

RISK ALLOCATION & PROJECT FINANCING DOCUMENTATION

PRESENTED

BY

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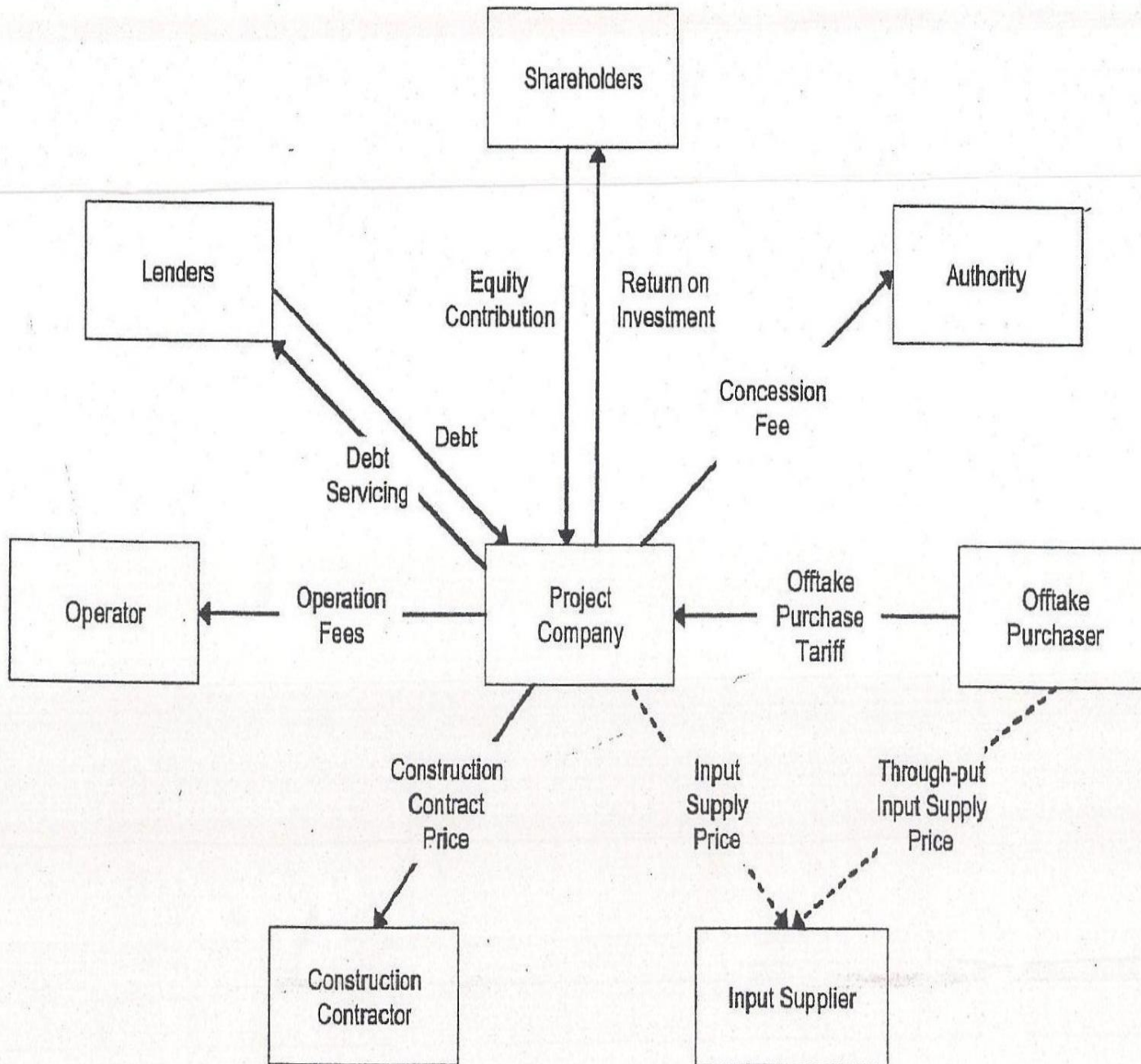
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OUTLINE

- **PART I: WEB OF CONTRACTUAL ARRANGEMENTS**
- **PART II: SECURITY DOCUMENTATION AND SECURITY CREATION**
- **PART III: KEY RISKS & RISK ALLOCATION**
- **PART IV: REGULATORY CONSIDERATIONS AND RISK ALLOCATION**
- **PART V -KEY RISKS IN INFRASTRUCTURE PROJECTS & RISK ALLOCATION**
- **CONCLUSION**



WEB OF CONTRACTUAL ARRANGEMENTS

❖ SHAREHOLDERS AGREEMENT

- ❖ SPONSOR AGREEMENTS
- ❖ EQUITY OR SUBORDINATED DEBT
- ❖ RESTRICTION ON SHARE TRANSFERS
- ❖ COMPLETION GUARANTEES

❖ CONCESSION AGREEMENTS / IMPLEMENTATION AGREEMENT

❖ PROJECT DOCUMENTS

- ❖ EQUIPMENT SUPPLY AGREEMENTS
- ❖ ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENTS
- ❖ OFF-TAKE AGREEMENT
- ❖ OPERATIONS AND MAINTENANCE AGREEMENT
- ❖ INPUT SUPPLY AGREEMENTS
- ❖ LAND DOCUMENTS
- ❖ CONSENTS AND APPROVALS
- ❖ BONDS AND GUARANTEES

