

Project Boots

Long Dated Secured Contract Financing,
Guaranteed by the Scottish Government

November 2016

Summary of Investment Opportunity

Termsheet and Cashflow Profile

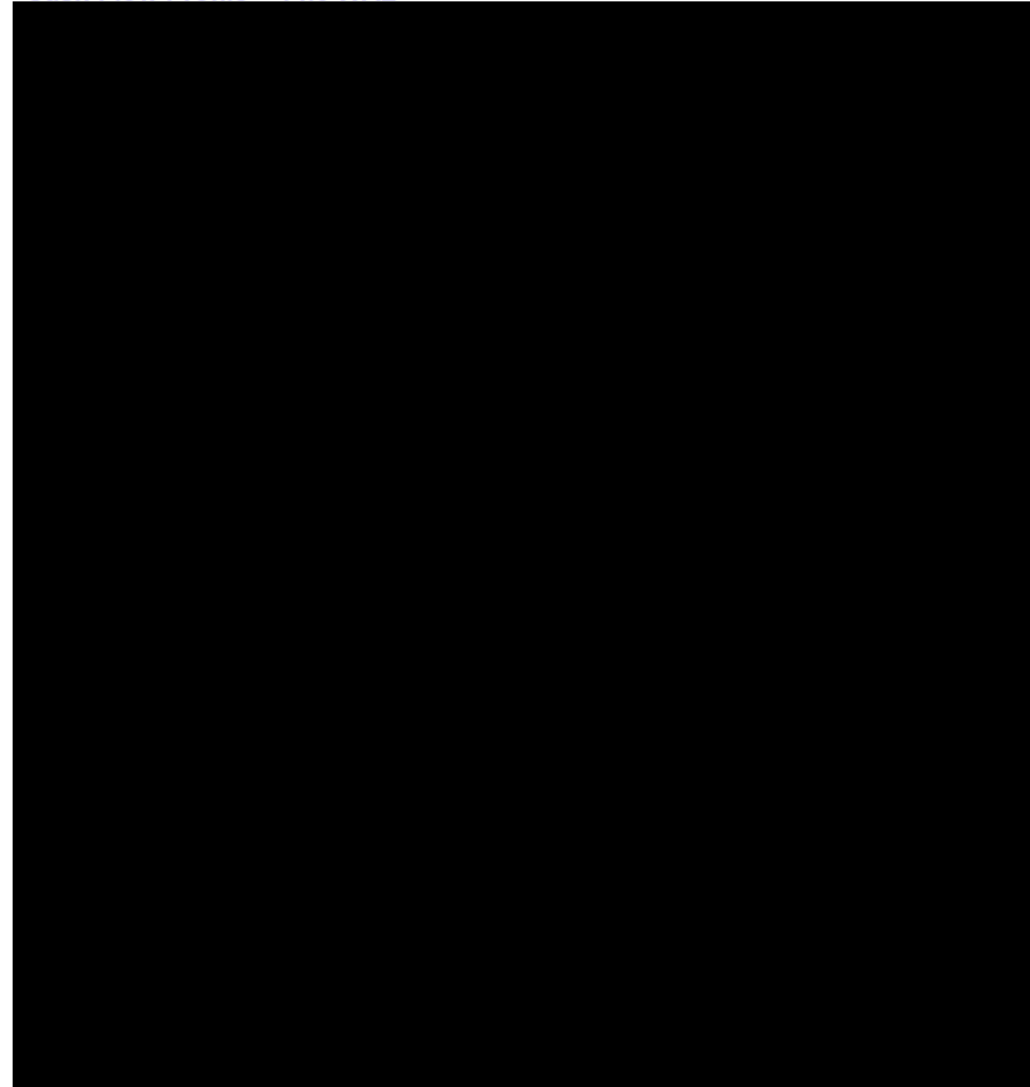
Transaction Overview

- Transaction facilitates the upfront monetisation of a receivable cashflow stream between Liberty and SIMEC relating to Scottish hydropower and aluminium smelting assets
- Rare opportunity to invest in explicit and irrevocable Scottish Government guaranteed fixed income asset
- Long dated nominal GBP cashflows

