

INAER AVIATION FINANCE LIMITED

- €470,000,000 • % Senior Secured Notes due 2017

Issue Date – July 2010

Summary based on Preliminary Confidential Offering Memorandum dated 12 July 2010 – **REMAINS SUBJECT TO CHANGE**

General Overview / Anticipated Traffic Light

- Standard covenant package
- Will be **RED** Traffic Light until the refinancing of existing debt and provision of security for the Notes is complete (which is anticipated to be within 20 days after the Issue Date) and thereafter **AMBER**

Key Comments and/or Concerns

Structure/Security

- The Issuer is a special purpose vehicle incorporated under the laws of Ireland for the sole purpose of issuing the Notes (and any additional Notes) and on-lending such funds to Proiris Aviation Spain, S.L.U. (the **Company**) or other members of the Inaer Aviation Group. Both the Issuer and the Company act as financing companies for the operating subsidiaries of the Group with no independent operational income. As a result, the ability of both the Company to repay its borrowing from the Issuer and, in turn, the Issuer's ability to repay the Notes will be dependent upon the future business performance of members of the Group
- The Company, the Issuer and the rest of the Group are effectively owned and controlled by the Investindustrial group and various KKR investment funds that have entered into a shareholders' agreement on 22 June 2010 under which they have agreed not to undertake an equity offering prior to 22 June 2014. It is anticipated that an equity contribution of €37.5 million will be made concurrently with the issue of the Notes
- Approximately €410 million of the Note proceeds will be lent by the Issuer to the Company under the Secured Credit Facility on the Issue Date. The Secured Credit Facility will have similar covenants to, and will cross-default and cross-accelerate with, the Note Indenture
- On the Issue Date, the Notes will be directly secured by a pledge of the Issuer's shares, a pledge of the Issuer's rights under the Secured Credit Facility and a pledge of the cash in the Issuer's accounts (together, the **Issuer Collateral**). Only the holders of Additional Notes may be granted equal priority ranking security in this Issue Collateral
- On the Issue Date, the Secured Credit Facility will be directly (and the Notes will be indirectly) guaranteed by at least eight Italian and Spanish subsidiaries of the Company. It is anticipated that, within 20 days of the Issue Date, the Secured Credit Facility will be secured by pledges of the capital stock of such Guarantors and by a pledge of all material intercompany receivables due to the Company and its material bank accounts. The

Guarantor which owns the Group's aircraft fleet will also pledge its material bank accounts and its material intercompany lease receivables (together, the **Company Collateral**)