WEB OF CONTRACTUAL ARRANGEMENTS (CONTINUED)

❖ FINANCING AGREEMENTS

- ❖ LIMITED RECOURSE LOANS
- ❖ FINANCING AND TERM SHEET
- ❖ COMMON TERMS AGREEMENT
- ❖ FACILITY AGREEMENTS
- ❖ PROJECT FUNDS AGREEMENT
- ❖ INTER - CREDITOR AGREEMENT

SECURITY DOCUMENTS AND SECURITY CREATION

- ❖ MEMORANDUM OF DEPOSIT OF TITLE DEEDS
- ❖ LETTERS OF HYPOTHECATION
- ❖ SECURITY TRUST DEEDS
- ❖ ASSIGNMENT DEED
- ❖ DIRECT AGREEMENTS
- ❖ LETTERS OF LIEN
- ❖ SHARE PLEDGE AGREEMENTS

KEY RISKS & RISK ALLOCATION - I

❖ PRE - PROJECT DEVELOPMENT RISKS

- ❖ CONCESSION BONDS AND GUARANTEES
- ❖ FEASIBILITY STUDY
- ❖ PROJECT COMPANY FORMATION
- ❖ ADVISORY FEES (E.G. LEGAL, TECHNICAL, FINANCIAL, INSURANCE ETC.)
- ❖ ADVANCE PAYMENTS TO EPC CONTRACTORS
- ❖ ADMINISTRATIVE COSTS

KEY RISKS & RISK ALLOCATION - II

❖ CONSTRUCTION COMPLETION & COMMISSIONING RISKS

- ❖ TECHNOLOGY AND DESIGN
- ❖ PRICE
- ❖ UNFORESEEN SITE CONDITIONS
- ❖ ASSOCIATED INFRASTRUCTURE & ANCILLARY FACILITIES
- ❖ TRANSPORTATION
- ❖ COMMISSIONING AND TESTING
- ❖ VARIATION & CHANGE ORDERS
- ❖ DELAYS AND LIQUIDATED DAMAGES
- ❖ PERFORMANCE GUARANTEES AND LIQUIDATED DAMAGES
- ❖ DEFECTS LIABILITY
- ❖ COST-OVERRUNS
- ❖ FORCE MAJEURE
- ❖ CONTRACTOR PAYMENTS – BONDS AND GUARANTEES

KEY RISKS & RISK ALLOCATION - III

❖ LAND RISKS

- ❖ DUE DILIGENCE ISSUES
- ❖ CLEAR TITLE
- ❖ ENCUMBRANCES

❖ OPERATIONAL PERIOD MARKET RISKS

- ❖ PERFORMANCE
- ❖ OFF- TAKE AND PRICING
- ❖ TAKE OR PAY
- ❖ MINIMUM REVENUE GUARANTEES
- ❖ INPUTS AVAILABILITY AND PRICING
- ❖ PAYMENT SECURITIES
- ❖ FORCE MAJEURE
- ❖ MACHINERY BREAKDOWN

KEY RISKS & RISK ALLOCATION - IV

❖ FORCE MAJEURE

- ❖ RELATIONSHIP WITH INSURANCES
- ❖ COMPENSATION AND RELIEFS

❖ POLITICAL RISKS

- ❖ CHANGE IN LAW
- ❖ CHANGE IN TAXES AND CUSTOM DUTIES
- ❖ CHANGE IN GOVERNMENTS AND POLICIES
- ❖ FOREIGN EXCHANGE AVAILABILITY
- ❖ CONSENTS AND APPROVALS
- ❖ LAW AND ORDER AND SECURITY SITUATION

KEY RISKS IN INFRASTRUCTURE PROJECTS & ALLOCATION - V

- ❖ LOSS OR DAMAGE TO ASSETS
- ❖ TITLE TO ASSET RISKS
- ❖ ENVIRONMENTAL RISKS
- ❖ INTELLECTUAL PROPERTY RIGHTS RISKS
- ❖ EXCHANGE RATE RISK
- ❖ INSOLVENCY RISKS
- ❖ DEFAULT RISKS
- ❖ DISPUTE RESOLUTION
- ❖ LIMITATION OF LIABILITY

SINDH PUBLIC PRIVATE PARTNERSHIPS

- ◎ SINDH PUBLIC PRIVATE PARTNERSHIP ACT, 2009
- ◎ SINDH PUBLIC PROCUREMENT RULES 2010

- ◎ PROCUREMENT RISKS
- ◎ THE BIDDING PROCESS
- ◎ UNSOLICITED BIDS

REGULATORY CONSIDERATIONS

- ◎ FINANCING PERSPECTIVE
- ◎ SECURITIZATION

FOREIGN FINANCING

- ◎ IMPORT OF PLANT MACHINERY
- ◎ FOREIGN ACCOUNT ISSUES
- ◎ NON RESIDENT PLEDGE ISSUE
- ◎ ADVANCE PAYMENT RELATED ISSUES

THANK YOU