Proposed Transaction Terms

Issuer	Lagoon Park Capital S A.
Corporate Obligor	Liberty Aluminium Lochaber Ltd
Format	Secured Limited Recourse Notes backed by Irrevocable Payment Undertaking owed by Corporate Obligor
Guarantee	Explicit and Irrevocable Scottish Government guarantee
Ratings	Unrated
Currency	GBP
Maturity	Dec 2041 (WAL of 14.6 years)
Cash Flow Profile	Instalment Note
Payment Dates	Quarterly Payments from Mar-18 to Dec-41
Optional Redemption	Non-Call Life
Form of Offering	4(a)(2)/RegS Private Placement
Listing	Unlisted
Clearing System	Euroclear / Clearstream
Trustee, Paying Agent and Custodian	Citibank NA, London Branch
Governing Law	English Law, Scottish Law (Guarantee)
Other	10-day grace period at maturity before EOD is declared Trading restrictions and investor letters required
Placement Agent	Morgan Stanley

Cash Flow Profile – 14.6 WAL



- Transaction facilitates the upfront monetisation of a receivable cashflow stream between Liberty's aluminium smelter and SIMEC's hydropower plant
- 25y Amortising/Instalment Note Secured by Irrevocable Payment Undertakings "IPUs"
- **Explicit and Irrevocable Scottish Government Guarantee on Irrevocable Payment Undertakings**
- The note issuance is conducted via a supply chain finance arrangement under the existing Greensill Capital note program
 - The issuance is secured by a stream of Irrevocable Payment Undertakings ("IPU"), given by Liberty and backed by the Scottish Government Guarantee
 - The IPUs are not linked to performance metrics or actual delivery of power under the PPA. Indeed, the Scottish Government has step in rights in the event of non-performance. For the avoidance of doubt in a scenario where the power station breaks down the IPUs would still be due and remain covered by the Guarantee
 - Investment offered in unlisted private placement note format, cleared through Euroclear/Clearstream

Transaction Overview

A M&A Transaction and Liberty Profile

M&A Transaction

Rio Tinto agrees sale of its Lochaber assets for \$410 million

23 November 2016

"Rio Tinto has reached an agreement to sell its assets at Lochaber, Scotland to SIMEC for consideration totalling \$410 million (£330 million).

The sale purchase agreement comprises the sale of Rio Tinto's 100 per cent shareholding in Alcan Aluminium UK Limited which includes the operating smelter, the hydroelectric facilities at Kinlochleven and Lochaber as well as all associated land.

Rio Tinto Aluminium chief executive Alf Barrios said "This is a value-creating sale for Rio Tinto and represents another example of refining our portfolio to focus on our suite of tier one assets.

"At the same time, our priority has been to ensure a long-term sustainable future for Lochaber and economic benefit for the wider Fort William community. There was significant interest in the assets, but SIMEC is committed to continuing operations at the smelter and working with the community on further economic development."

SIMEC's intention is that the smelter will be operated by the Liberty House Group, its sister company within the international GFG Alliance.

GFG Alliance strategic board executive chairman Sanjeev Gupta said "This is a significant boost to our renewables portfolio and will be another major step towards reducing our carbon footprint in metals production.

"This is a natural next step for us in our Scottish investment programme and is a springboard for wider manufacturing growth, creating many more jobs in Scotland. We are grateful for the continuing support of the Scottish Government and for their far-sighted approach to industry."

The Scottish Government's Cabinet Secretary for Rural Economy and Connectivity Fergus Ewing said "I am delighted at this news from Rio Tinto today. The sale of both the smelter and hydro power station increases the chance of the site having a viable, long-term future.

"This is great news for the whole local community and especially for the workers at the smelter. Subject to all necessary agreed processes, the deal implemented will safeguard 150 jobs and has the potential to create hundreds more.

"I want to thank Rio Tinto for their positive engagement with Ministers and officials throughout the process and I will be sorry to see the company move out of Scotland after such a long association.