- Around the Issue Date, the Company and various of its subsidiaries will also enter into a six-year €100 million New Revolving Credit Facility which will be provided with the same guarantees and (subject as provided below) the same security in the Company Collateral as the Secured Credit Facility (and the Notes) (except that the Company will also be a guarantor of its subsidiaries' borrowings thereunder)
- The New Revolving Credit Facility will include standard covenants and events of default similar to those in the Indenture, however, it will also include "interest cover" and "loan-to-value" financial maintenance covenants and additional events of default not included in the Indenture (which may trigger an earlier event of default and acceleration under the New Revolving Credit Facilities)
- **On the Issue Date, the assets comprising the Company Collateral are secured in favour of the existing lenders under the senior secured term facility, the mezzanine facility and the revolving facility (which, as of 31 March 2010, had approximately €170 million in aggregate outstanding). Note proceeds will be used to repay this (and other) existing debt and only following such repayment and the release of their security will the Company Collateral be provided as security for the Secured Credit Facility (and the Notes) and the New Revolving Credit Facility. However no commitment to provide this security is made to the Issuer or the Noteholders but instead this commitment is only made to the lenders under the New Revolving Credit Facility (who are not obliged to provide the Company with any funds until such security is in place). As a result, the Noteholders are dependent upon these other lenders to ensure that such Company Collateral is provided and a failure to provide such Company Collateral will NOT constitute an event of default under the Notes. In addition, note that a default under the debt to be refinanced by the Note proceeds is expressly carved-out of the cross-acceleration event of default applicable to the Notes**
- As of 31 March 2010, the Guarantors accounted for 83.1% of consolidated EBITDA and 68.4% of consolidated revenue. As of 31 December 2009, the Guarantors accounted for 77.2% of aggregate total assets
- Subject to the Agreed Security Principles (see page 124 of the Preliminary Offering Memorandum for a description), any Restricted Subsidiary of the Company which becomes a Material Subsidiary (5% of consolidated gross assets or consolidated EBITDA of the Company and its Restricted Subsidiaries) or which guarantees any debt of the Company or a Guarantor after the Issue Date must become a guarantor of the Secured Credit Facility
- On the Issue Date, the remaining €60 million of Note Proceeds will be deposited into an escrow account and, together with the equity contribution, will be used to acquire all of the shares of Australian Helicopters Pty Limited. If such acquisition does not occur for any reason by 31 December 2010, the escrowed funds will be used to redeem €60 million of the Notes at par plus the amount of accruing interest from the Issue Date to (but excluding) the date of redemption
- If the acquisition of Australian Helicopters is to proceed, the escrowed funds will be released and lent to the Company under the Secured Credit Facility which will be increased by €60 million
- In addition to the Australian Helicopter purchase, the Note proceeds will be used to purchase up to 14 helicopters currently under long-term leases (up to €82.7 million) and to refinance €326.2 million of the Group's existing debt (including the existing secured senior term facility, mezzanine facility and revolving facility)

Note Ranking

- Notwithstanding that the New Revolving Credit Facility and the Secured Credit Facility (and the indirectly the Notes) are supposed to rank on an equal basis, under the Intercreditor Agreement the New Revolving Credit Facility, Hedging Obligations and other permitted priority debt is to be repaid in full from any enforcement proceeds before the Secured Credit Facility (and the Notes) and any other permitted debt ranking equally with the Secured Credit Facility are entitled to receive any payments. Accordingly, the Notes **will**

be contractually subordinated to the New Revolving Credit Facility, Hedging Obligations and any additional permitted "priority debt"

