Not if but how

Munich Re Reserve Risk Financing, Inc.

IPAA Private Capital Conference

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MUNICH RE RESERVE RISK FINANCING, INC.

Who we are

Munich Re, a AA- rated global insurance company, provides billions of dollars in underwriting commitments for energy-related risks and direct investments in energy infrastructure

Munich Re Reserve Risk Financing, Inc. (“MRRF”), a Houston, Texas based, wholly-owned subsidiary of Munich Re with 13 dedicated professionals

MRRF provides alternative debt financing for oil & gas upstream operations

Our target market

Established operators seeking to:

Develop

Accelerate production growth through conversion of PNP/PUD reserves

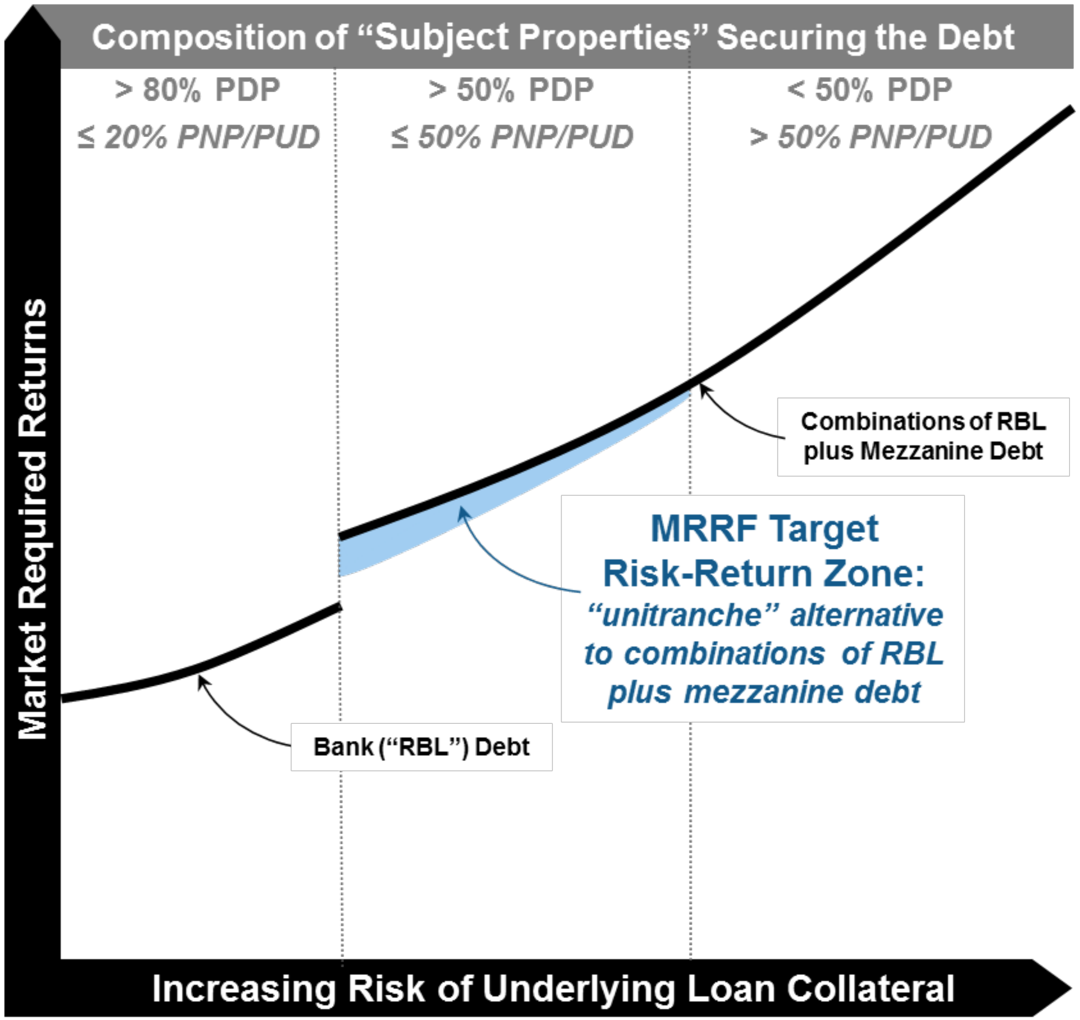
Acquire

Grow reserves and production via strategic acquisition

Refinance

Rationalize capital structure and improve liquidity

Our offering – target risk profile & requirements



Basic structure:

- senior/secured amortizing loan
- loan tenors up to 7-years
- collateral "ring-fenced" via SPV

Subject properties/operators:

- located in North America
- can include up to 50% PNP/PUD
- experienced operators with track records in target asset areas

Other requirements:

- price risk substantially hedged for duration of loan
- development cost & timing risks mitigated via sponsor undertakings/turnkey contracts

Market comparison

Bank RBL
"senior"

- Full-recourse loan
- Revolving credit facility
- Availability governed by borrowing base
- Floating-rate debt
- Tenors range 3-5 years
- 1^{st} liens on all assets
- Commodity-price hedging may or may not be required and is usually facilitated by lending banks

Mezzanine
"junior"

- Full-recourse loan
- Typically non-amortizing
- Typically single-draw
- Floating-rate debt
- Typically require "kickers" in addition to floating rate
- Tenor range 3-5 years
- 2^{nd} liens on all assets
- Commodity-price hedging not required and not facilitated by lenders

MRRF
"unitranche"

- Recourse limited to SPV assets plus specific undertakings; collateral "ring-fenced" in SPV
- Fully amortizing
- Typically single-draw
- Fixed-rate debt
- Tenors up to 7-yrs
- 1^{st} liens on SPV assets
- Commodity-price hedging required and facilitated by Munich Re

Competitive advantages

Certainty

Fixed-price, fully-amortizing structure eliminates rate and refinancing risks

Cost

Total cost, which will reflect Munich Re's inherent funding-cost advantage, embedded in OID plus fixed-rate – *no kickers*

Recourse

Recourse limited to Subject Properties and specific contractual undertakings

Hedging

Munich Re credit enhancement supports term hedging of commodity prices at advantaged rates

Capacity

Multi-billion dollar balance sheet provides substantial capacity to fund ongoing capital needs

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