"With GFG Alliance, incorporating SIMEC and the Liberty House Group, as the successful bidder, I look forward to an exciting new chapter in the history of the Lochaber complex, with the UK's last remaining aluminium smelter at Fort William continuing as a key component of Scotland's industrial capability and a major source of employment in the Highlands and Islands. We have built up excellent working relations with Liberty House in our successful dealings in Dalzell and Clydebridge. Now a new exciting chapter of industrial development is set to begin."

The agreement includes a payment on completion of £180 million, plus an additional payment of £150 million not later than 28 February 2017.

Rio Tinto has now agreed more than \$1.3 billion¹ in divestments this year, bringing the total value of divestments announced or completed to \$5.3 billion² since January 2013.

The sale is subject to certain conditions precedent and consultation with employees. It is expected to close mid-December 2016."

Source: Rio Tinto

Scottish Government Guarantee

- The Scottish Ministers are supportive of the acquisition in terms of the delivery of a wider economic strategy for Scotland, and as part of that support are at Liberty's request willing to guarantee the payment obligations of Liberty under the Customer Agreement

Liberty House Group

- International business, specialising in metals trading as well as the manufacture and distribution of steel and advanced engineering products
- The Group has sites in Europe, Africa, the Far and Middle East, Australia and North America
- Current turnover is approximately \$4.3 billion and it employs circa 3,000 people globally

Liberty Aluminium Lochaber Ltd

- Incorporated on 9 November 2016 as a subsidiary of Liberty House Group Ltd and is intended to hold the Lochaber smelting assets
 - The Lochaber smelting assets (pictured below) are located at Fort William, Scotland in the Ben Nevis range
 - The Lochaber smelter opened in 1929
 - The facility has a capacity of 47,000 tonnes of aluminium per year
 - Electricity is primarily supplied by the Lochaber hydropower plant



1 Summary of Scottish Government Guarantee Summary

General	
Contract name	Guarantee by Scottish Ministers ("Contract")
Parties	The Scottish Ministers ("Guarantor") Greensill Capital (UK) Limited ("Funder")
Description	Irrevocable and unconditional guarantee by the Guarantor in favour of the Funder (and funder transferees) in respect of all amounts payable by Liberty Aluminium Lochaber Limited ("Liberty") under or in relation to the Customer Agreement between Liberty and the Funder ("Payment Obligations")
Signed	To be signed and delivered as a condition precedent to Financial Close
Start and Duration	
Start Date	The Contract comes into effect on the date of signature of the Contract.
Contract duration	The Contract continues in full force and effect until the earlier of (a) total and irrevocable satisfaction of the Payment Obligations; or (b) expiry of the Contract on the date falling 25 years and 60 days after the start date of the export period under the power purchase agreement entered into between Liberty and S MEC Lochaber Hydropower Limited.
Payment	
Payment on demand	If Liberty fails or refuses to pay any of the Payment Obligations when due, the Funder (and any transferee of the Funder) may make a demand upon the Guarantor (in the form specified in the Contract) and the Guarantor shall make payment under the guarantee contained in the Contract within 5 business days of such demand.
Irrevocable Guarantee	The Guarantor grants an irrevocable and unconditional guarantee in favour of the Funder and, as a separate and independent obligation, provides an indemnity as principal debtor in favour of the Funder.
No set-off or deduction	Payments by the Guarantor under the Contract must be paid free and clear of any deduction or withholding.
Late Payment	Interest is applied at 3% per annum.
Customer Agreement	
Customer Agreement	See separate summary.
Liabilities	
Warranties	Warranties as to enforceability, non-conflict and corporate authority are included
Limitation of liability	The liability of the Guarantor is capped pursuant to a quarterly liability cap set out in the Contract.
Termination	
Termination by Guarantor/Funder	No contractual early termination rights are included in the Contract.
Transferability	
Assignment	Funder (and any transferee of funder) may assign and/or transfer the Contract to any person to which its rights under the Customer Agreement are assigned/transferred. Guarantor may not assign or transfer the Contract.
Governing Law	
Governing law	Scottish law

