key engineering, procurement and construction (EPC) contracts;
- substantial operators and managers that are prepared to provide operations and maintenance agreements for the investment term and/or a maintenance contract for the same term with an annual non-use fee, where appropriate. Alternatively, any off-taker would need to accept contractual step-in rights in the event there is a serious break in production; any feedstock risk is managed through agreed feedstock quantum and base price contracts with a strong supplier for the same term as the off-take, with a floor and/or collar price to the feedstock to ensure its affordability throughout the term; and
- synchronicity of the key contractual arrangements for a project. For example, offtake, operations and maintenance, and feedstock contracts must match the investment term.

Castlepines defines a "strong entity" as being rated as investment grade by Standard & Poor's (minimum BBB rating) or Moody's (minimum Baa rating). Each key counter-party to a project or asset must be investment grade, or a world class company with a substantial balance sheet and wrapped by a minimum AA- rated insurer.

Where a potential counter-party is not investment grade or not rated at all, Castlepines may deal with that company provided it sells its product or service to an investment grade off-take party. Agreements to buy or supply the product/resource/ service over the investment term are then required to secure revenues.

Asset Investments

In the case of depreciating assets (e.g. plant, equipment, shipping, aircraft, power and telco assets and wiring), a conservative yield is required, marginally above property yields. Castlepines may be prepared to make available in advance all the capital required to permit the vendor/lessee to upgrade its equipment once or twice throughout the lease, so that the life and effectiveness of the equipment is maintained until investment/lease end.

Castlepines is seeking only conservatively-leased assets and is not sensitive to pricing of those assets. Market valuation is therefore normally not required prior to purchase.

Castlepines has no expertise in asset facility management; it therefore has no interest in this activity during the term of its investment. All maintenance issues and daily operations are managed and paid for by an asset's tenant, lessee or charterer. Likewise daily decisions are made by those parties and not Castlepines, and therefore a profitable non-interference policy abides throughout the whole term.

Investment Sectors

Castlepines Corporation's investment strategy is principally focused on assets and infrastructure in the following key sectors:

- power generation and utilities;
- mining and resources including oil and gas;
- infrastructure and all forms of real estate; and
- shipping and marine.

Castlepines will consider any investments outside these sectors provided they meet its investment criteria.

Mining and resources

Castlepines has an investment interest in mines and mining facilities. This includes in-ground mineral resources and operating mines. The investment interest also includes mining facilities such as processing plants, trans-shipment facilities such as coal loaders, gasification plants, steel mills, smelters, oil rigs and refineries, pipelines and railway infrastructure.

The Corporation's interest also includes water management infrastructure, such as water and wastewater treatment plants, pipelines, dams and desalination plants. Waste management facilities are also of interest, including recycling facilities.

Real estate

Castlepines is interested in a range of real estate investments outside the residential property area. This includes commercial and industrial buildings such as office blocks, hotels, warehouses and tourist developments. Castlepines also has an interest in investing in public buildings, including those owned by municipal councils. These can be as diverse as school and university buildings, student accommodation, fire and police stations, and public housing. Very large residential estates (more than 5,000 homes/apartments) are included provided a triple net lease is put into effect by an investment grade rated entity.

Castlepines' acquisition philosophy for commercial property is to identify opportunities available on a wide range of different markets where economic and market conditions suggest that property is not at the time the most appropriate or attractive investment medium. We are not concerned about adverse market conditions.

Power generation and utilities

Castlepines' interest in energy investments includes conventional and renewable power generation assets, as well as transmission facilities. Conventional power plants such as coal and gas-fired plants, as well as nuclear power plants and SMR (mini-nuclear) are of interest to Castlepines. In the renewable energy area, Castlepines has an interest in power generated by wind, solar, biomass, geothermal, waste-to-energy and hydro-electric power plants.

Our investment interest extends to other public utilities and **infrastructure**, including water and waste management, and road and rail transport facilities.

Shipping and marine
Castlepines' interest in shipping and marine includes:

- dry bulk, container and other cargo vessels;
- oil, LNG and LPG tankers and rigs;
- ferries and cruise ships; and
- port and related infrastructure.

Castlepines may be prepared to make available in advance all the capital required to permit the upgrade or replacement of vessels once or twice throughout the charter, so that the life and effectiveness is maintained until charter end.

Castlepines is always looking for a secure revenue base. In essence, our investment focus is on well-located assets with reliable revenue and strong builders, managers and tenants. The emphasis will remain on security of yield, then capital profit.

Company Background

Company Background

Castlepines Corporation is a consortium of various private companies and trusts that invests their and their partners equity in a broad range of infrastructure assets. Founded in Australia, it now also operates in Europe, the United Kingdom, North and South America, Asia, Australasia, Middle East and Africa.

The founding partner and CEO of Castlepines is David Grose. David and the other directors of the company decide on Castlepines' strategic direction and its major investment decisions.

Contact us

Head Office – Monaco
David Grose
7 Rue de L'Industrie, Monaco 98000
Phone: + 377- 9999 4711
Mobile: +377 680 86 29 60
Mobile: +44 7876 147739
Email: dgrose@castlepinesequity.com

United Kingdom - London
Jolyon Moss
36 Pall Mall, St James's
London SW1Y 5JN, UK
Phone: +44 7973 673 853
Email: london@castlepinesequity.com

Australasia - Sydney
Wendy Cook
Level 23, 52 Martin Place
SYDNEY NSW 2000 Australia
Phone: +61 417 217 609
Email: sydney@castlepinesequity.com

Europe
David Grose
Phone: +377 680 86 29 60
Email: dgrose@castlepinesequity.com

Spain / Portugal
Jesús Adrián (Madrid)
Phone: +34 639 158 949
Email: jadrian@castlepinesequity.com

Julio Fraile (Madrid)
Phone: + 34 636 162 513
Email: jfraile@castlepinesequity.com

Africa / Middle East
Tafadzwa Mugwagwa
Phone: +44 7534 812 176
Email: tmugwagwa@castlepinesequity.com
middleeast@castlepinesequity.com

The Americas - USA & South America
Fabio Yamada
Av. Roque Petroni Junior, 1089
Suíte 713
Sao Paulo – SP
Brazil, 04707-900
Phone: +55 119 7207 2065
Email: southamerica@castlepinesequity.com

Owen Morgan
Phone: +44 7554 961 102
US Phone: +1 904 540 8894
Email: northamerica@castlepinesequity.com

South Korea
Esther Lee
30F Lotte World Tower
Olympic-ro 300,
Songpa-gu, Seoul, 05551
Email: hslee@castlepinesequity.com

Shipping and marine: (Worldwide) - London
David Grose
Phone: + 377- 9999 4711
Mobile: +377 680 86 29 60
Email: shipping@castlepinesequity.com

Lawyers:
Norton Rose Fulbright LLP London
Dechert LLP London
CMS Madrid

Tax Advisors:
Grant Thornton London

General Enquiries:
Email: info@castlepinesequity.com
www.castlepinesequity.com

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