

ALTERNATIVE ENERGY DEVELOPMENT BOARD Letterhead

[Date]

Name and address of the
Main Sponsor

Subject: LETTER OF SUPPORT FOR THE ESTABLISHMENT OF A WIND
POWER GENERATION FACILITY HAVING INSTALLED
CAPACITY OF [●]MW (ISO GROSS) LOCATED AT [●], PROVINCE
OF _____, PAKISTAN

Dear Sir,

A. REFERENCE

[●], a company incorporated under the Companies Ordinance, 1984, under certificate of incorporation no. [●] dated [●], (the "**Project Company**"):

- (i) having caused the successful completion of a feasibility study by [●] dated [●] duly approved by the Alternative Energy Development Board ("**AEDB**") on [●] under a Letter of Interest dated [●] issued by AEDB; and
- [(ii) having accepted the upfront tariff determined by the National Electric Power Regulatory Authority ("**NEPRA**") for wind power generation announced by NEPRA vide its letter referenced NEPRA/CM-70/2006, dated 28 April 2006 and having obtained the approval of NEPRA for the application of the afore-said upfront tariff in respect of the Project Company communicated by NEPRA to the Federal Government vide letter No. NEPRA/TRF-54/NPEL-2006/5163-65 dated 15 June 2006 (the "**Tariff**"); *OR*
- (ii) having caused the Project Company to apply to NEPRA for a tariff and the Project Company having received from NEPRA a Tariff Determination No [●] dated [●] on the terms and conditions set out therein as amended from time to time (the "**Tariff Determination**" and, the tariff determined pursuant thereto, the "**Tariff**"),]; and
- (iii) having received from NEPRA a electricity generation licence no. [●], dated [●] (the "**Generation Licence**") for the generation of electric power on the terms and conditions set out therein,

is now issued this Letter of Support (the "**LOS**"), on the terms and conditions set out herein, by AEDB for the development, design, engineering, manufacture, procurement, financing, construction, completion, testing and commissioning, insurance, ownership, operation and maintenance of an approximately [●]MW (ISO gross installed capacity) power generation facility (the "**Complex**") to be

located near [●], Province of [●] and all activities incidental thereto (the “**Project**”).

The Complex shall be a renewable electricity generation facility utilising wind as the renewable energy resource for generation of electricity.

The Project Company has posted in favour of AEDB an irrevocable, unconditional, on demand, without recourse bank guarantee on terms acceptable to AEDB dated [●] issued by (*name of issuing bank*¹) (the “**Performance Guarantee**”) in the amount of US Dollars [●]. The Performance Guarantee secures the Project Company's obligations to execute the Project Agreements (*reference paragraph B(1)*), to achieve Financial Closing (*reference paragraph B(2)*), to pay the Termination Amount (*reference paragraph B(6)*) and to revise the Tariff (*reference paragraph E*) under and in accordance with the terms of this LOS. The Performance Guarantee shall remain valid and in full force till the expiry of three (3) months beyond the Required Financial Closing Date (*as specified in paragraph B(2)*). The Performance Guarantee shall be encashable in accordance with the terms of this LOS, on call at any time during the period of its validity by AEDB. The Project Company hereby agrees that it shall have no claim against AEDB, the Government of Pakistan (the “**GOP**”), the Government of Sindh (the “**GOS**”) or any agency or instrumentality or component thereof on any grounds whatsoever if AEDB acting in its sole discretion shall make any call upon or encash the Performance Guarantee in accordance with the terms of this LOS, and hereby waives, to the fullest extent permissible by law, any such claim.

Until Financial Closing (as defined hereinafter), this LOS and the provisions of the Project Agreements (as defined hereunder) that become effective immediately upon signing and execution of the Project Agreements shall govern the implementation of the Project and shall supersede all other documents and agreements. In the event of any conflict between this LOS and the provisions of the Project Agreements that become effective upon signing, this LOS shall govern and prevail. After Financial Closing, the Project Agreements shall supersede the LOS save in respect of paragraph E relating to adjustment of Tariff, if applicable, in which case this LOS to the extent of paragraph E shall continue to remain in force until the Tariff is adjusted in accordance with paragraph E.

B. AUTHORIZATION

AEDB hereby conveys its permission to the Project Company to implement the Project in accordance with the terms of this LOS and, when the Project Agreements become effective, in accordance with the Project Agreements. Electricity produced by the Complex shall be sold to the Central Power Purchasing Agency of the National Transmission and Dispatch Company / Karachi Electric Supply Company] (the “**Purchaser**”) in accordance with the

¹The PG should be issued by a reputable bank acceptable to GOP with a credit rating of ‘A’ or higher, in an amount which is the product of US\$ 2,500 and the total MW of the Project.