Ongoing Flow of Payments Under IPU/Notes

- Liberty pays the amount under the IPU into the Trustee account

- [Redacted]

- [Redacted]

- Default Scenarios – Guarantor vs Obligor

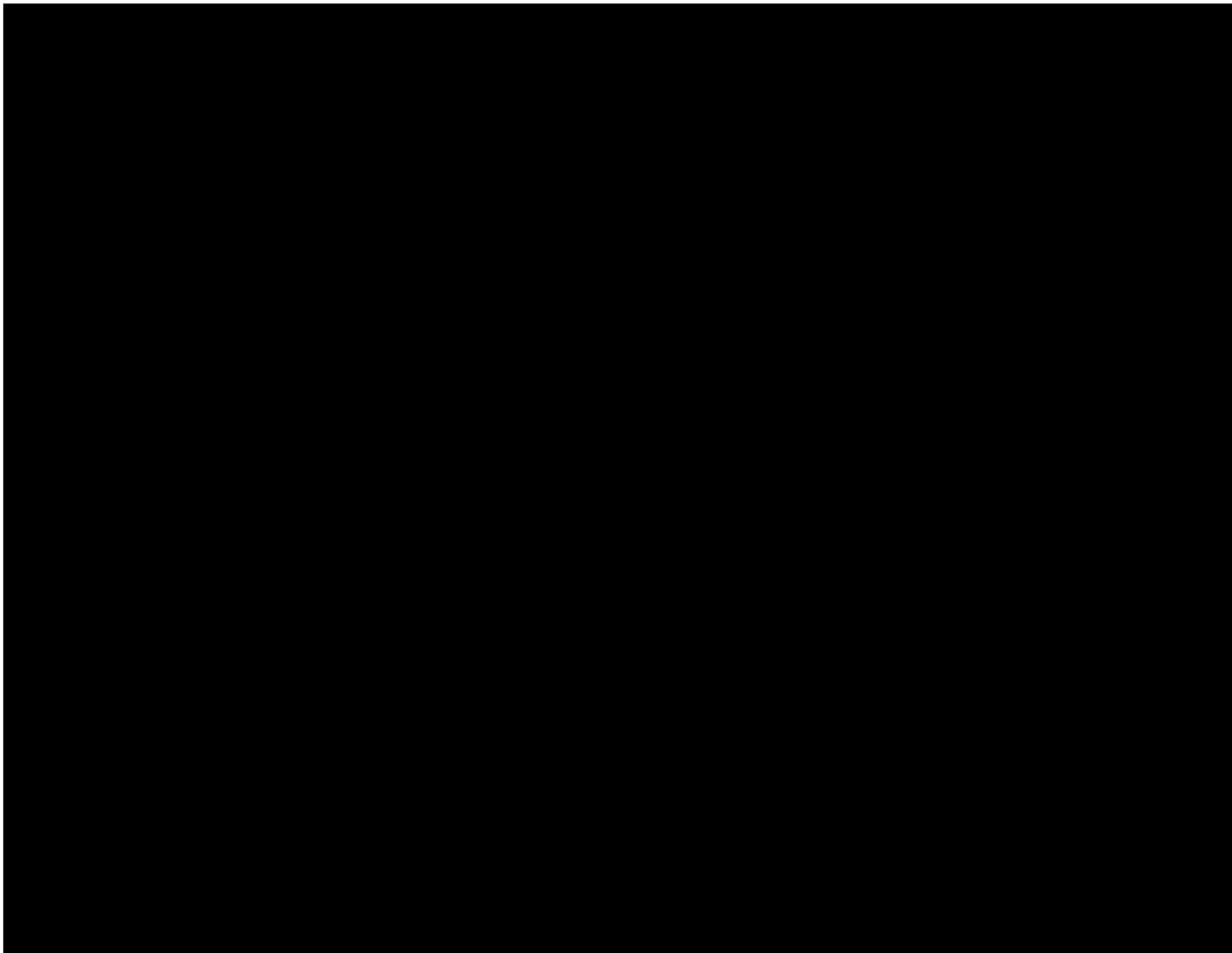
- In the scenario where Liberty fails to make the scheduled instalment payment under the IPU

