

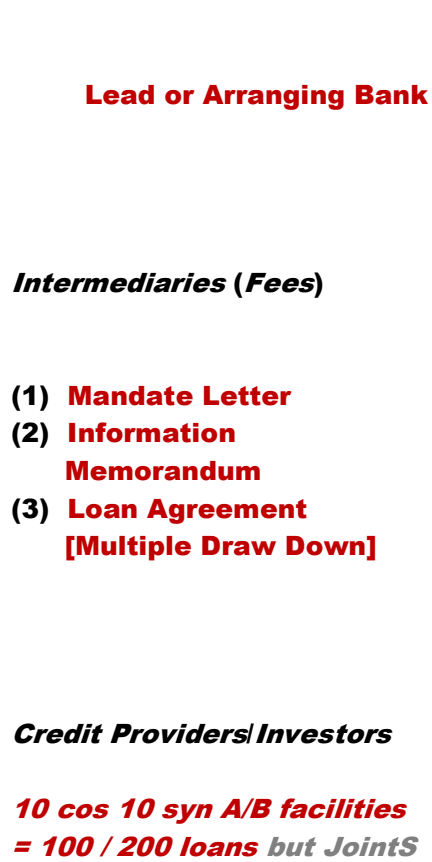
Bond Finance

HISTORICAL	1300s	EURONOTE (NB) & CP (Bank)	BOND YEILDS (Return on Bond or Coupon Payments over Life Bond)	INVESTOPEDIA
(1) <i>Monte Commune</i> Florence	(1) Underwritten	(1) Coupon Rate	<i>Annual Coupon / Face Value</i>	
(2) Annuities <i>Habsburgs Neth</i>	(2) Issue Days / Hours	(2) Current Yield	<i>Annual Coupon / Bond Price</i>	
(3) Shares <i>East India 1609</i>	(3) Maturities Fixed 7/365	(3) Yield to Maturity	<i>(YTM) Future Cash Flows</i>	<i>Price = Discounted Cash Flow</i>
(4) 3% <i>Ann 1726 / Consols 1751</i>	(4) Settle 7 / same Day	(4) Bond Equivalent Yield (BEY)	<i>Half YTM (6 months)</i>	<i>Yield to Maturity</i>
(5) Eurobonds Auto 1 7 1963	(5) £500,000 / £100,000	(5) Effective Annual Yield (EAY)	<i>Total Profit or Return (including Compound Returns)</i>	
<i>Aberdeen Harbour 1136 King David I of Scotland Autostrade 1 7 1963 (SG Warburg \$15m 5½% Guaranteed 1972/78) through Bondholder Reinvestment)</i>				
ADVANTAGES	DISADVANTAGES	EUROBOND VARIATIONS	FRN VARIATIONS	
(1) Transferability	(1) Cost	(1) Zero Coupon Bonds 0 DD	(1) Floor FRNs	(7) Step Down FRNs
(2) Anonymity	(2) Complexity	(2) Foreign Currency Bonds	(2) Drop Lock FRNs	(8) Step Up FRNs
(3) Flexibility Management	(3) Constraint but Choice	(3) Reverse Dual Currency	(3) Double Drop Lock FRNs	(9) Margin as a percentage FRN
(4) Liquidity	(4) Regulation & Taxation	(4) First Coupon on Partly Paid	(4) Cap FRNs	(10) Floating then Zero FRNs
(5) Disposability	(5) Market Volatility	(5) Currency Change Bond	(5) Caller (Minimax) FRNs	(11) Fixed then Floating FRNs
<i>Bubble Act 1720 (1825) prohibition co unless royal charter</i>		(6) Annuity Bonds	(6) Inverse FRNs	(12) Variable Rate Notes (VRNs)
<i>Act Reg, Inc & Reg JSC 1844 (£5/ £5 - £700), JSCA 1856, LLA 1855 (25 members), CA 1985, CA 2006</i>				(13) Zero Coupon (or Deep Discount)
OPERATIONAL LOAN & BOND PROVISIONS	TERMS OF BONDS			(14) Rolling Rate Notes (RRNs)
(1) Disclosure requirements	Comply Registration Oblig	(1) Face of Bond	Promise to Pay Bearer	(15) Bunny (or Multiplier)
(2) Documentation	More Complex Documents	(2) Fiscal Agency or PA TD	Express Incorporation	(16) Lender's Option Borrower's
(3) Advance of Funds	Single Advance (Tap Issue)	(3) Form & Transfer	Bearer / Pass Delivery / Full Negotiability	Option (LOBO)