Generation Licence, Tariff Determination—and the provisions of the Energy Purchase Agreement ("**EPA**") to be entered into between the Project Company and the Purchaser. The Project Company shall be responsible for performing and causing the performance of all activities necessary and incidental to its obligations under this LOS, including the following:

1. The Project Company shall negotiate and sign, within [●] months from the date on which standardized drafts thereof are provided by AEDB to the Project Company an Implementation Agreement ("**IA**") with the President of the Islamic Republic of Pakistan, a EPA with the Purchaser and a deed of sub-lease with AEDB ("**Site Sub-lease**") substantially and materially in the form of the standardized drafts of the IA, EPA and the Site Sub-lease provided by AEDB, failing which the Performance Guarantee shall be encashed for the full amount thereof by AEDB.

The IA, EPA and the Site Sub-lease are collectively referred to in this LOS as the "**Project Agreements**".

2. The Sponsors shall achieve Financial Closing no later than [*insert date*] (the "**Required Financial Closing Date**"), failing which, the Performance Guarantee shall be encashed in the full amount thereof by AEDB. In addition to any other consequences set out in the Project Agreements, if AEDB (acting in its sole discretion) determines that any delay by the Project Company in achieving Financial Closing by the Required Financial Closing Date is due to events beyond the reasonable control of the Project Company and that Financial Closing can be achieved shortly, AEDB shall be entitled (acting on an application in writing made to it by the Project Company at least thirty (30) days before the Required Financial Closing Date) to grant in writing to the Project Company a one time extension of up to a maximum period of six (6) months beyond the Required Financial Closing Date (such extended date being hereinafter referred to as the "**Extended Required Financial Closing Date**") and this LOS shall stand correspondingly extended on the same terms and conditions for such additional period. No claim for an extension to the Required Financial Closing Date and the period of validity of this LOS shall be accommodated or considered by AEDB unless the following actions are taken by the Project Company to the satisfaction of AEDB (i) the Project Company extends the period of validity of the Performance Guarantee so that the Performance Guarantee is valid on the same terms and conditions up till three (3) months beyond the Extended Required Financial Closing Date; and (ii) the maximum amount in which the Performance Guarantee can be called is doubled. Following any extension as aforesaid, the Project Company shall submit monthly reports that set out in adequate detail the additional efforts made by the Project Company to achieve Financial Closing no later than the Extended Required Financial Closing Date and the progress achieved in that regard.

For the purposes of this LOS, “Financial Closing” means (a) the execution and delivery of the Financing Documents (as defined in the IA) that together with equity commitments evidence sufficient financing for the construction, testing, completion, and Commissioning of the Complex (following the resolution of any objections raised by AEDB to a term sheet or debt repayment schedule that sets out a principal repayment schedule and the other principal terms of the transaction between the Project Company and the Lenders) and the evidence of commitments for such equity as is required by the Project Company to satisfy the requirements of the Lenders and this LOS and the satisfaction of all conditions precedent for the initial availability of funds under the Financing Documents, and (b) the delivery of the Company Letter of Credit (as defined in the EPA) to the Purchaser.

In no event shall Financial Closing be deemed to have occurred unless the Project Company has paid all amounts then due and owing to AEDB under this LOS.

3. The Project Company shall reimburse AEDB in full for an amount representing actual legal fees, incurred by AEDB in any matter arising out of or in connection with the Project including negotiations and review of the Project Agreements and any other legal matters as well as an amount equivalent to twenty (20) percent of such legal fees as ancillary charges provided, however that such legal fees shall not exceed Rupees one million five hundred thousand (1,500,000). AEDB may raise multiple invoices provided the total aggregate invoiced sum shall not exceed the limit afore-said. Such fees and charges shall be paid by the Project Company within fifteen (15) days of the date of receipt by the Project Company of the invoice by AEDB for such fees and charges.
4. The Project Company shall forthwith upon execution of the Site Sub-lease deposit the tenancy and/or other charges therein mentioned and shall cause the Project Company to take and keep possession of the Site at its own expense and cost.
5. The Project Company shall also be responsible for performing and causing any and all other activities necessary and incidental to its obligations under this LOS.
6. The Project Company will have the option (to be exercised in writing only) to terminate this LOS and all (and only all) of the Project Agreements executed by the counterparties thereto at any time before the Required Financial Closing Date. Such termination option may only be exercised upon payment by the Project Company to AEDB of an amount (“**Termination Amount**”) equal to (i) the maximum amount in which the

Performance Guarantee can be encashed multiplied by the number of months from the date of issuance of this LOS to the date of receipt by AEDB of the Termination Amount (rounded up to the next whole number) divided by the total number of months from the date of issuance of the LOS to the Required Financial Closing Date, and (ii) the receipt by AEDB in full of any legal fees as well as ancillary charges incurred through the date of the termination notice payable under paragraph B(3), or the balance of such legal fees and ancillary charges as applicable, which balance amounts shall, notwithstanding anything to the contrary in this LOS, become automatically due and payable as of the date of the termination notice by the Project Company. In the event of termination of this LOS and/or the Project Agreements by the Project Company without payment of the Termination Amount, AEDB shall be entitled to encash the Performance Guarantee. For the avoidance of any doubt, in the event that the Project Company exercises the termination option during the additional period provided for achieving Financial Closing, the entire doubled amount of the Performance Guarantee shall be encashable on call by AEDB and the "Termination Amount" shall be construed accordingly.