- [Redacted]
- [Redacted]

- In the scenario where the both Liberty and the Scottish Government fail to respectively make the instalment payment, the Noteholders can either

- [Redacted]
- [Redacted]

Flow of Payments & Default Scenarios



Appendix A

Supply Chain Finance and Greensill
Capital Overview

Supply Chain Finance (SCF)

- In SCF programs, an intermediary body offers early payment to a supplier based on an unconditional and irrevocable obligation from the buyer to repay the intermediary a fixed amount on a fixed date
- As a result, the credit risk is that of the buyer rather than the supplier
- Given the nature of the irrevocable payment obligation, SCF also removes dilution and dispute risk associated with performance of the underlying trade relationship
- In this transaction, Liberty has provided the Irrevocable Payment Undertaking which further benefits from an explicit and irrevocable guarantee from the Scottish Government
- This transaction has proven receivable financing techniques to longer dated cash flows

Greensill Capital

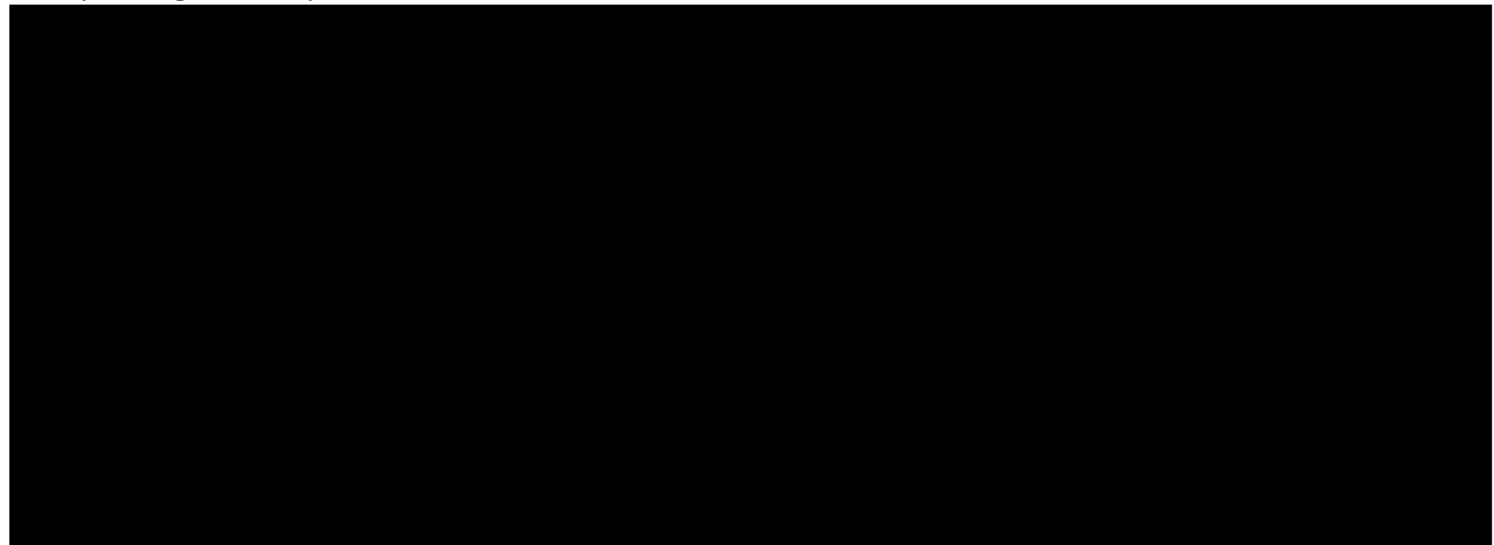
Overview

The Firm

- Greensill Capital is a specialist provider of Supply Chain Finance (or “reverse factoring”) and other structured capital solutions.
- The company was founded in 2011 by a seasoned team of structured finance specialists who’d previously led businesses within Citi, Morgan Stanley, HSBC and other leading financial institutions.
- The firm has become one of the leading originators and structurers of Supply Chain Finance having implemented over 100 programs ranging in size from \$10MM to \$3BN since inception.
- Greensill acts as a principal investor in its programs, as well as syndicating its larger deals to a variety of capital markets, bank and alternative investors.