- Based on the Incurrence of Debt and Permitted Liens covenants described below, the "priority debt" may include Credit Facilities up to €145 million and all Hedging Obligations (no cap). Additional permitted debt which may rank equally with the Secured Credit Facility (and the Notes) under the Intercreditor Agreement will include additional Notes, up to €25 million of debt incurred under the general debt incurrence basket and all permitted debt incurred under the Debt Ratio
- As of 31 March 2010, the Group had approximately €150 million nominal amount of Hedging Obligations in place
- Under the Intercreditor Agreement, the New Revolving Credit Facility and the Secured Credit Facility (and the Notes) rank in priority to repayment of certain intercompany indebtedness
- The Notes will be effectively subordinated to the extent of the value of any security granted by a Guarantor on its property which is not Company Collateral and will be structurally subordinated to all creditors of subsidiaries that are not Guarantors. As of 31 March 2010, the total liabilities of the non-guarantor subsidiaries of the Company (on a pro forma basis) would have been approximately €44 million (excluding intercompany debt)
- Under the Intercreditor Agreement, following an enforcement event (which refers to the acceleration of the Secured Credit Facility and certain acceleration events under the New Revolving Credit Facility, including the requirement to cash collateralize bank guarantees and guarantees), the various creditor groups are required to consult with each other for up to 30 days before any enforcement instructions are issued (subject to certain exceptions, including the occurrence of an insolvency event). Subject to the exceptions noted below, if the creditor groups fail to agree, the Security Trustee is to follow **the Issuer's instructions** (or if any permitted debt ranking pari passu with the Secured Credit Facility has been incurred, the instructions of the majority of such creditors)
- **Exceptions to the above Issuer enforcement control:**
 - (a) if an enforcement event has occurred under the New Revolving Credit Facility or other priority debt and this debt has not been repaid in full within 6 months of the occurrence of such event, the majority lenders under the New Revolving Credit Facility are entitled to give enforcement instructions; and
 - (b) if no instructions have been issued to the Security Agent within 30 days following the occurrence of an enforcement event or if enforcement of the security is delayed so that it is not reasonable to expect that the security will be enforced within 6 months from the earlier of (i) the end of the 30 day consultation period, and (ii) the date on which an enforcement event occurred under the priority debt, the priority creditors may request a further consultation period. If no agreement is reached within 30 days, the lenders under the New Revolving Credit Facility are entitled to direct the Security Agent in regard to the enforcement of the security **without regard to the enforcement principles described below**
- The underlying security enforcement principles and objective is to maximize recovery for the creditors within 6 months from the earlier of (a) the end of the initial 30 day consultation period, and (b) the date on which an enforcement event occurred. The security principles also require that enforcement proceeds be paid in cash (or at least in a sufficient amount of cash to repay the priority debt in full) and that fairness opinions be provided for the sale of shares or other material assets
- **Note** that the above exceptions could result in the control over the enforcement of the security by the Issuer being effectively undermined and may cause confusion. For example, how can instructions be provided to the Security Agent within 30 days following the occurrence of an enforcement event when notice of such event first has to be provided to the other creditors and then the creditors are required to consult with each other for not less than 30 days before instructions are issued? This timing issue/confusion also applies to the above noted security enforcement principle. Further, what if the Issuer has provided instructions for enforcement which appear to comply with the security principles and objectives, however, due to reasons beyond its control, insufficient cash has been received to repay the priority debt in full within 6 months following an enforcement event – may the lenders under the New Revolving Credit Facility now provide potentially conflicting enforcement instructions to the Security Agent which override those of the Issuer and which may adversely affect the level of recovery anticipated by the Issuer?

Covenant Concerns

- Covenants are provided by the Company and its Restricted Subsidiaries (which will not include the Issuer). On the Issue Date, all of the subsidiaries of the Company will be Restricted Subsidiaries (although they may be released in certain circumstances). Separate covenants provided by the Issuer will be included in the Indenture
- Change of Control: redeemed at 101% with the following main triggers: sale/merger of all or substantially all assets of the Company and the Restricted Subsidiaries and acquisition of more than 50% of the total voting power of the Voting Shares of the Company (in each case, with Bi-Invest Holdings and KKR and their affiliates being Permitted Holders) **except that, in order for a Change of Control to be triggered, either S&P or Moody's must downgrade their ratings of the Notes within 60 days of either of these two triggering events occurring (and the 60 day period will be indefinitely delayed if a rating agency has announced that such rating is under consideration following the occurrence of either such trigger event)**
- Asset Sales: only sales over €5 million included; allowed to repay debt under permitted Credit Facilities, debt of non-Guarantor subsidiaries, the Notes and debt ranking equally with the Notes; allowed to invest in Similar Businesses or in replacement business or assets, in each case, within 365 days of receipt of net proceeds (or enter into a binding commitment during that period) and required to make Note offer (and may make an offer to holders of debt ranking equally with the Notes or to the lenders under the New Revolving Credit Facility) with excess proceeds over €25 million
- Incurrence of Debt: Issuer only allowed to issue additional Notes. Company and Guarantors limited by Fixed Charge Coverage Ratio of at least 2.00 to 1.0 (**note** that for the purpose of this calculation, European Air Crane S.p.A. will be included as a Restricted Subsidiary). Standard Permitted Debt allowed under Credit Facilities (including the New Revolving Credit Facility) up to €145 million, any Qualified Receivables Transactions (no cap if non-recourse to the Company or any Restricted Subsidiary), Capital Lease Obligations, etc. up to €25 million (plus additional amounts based on cash received from issuance of Shareholder Debt or equity), Shareholder Debt (no cap), Hedging Obligations (no cap) with a general basket of €25 million at any time (provided however that any debt incurred under the basket will be deemed to be incurred under the above Debt Ratio to the extent additional room becomes available from time to time under the Debt Ratio)
- Permitted Liens: Issuer only allowed to incur Liens on the Issuer Collateral to holders of additional Notes; Company and Restricted Subsidiaries allowed to create Liens over the Company Collateral in connection with permitted Credit Facilities, Hedging Obligations, debt incurred under the €25 million Incurrence of Debt basket and debt incurred under the Incurrence of Debt Ratio (except that, if the debt incurred under the Debt Ratio ranks equally with the Notes, the Consolidated Secured Leverage Ratio must be less than 5.0:1.0) **provided however** that only debt incurred under the permitted Credit Facilities and Hedging Obligations may be treated as "priority debt" under the Intercreditor Agreement; Permitted Liens on assets which are not Company Collateral are standard with general basket of €20 million at any time
- Restricted Payments exemptions: Issuer only allowed to pay up to €500,000 per year to cover expenses relating to maintain its existence. Company and Restricted Subsidiaries allowed to redeem equity of the Company, any parent or any management equity subsidiary up to €10 million per year plus certain additional amounts (with excess of up to €20 million in aggregate carried forward to following year); provided that the Company's Fixed Charge Coverage Ratio is at least 2.0 to 1.0, allowed to pay dividends on Designated Preference Shares and Refunding Share Capital; following a Public Offering of the Company or a parent, allowed to make annual payments not to exceed the greater of (a) 5% of the Market Capitalization (subject to a cap based on cash contributed to the Company from such Public Offerings (other than Excluded Contributions) and provided that the Leverage Ratio would be no greater than 3.5 to 1.0), and (b) 6% per annum of the net cash proceeds or equity contributions received by the Company from such Public Offerings; allowed to make payments of general overhead expenses of the Company's parent and any management equity subsidiary (no cap); with a general basket of €25 million since the Issue Date