(4) Currency Conversion	Impracticable	(4) Covenants	Rare unless Trustee	(17) Borrowers' Option Lender's
(5) Interest	Fixed of Floating / No Penalty	(5) Pari Passu Clause	Unsecured & Pari Passu among Themselves	Option (BOLO)
(6) Repayment	Limited Bullet, Instal, Fund	(6) Negative Pledge	Limit Comparable Securities	(18) Graduated Rate / Indexed
(7) Voluntary prepayment	Excluded (Selection by Lot)	(7) Information	Annual Accounts & Listing or Stock Exchange Docs	
(8) Margin protections	No Increase Costs / Illegality	(8) Interest	(a) Fixed Rate	<i>Annually in Arrears (End Redeem)</i>
(9) Payments & Equality	Coupons & No Pro Rata	(9) Redemption	(b) Floating Rate Notes	<i>Reference Agent Fix Rate (IBOR)</i>
[Coupons, Receipts, Talons]	(Agent of Issuer)	<i>Single Instalment</i>	(c) Zero Coupon	<i>Deep Discount (30%) (RFRate)</i>
[25 = 2 New sheet of Coupons]			(d) Swaps	<i>Possible Interest Swap</i>
	Limited poss Cancellation (Not Default)	(a) Bullet		<i>Fixed Periodic Instalments / Drawing</i>
		(b) Instalments	(c) Purchase Funds	<i>Purchase Agent Buy</i>
(10) Warranties	Subscription Agreement	(10) Perpetuals		Only Redeemable on Default or Withholding Tax
(11) Covenants	Limited (Accts / Listing or SE)	(11) Vol Redemption		Sliding Premium (105% > ½%). Not Penalty. Select by Lot
(12) Events of Default (MAC)	Less Strict / Grace / No-action	(12) Early Redemption		Issue Redeem if Withholding Tax (or Sig Increased Liability)
(13) Modifications	Consent unless BH Meetings	(13) Purchase by Issuer		No Restrictions. Dist Share Purchase. Poss Re-issue.
(14) Transfer (Assign / Nov)	Fully Negotiable	(14) Payments		Coupons. Choice if Exchange Control or Illegality
(15) Prescription Statutory	Contractual Cancellation	(15) Prescription		Statutory or Contractual (Gen 5 or 10 Years)
(16) Events of Default	Generous	(16) Events of Default		<i>Non-Payment, Non-Compliance, Cross-Default, Insolvency,</i>
		<i>Bankruptcy, Dissolution, Other Creditor's Processes & possibly Substantial Disposals</i>		No Restriction unless by Trustee (No-action clause & powers Tr)
(17) Acceleration (Consent)	BH Action unless Trustee	(17) Enforcement		PROF G A WALKER
(18) Notices & Governing Law Standard		(18) Governing Law	Same	