Supply Chain Finance

Simplified Diagrammatic Representation



Supply Chain Finance Legal Structure

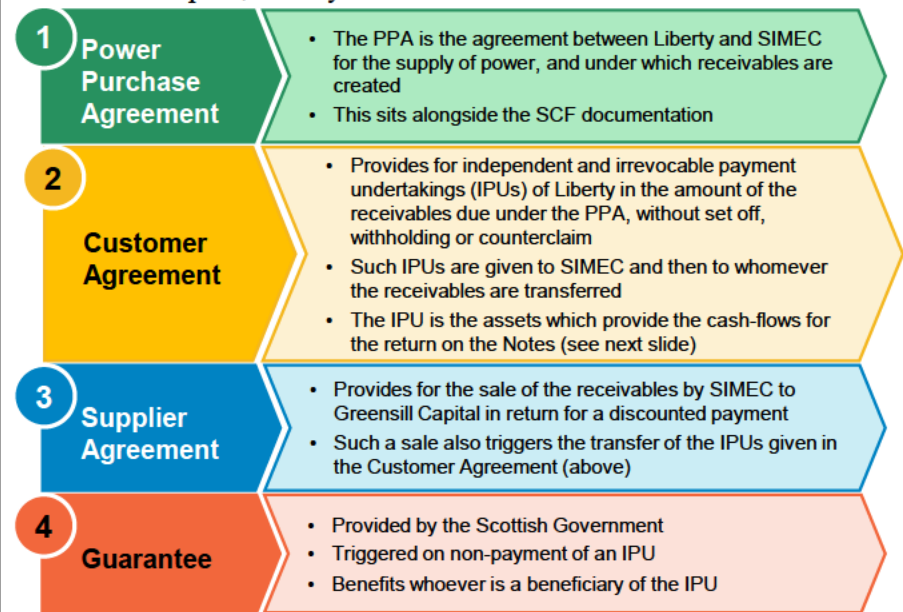
Greensill Capital SCF programs are backed by Irrevocable Payment Undertakings granted by corporates on approved invoices

- The PPA agreement between Liberty and SIMEC remains the same but is supplemented by the Supply Chain Finance documentation
- Greensill Capital enters into agreements with Liberty and SIMEC which allow for the sale of receivables to Greensill
- The receivable sale triggers the creation and transfer of the Irrevocable Payment Undertaking (IPU) to Greensill, or its transferee