C. PROJECT COMPANY

The rights and obligations of the Project Company hereunder shall be performed by the Project Company, provided always that, the Main Sponsor (*as defined in paragraph D*) shall remain primarily responsible for all acts and omissions of the Project Company.

D. EQUITY CONTRIBUTION

[Messrs/Mr] (the "**Main Sponsor**") will be required to hold at least twenty (20) percent of the equity (being the issued and subscribed share capital from time to time) in the Project Company during the "lock-in period" which will be from the date this LOS becomes effective in terms of paragraph G(5) until the sixth (6th) anniversary of the Commercial Operations Date (as defined in the EPA). The Initial Shareholders (as defined in the IA) shall together hold not less than fifty one (51) percent of the equity (being the issued and subscribed share capital from time to time) in the Project Company from the date this LOS becomes effective in terms of paragraph G(5) until the sixth (6th) anniversary of the Commercial Operations Date (as defined in the EPA).

E. ADJUSTMENT OF TARIFF

The Guidelines for Determination of Tariff for Wind Power Generation 2006 issued by the GOP postulate ceilings on the allowed rate of interest on the debt component of the capital cost for the Project, and are further affirmed by NEPRA ~~as~~ as three hundred (300) basis points above the floating inter-bank interest rate(s)

for the currency(ies) in which the debt(s) is denominated] [• actual rate allowed in the Tariff Determination] ²) ("**Interest Rate Ceilings**"). The Tariff shall be adjusted within fifteen (15) days after the occurrence of the Financial Closing if the rate(s) of interest applicable for the debt component(s) of the capital cost of the Project evidenced by the Financing Documents is below the Interest Rate Ceilings. The Tariff shall thereupon be reduced by a margin that equals sixty (60) percent of the difference between the cost of debt(s) at the Interest Rate Ceilings and the cost of debt(s) at the effective applicable interest rate(s) contracted under the Financing Documents. The Tariff adjusted as afore-said shall be incorporated by appropriate amendments to the EPA within thirty (30) days after Financial Closing, failing which AEDB shall be entitled to encash the Performance Guarantee in the full amount.

F. TERMINATION OF THE LETTER OF SUPPORT

This LOS will automatically terminate, without notice on [*insert date*], unless terminated earlier as provided herein above or unless extended in writing by AEDB in accordance with the terms hereof. Neither of the Main Sponsor, the Initial Shareholders or the Project Company shall have any claim against AEDB, the GOP, the GOS or any of their components/organizations/provinces/institutions, agencies or instrumentalities on any ground(s) whatsoever arising from the expiration or termination of this LOS as aforesaid. In the event of termination of this LOS for failure of the Project Company to achieve Financial Closing by the Required Financial Closing Date, each of the Project Agreements will automatically terminate, whereupon the Project Company shall, subject to a firm and binding undertaking of AEDB for refund of the tenancy and/or other charges already paid under the Site Sub-lease less deductions provided in the Site Sub-lease, vacate the Site and hand over its possession to AEDB free from all encumbrances, liens or claims.

G. GENERAL

1. The Project Company shall be responsible for the performance of its obligations hereunder jointly and severally with the Main Sponsor.
2. Any notice or communication by or to the Project Company under this LOS shall be deemed a notice or communication to or by the Main Sponsor and the Initial Shareholders.
3. The Project Company represents and warrants to AEDB that it is duly authorised to accept, agree, enter into, deliver and perform this LOS in accordance with its terms on behalf of itself, the Main Sponsor and the Initial Shareholders.

² Insert as appropriate depending on whether upfront tariff is adopted or a tariff petition is pursued.

4. This LOS shall be governed by and construed in accordance with the laws of Pakistan and the Courts of Pakistan at Islamabad shall have exclusive jurisdiction in relation to any dispute or matter arising out of or in connection herewith.
5. This LOS shall become effective from the date on which a copy of this LOS signed by the Project Company is received by AEDB.
6. This LOS and the rights and obligations hereunder of the Project Company, the Main Sponsor and the Initial Shareholders shall not be assigned, transferred, sold, mortgaged or encumbered without the prior consent in writing of AEDB.
7. Capitalized terms shall bear the meanings ascribed to them in the pertinent paragraphs herein.

Kindly sign the attached copy of this LOS at the place indicated and return the same to us no later than [insert date].

With regards,

Yours sincerely,

[insert name]

[insert designation]

Alternative Energy Development Board

Received, Agreed and Accepted by

Name _____

Title: _____

Main Sponsor Being duly authorised for and on behalf of all Sponsors/the Project Company, the Main Sponsor and the Initial Shareholders

On [Insert Date]

- Cc:
1. [The Secretary, Ministry of Water & Power, Government of Pakistan, Islamabad]
 2. [Managing Director, CPPA, WAPDA House, Lahore]
 3. [CEO, NTDC, MD, KESC]