- Permitted Investments of Company and Restricted Subsidiaries: investments in Similar Business in an aggregate amount of no more than 5% of Total Assets; Helicopter Joint Investments provided that (on a pro forma basis giving effect to the Consolidated EBITDA to be generated by such investment), the Fixed Charge Coverage Ratio of the Company would not be less than before the investment; together with a general basket of the greater of 5% of Total Assets and €30 million at any time
- Transactions with Affiliates for Company and Restricted Subsidiaries: de minimus trigger of €5 million and allows extensive payments to management, directors, employees and consultants of the Company, parent companies, the Restricted Subsidiaries, the Permitted Holders and their respective affiliates (see page 154 of the Preliminary Offering Memorandum for further details)
- Optional redemption by Issuer: (a) any time prior to 1 August 2013, Notes may be redeemed in whole or in part at any time at par plus the Applicable Premium, (b) any time prior to 1 August 2013, up to 40% of the Notes may be redeemed at par plus coupon with proceeds from any Equity Offering of the Company or any parent of the Company (provided that 60% of the Notes remain outstanding); or (c) redeemed at any time for changes in tax
- Special redemption: If the acquisition of Australian Helicopters does not occur for any reason by 31 December 2010, the escrowed funds will be used to redeem €60 million of Notes at par plus the amount of accruing interest from the Issue Date to (but excluding) the date of redemption (which is not to be later than 5 Business Days following 31 December 2010)
- Event of Default acceleration majority is **30%**
- **NOTE** most covenants suspended if Notes achieve Investment Grade status

Legal Concerns

- The Security Documents will be governed by the laws of Ireland, Spain and Italy and will be subject to certain limitations under such laws. In addition, the Guarantees provided by the Italian and Spanish Guarantors will be subject to certain limitations.

See **Risk Factors** on pages 37 to 44 of the Preliminary Offering Memorandum

For a general discussion regarding the application of Italian laws, please refer to the DXP Insolvency Guide http://www.debtexplained.com/pdf/articles/_166201082213422.pdf