Structure

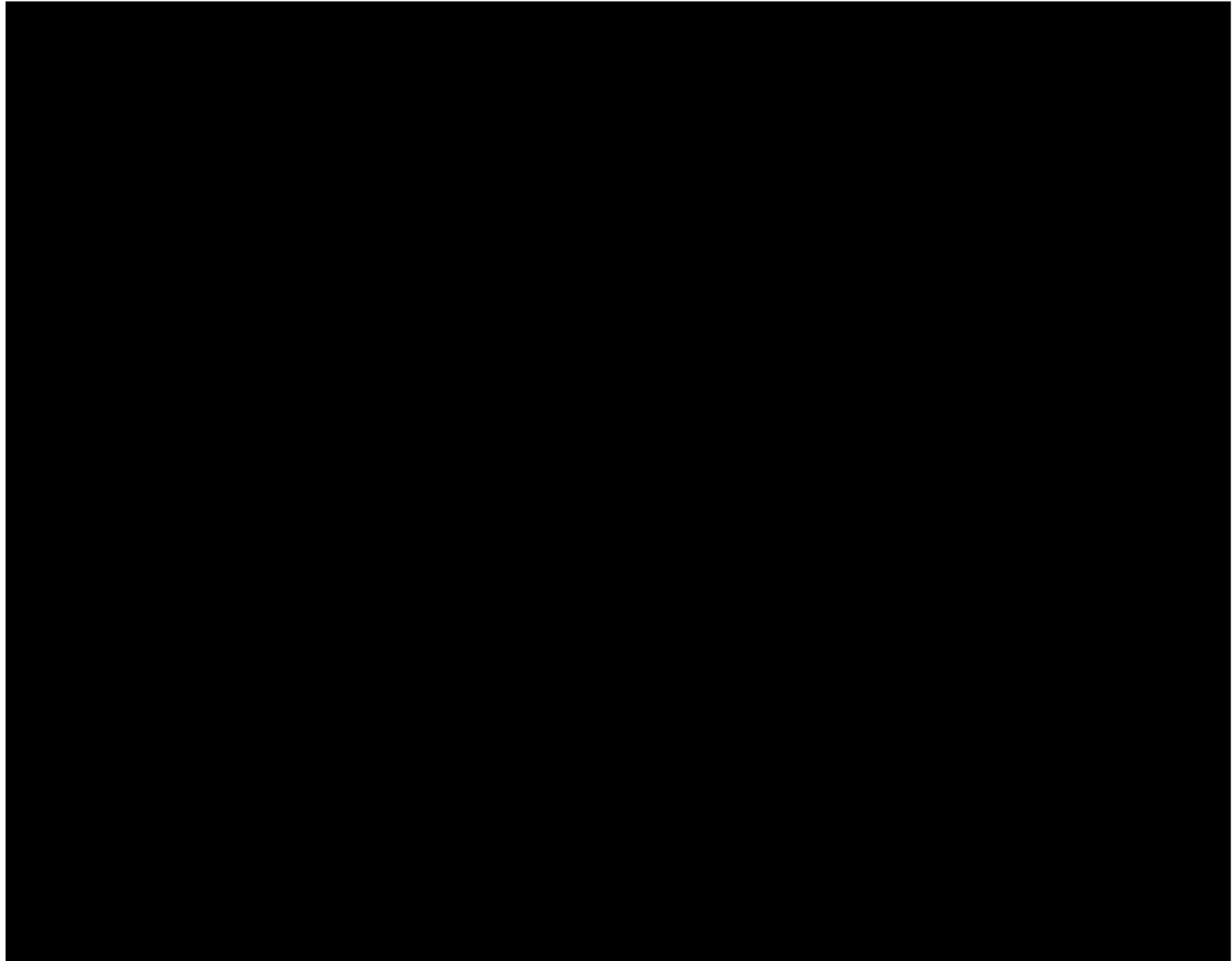
Agreements

- The following Supply Chain Finance documentation is used between Greensill Capital, Liberty and SIMEC:



Overview of Program

- In the case of an Event of Default, Noteholders may, subject to the terms of the Trust Deed and the Conditions, either:
 - Provide directions to the Note Trustee in respect of the enforcement; or
 - Exercise their right to physical settlement, whereby a Noteholder will have the right to call for the transfer of its part of the underlying obligations owed by the Obligor so that the Noteholder will have a direct claim against the Obligor. If this right is exercised, the Noteholder will no longer be able to share in the proceeds received by the note Trustee as they have elected to seek their own direct restitution from the obligor.
 - Where there is a failure to pay on an IPU, the guarantee may be exercised with respect to such a failed payment. Although, upon default of an IPU, there is no acceleration of yet to mature IPUs, the guarantee is exercisable in respect of each failed payment if, as and when it occurs, thus matching the normal maturation cashflow profile of the Notes.
 - See the Master Trust Deed and the Conditions for further information



Notes

1.



