



# THE LONDON TUNNELS INC CONVERTIBLE BOND

## PROPOSED NASDAQ LISTING EXAMPLE AND EXPLANATION

### 1 // What is a Convertible Bond?

A convertible bond is a financial instrument that combines the characteristics of both debt and equity. It is initially structured as a bond that pays interest to the investor (the coupon), but it also gives the investor the right to convert the bond into ordinary shares of the issuing company at a later date or upon the occurrence of a specified event — such as the company's listing on a stock exchange like NASDAQ. This structure allows investors to receive fixed-income returns with the potential for equity upside if the company performs well.

### 2 // How it works

When an investor subscribes to a convertible bond, they are effectively lending money to the company. The company pays interest (for example, 6% per annum) until the bond either converts into shares or is repaid at maturity. If a trigger event occurs — such as a NASDAQ listing — the bond converts automatically into a set number of shares based on a pre-defined conversion price. If the company's share price increases after listing, investors benefit from the equity appreciation. If the listing does not occur or the share price remains low, investors still receive their fixed interest payments and the repayment of principal at maturity, providing downside protection compared with a pure equity investment.

### 3 // Bond terms

ITEM	DESCRIPTION
Issuer	The London Tunnels Incorporated (Cayman Islands)
Aggregate Issue Size	Up to USD 10,000,000*
Denomination	USD 500 per Bond
Interest Rate	6% per annum
Conversion Trigger	Automatic conversion upon Listing of the Company's Ordinary Shares on NASDAQ
Conversion Price	NASDAQ Listing Price per Ordinary Share
Conversion Ratio	110% of the Ordinary Shares that can be acquired by applying the principal amount (plus any accrued interest) at the Listing Price
Maturity Date	1 October 2030 (if not converted earlier)

\*This can be increased if needed

### 4 // Example Scenarios

#### Scenario 1 /

#### NASDAQ Listing at USD 5.00 per share

Investor holds USD 10,000 of Bonds. On listing, the bonds automatically convert into Ordinary Shares.

Base conversion =  $USD\ 10,000 \div 5.00 = 2,000$  shares  
Apply 110% conversion ratio = 2,200 shares issued

If the share price later increases to USD 7.00, the investor's shares are worth  $2,200 \times USD\ 7.00 = USD\ 15,400$ . That's a 54% gain on the initial USD 10,000 investment (excluding potential interest accrued before conversion).

#### Scenario 2 /

#### Listing delayed or does not occur by 1 October 2030

The bond remains as debt. The Company pays 6% annual interest. On maturity, the investor receives USD 10,000 principal + USD 600 interest = USD 10,600. This provides downside protection compared with equity, while retaining upside potential if the NASDAQ listing proceeds.

#### Scenario 3 /

#### Listing occurs at a higher price (USD 8.00 per share)

Investor holds USD 10,000 of Bonds. Conversion =  $USD\ 10,000 \div 8.00 = 1,250 \times 110\% = 1,375$  shares. At post-listing price of USD 10.00, shares are worth USD 13,750 — a 37.5% gain. Even at higher listing prices, investors still benefit from equity appreciation.

### 5 // Summary of Investor Return Profile

Market Outcome	Conversion	Return Driver	Indicative Return
Strong NASDAQ listing	Yes	Equity upside	40–75%+ potential gain
Delayed / no listing	No	Coupon + principal	~6% yield p.a.
Weak performance	No or partial	Fixed income protection	Limited downside, interest income

### Conclusion

The London Tunnels convertible bond structure provides investors with both stability and opportunity. It offers a fixed 6% return while allowing participation in the company's potential upside upon a successful NASDAQ listing. This balance of income and growth potential makes the bond an attractive financing and investment instrument.

### 6 // Typical IPO Performance and Illustrative Returns

Historically, companies listing on NASDAQ often experience a rise in their share price in the period immediately following their initial public offering ("IPO"). Based on market data over the past decade, the average first-month post-IPO increase for NASDAQ-listed companies typically ranges from 15% to 30%, although individual performance varies widely by sector and market conditions.

For illustration, assuming The London Tunnels Incorporated lists at USD 5.00 per share, the following table demonstrates the potential returns to a bondholder converting USD 10,000 of Bonds into 2,200 shares (at a 110% conversion ratio) under different post-listing price scenarios:

Post-IPO Share Price	% Increase from Listing	Value of 2,200 Shares	Investor Gain	Return on Investment
USD 5.00	0%	USD 11,000	USD 1,000*	+10%
USD 5.75	+15%	USD 12,650	USD 2,650	+26.5%
USD 6.50	+30%	USD 14,300	USD 4,300	+43%
USD 7.50	+50%	USD 16,500	USD 6,500	+65%

\*includes 10% premium on conversion (110% ratio).

These figures are purely illustrative and based on general NASDAQ market performance trends. Actual results may differ depending on market conditions, investor sentiment, and trading dynamics following the Company's listing.



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