STRUCTURAL SUMMARY

INTERNATIONAL SYNDICATED LOAN (EUROLOAN)

INTERNATIONAL BOND OFFERING (EUROBOND)

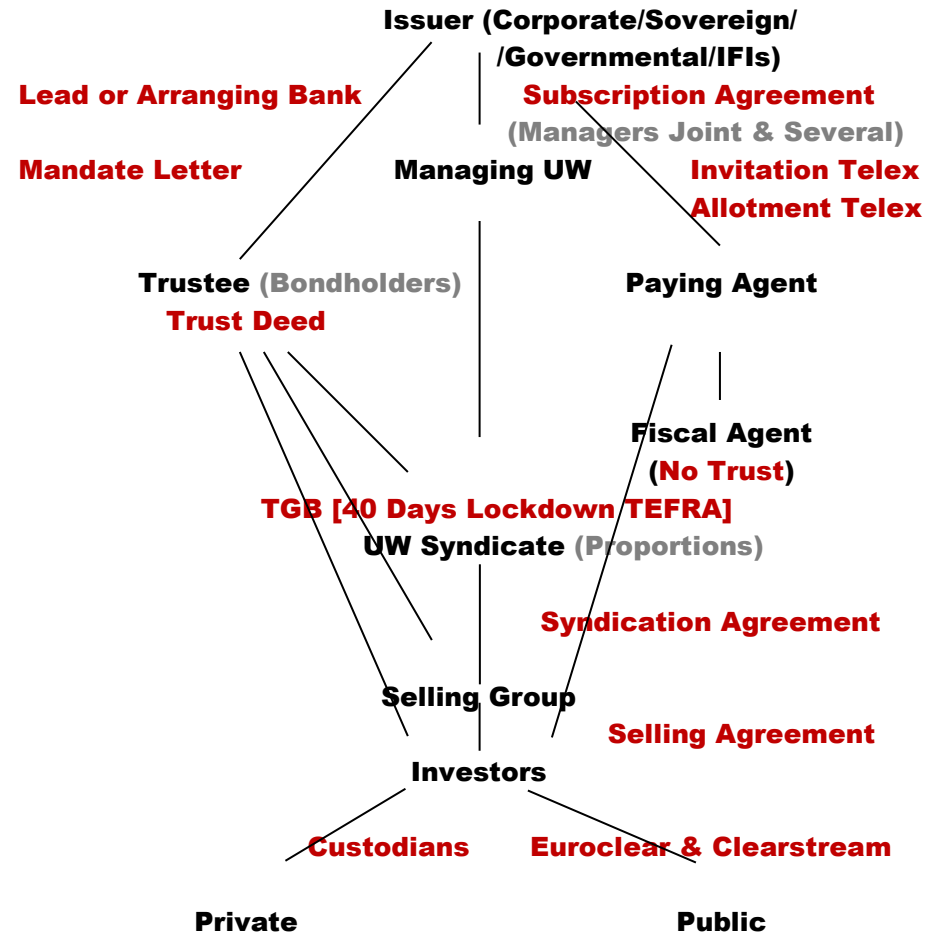


Intermediaries (Fees)

- (1) **Mandate Letter**
- (2) **Information Memorandum**
- (3) **Loan Agreement [Multiple Draw Down]**

Credit Providers/Investors

10 cos 10 syn A/B facilities = 100 / 200 loans but JointS
12 draw downs A 1/2 years = 120/240(1,200/2,400)+10 B
20 year drawdown on B = A 240 (2,400) + B 2,400 (24,000) = 2,640 (26,4000) total governed by single Loan Agreement



Bond Finance

**EUROBOND ISSUE
TIME LINE**

PROF G A WALKER

Beginning of 'Grey Market' until Closing

MARKETING

D DAY - 7

D DAY

D-DAY +14

D-DAY+21

*Lead or Arranging
Bank Approach*

PRE-LAUNCH

**LAUNCH AND
SYNDICATION**

SIGNING

CLOSING

1 week after signing SA

**Initial Client Request
or Approach**

**Mandate Letter
and Due Diligence**

**Invitation and
Allotment Telex
or Fax**

**Subscription
Agreement**
Legal Commitment

**Manager's Agreement
(Market Disruption clause)
Agency Agreement
(Fiscal or Paying Agent)**

(1) Private Placement
Managers subscribe whole issue and place directly.

Key terms except Coupon and Price
(Par, Discount or Premium)

Underwriting Agreement

(2) Preliminary Prospectus Offering
Use 'Red Herring' or 'Pathfinder' Prospectus to test
market with subsequent public offering. *Eurobond/US/Can*

**Preliminary Offering
Circular**

Offering Circular

Conditions Precedent

(3) Impact Day Offerings *UK Domestic*
Managers fix issue terms and announce offering by public
advertisement on impact day.

Subject to Contract
Pagman Spa V Feed Products Ltd
[1987] 2 Lloyds Rep 601

**Signing Auditor's
Comfort Letter**

Closing Letter

Trust Deed

'Bought Deals' *Gen Pre-priced & Open-priced*

No preliminary prospectus with managers buy themselves and on-sell.
Possibly announce to market on dealer screens at time terms fixed with
invitational telexes follow. Managers place issue with clients and other dealers.

[Guarantees]

Listing

Payment

Structures -

- (1) Immobilisation**
- (2) Dematerialisation**
- (3) Disintermediation**
- (4) Demutualisation**
- (5) Consolidation**

Instruments -

- (1) Short Dated**
- (2) Bearer**
- (3) Unsecured**
- (4) Negotiable**
- (5) Deposited**

[Common Depository] Global Bonds **TGB**

Tax Equity and Fiscal Responsibility Act of 1982 [TEFRA]

- (6) Listed or Unlisted**
- (7) Committed or Uncommitted**
- (8) Promissory Notes**

[40 Day Lockdown]
Delivery global and final bonds
Closing Certificate

PROF G A WALKER