Appendix B

Contract Agreements

2 Summary of PPA Agreement

General	
Contract name	Power Purchase Agreement (Contract)
Parties	S MEC Lochaber Hydropower Limited (Company) Liberty Aluminium Lochaber Limited (Buyer) Note: Contract to be assigned to: Alcan Aluminium UK Limited (Target) on completion other than the accounts receivables due under the Contract which will have already been assigned to the financier.
Description	To forward sell a fixed quantity of power from the Lochaber hydroelectricity scheme to the Lochaber smelter plant and for a fixed quarterly payment.
Signed	To be signed in advance of Financial Close
Start and Duration	
Start Date	The Contract comes into effect on the date of signature of the Contract. The obligations to make the fixed quarterly payments and deliver the fixed quantity of power come into effect on completion of the purchase of the Target (the Start Date).
Contract duration	25 years starting on the Start Date.
Price and Payment	
Fixed Quantity	██████ MWh per annum.
Electricity Price	A table of fixed prices per MWh per annum will be inserted to reflect a consultant's power curve.
Payment terms	A fixed amount is due and payable within 20 Business Days of the end of each quarter. Such amount shall be equivalent to the fixed quantity multiplied by the applicable pre-determined electricity price. The fixed quarterly payments will be set out in a schedule to the PPA.
VAT	VAT is payable on the full amount of the invoice. Amounts are stated ex VAT.
No set-off or deduction	Payments are due on the due date without deduction, withholding or counterclaim and without exercising any right of set-off -and, irrespective of any non- or partial performance by the Company/Buyer/Target.
Late Payment	Interest is applied at 3% per annum above the base rate of the Bank of England.
Transferability	
Assignment	The Company is entitled to assign absolutely to the Target and to a financier.
Governing Law	
Governing law	Scottish law

Summary of Customer Agreement

General	
Contract name	Customer Agreement (Contract)
Parties	Greensill Capital (UK) Limited (Financial Institution) Liberty Aluminium Lochaber Limited (Company)
Description	Pursuant to the Contract, Company will assume Irrevocable Payment Undertakings to pay Financial Institution (or any successor transferee(s)) fixed amounts on fixed dates relating to account receivables assigned to the Financial Institution.
Signed	To be signed and delivered as a condition precedent to Financial Close
Start and Duration	
Start Date	The Contract comes into effect on the date of signature of the Contract.
Contract duration	The Contract duration is unlimited subject to termination rights. The payment obligations survive termination.
Payment	
Accounts Receivables	The right of the Supplier (S MEC Lochaber Hydropower Limited) to receive payments from the Company under the power purchase agreement between the Company and Supplier (PPA).
Irrevocable Payment Undertaking	The Company creates and assumes an independent, irrevocable and unconditional, obligation to pay Supplier (or in the event of a transfer or purported transfer of the related account receivables, to such transferees (being Financial Institutions)) the certified fixed amounts on the fixed maturity dates.
No set-off or deduction	Irrevocable Payment Undertaking payments are due on the due date without deduction, withholding or counterclaim and without exercising any right of set-off and irrespective of any non- or partial performance by Supplier or Company under the PPA.
Late Payment	Interest is applied at 3% per annum above the base rate of the Bank of England.
Performance Security	
SG Guarantee	See separate summary.
Liabilities	
Representations and Warranties	Standard representations and warranties as to status, permissions, compliance and enforceability are included as customary for an agreement of this nature.
Indemnities	The Company indemnifies the Financial Institution against claims arising out of any breach of the agreement by the Company or where any payment made under the agreement is determined to be void or otherwise invalid or reclaimable for any reason.
Liability	The liability of both parties is uncapped.
Termination	
Termination by Financial Institution	The Financial Institution may terminate:
	on 90 days' written notice
	on notice if the Company commits a material breach that is not remedied within 15 days of a notice
	on notice to prevent fraud or illegality
Termination by the Company	on notice if the Company fails to pay or becomes insolvent.
	The Company may terminate:
	on 90 days' written notice
Termination liabilities	on notice if the Company commits a material breach that is not remedied within 15 days of a notice
	The payment obligations under the Contract continue and accrued rights are preserved.
Transferability	
Assignment	Financial Institution may assign without consent. Company may not assign without the consent of the Financial Institution.
Governing Law	
Governing law	English law

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