



KARACHI ELECTRIC SUPPLY COMPANY LTD.

2nd Floor, KESC House, Phase-II, Sunset Boulevard, Defence Housing Authority,
Karachi, Pakistan

Phone: (92 21)38709132(7245) – Facsimile: (92 21) 9920 5192

Ref # GM(RA)/NEPRA/2013/1175

August 1, 2013

Mr. Syed Safeer Hussain,
Registrar,
NEPRA,
Islamabad

Sub: Modification of Generation Licence [GL/04/2002]

KESC was issued Generation Licence No. GL/04/2002 on November 18, 2002 ("the Generation Licence") for a period of twenty five years for Generation of Electric Power under Section 25 of NEPRA Act, 1997. In the past, the Generation Licence was modified by NEPRA as per the request of KESC dated: March 04, 2008 to the extent of:

- I) Approved addition of new Generation capacity of 220 MW dated: March 17,2009
- II) Decommissioning of 45 years old Unit # 1 of KTPS dated: May 13,2009

Thereafter, KESC requested for following modifications, relating to the capacity of different plants along with decommissioning of its depleted units at Korangi and Site Area, Karachi.

- | | |
|--|---------------------------|
| • Two GE Bencher projects of 96 MW each | Dated: November 29, 2008. |
| • Two AGGREKO Projects of 28 MW each on rental basis | Dated: November 29, 2008. |
| • 560 MW Combined Cycle Project at Bin Qasim | Dated: May 08, 2009 |
| • Decommissioning of GT-2, 3, 4 at KGTPS | Dated: December 11, 2009. |
| • Decommissioning of GT-2, 3, 4 & 5 at SGTPS | Dated: December 11, 2009. |
| • Decommissioning of Units # 4 of KTPS | Dated: July 03, 2010 |

Over the past four years, KESC has added nearly 1,010 MW of new highly efficient power generation plants and has made expansion and rehabilitation of its T&D system, by investing of around USD 1 billion. However, to run the newly efficient power plants, KESC requires a committed supply at adequate pressure of natural gas. On an annual basis, the supply of gas has ranged between 150-160MMCFD over the last 2 years which is not even enough to operate the higher efficiency plants at full load throughout the year. This situation has forced KESC to operate BQPS-I units more on oil than gas. Given the overall gas availability forecast for the country, the supply of gas to KESC is not expected to improve going forward for the reasons beyond KESC's control. Therefore, KESC has for technical and commercial reasons decided to address the issue of diversification of fuel mix by converting its existing Units nos. 3 and 4 at BQPS-I, Port Qasim into a 420 (210 X 2) MW coal based power plant ("the Project"). Thus, the project of converting Units # 3 and Unit # 4 of BQPS to coal was discussed with Bright Eagle Enterprises Group Limited ("BEEGL"), which, agreed to develop and finance the Project through its Special Purpose Vehicle (SPV) in the name of K – Energy (Private) Limited as Independent Power Producer (IPP). Hence, KESC intends to lease unit no. 3 and 4 of BQPS –I under a Long Term Lease Agreement ("LTLA") to K – Energy (Private) Limited. It is anticipated that the power to be generated from this project will be exclusively sold to KESC under a Power Purchase Agreement ("PPA").

In light of above, it is submitted that modification in the Generation Licence of KESC for exclusion of Units # 3 and Unit # 4 of BQPS be allowed, which shall be effective from the COD (commercial operations date) of



KARACHI ELECTRIC SUPPLY COMPANY LTD.

2nd Floor, KESC House, Phase-II, Sunset Boulevard, Defence Housing Authority,
Karachi, Pakistan

Phone: (92 21)38709132(7245) – Facsimile: (92 21) 9920 5192

the Project. This conditional exclusion of units 3 and 4 of BQPS I is discussed in detail in Annexure A, B and C, which is prepared and submitted in conformity with the provisions of the National Electric Power Regulatory Authority Licensing (Application and Modification Procedure) Regulations, 1999.

A cross cheque having #. DAN 0615700 of Habib Bank Limited in the sum of PKR 617,000 being the licence modification fee calculated in accordance with the Schedule II to the NEPRA Licensing (Application & Modification Procedure) Regulations, 1999 is also attached.

Sincerely,

Muhammad Amir Ghezani
Director – Controlling & Accounts

Enclosure: Annex – A, B, C and Cross Cheque # DAN0615700

Text of Proposed Modification:

The text of the proposed license modification is as follows:

The Management of KESC has decided to convert two of Karachi Electric Supply Company's ("KESC") generation units at the Bin Qasim Power Station from oil/gas to coal ("Project"). The Project will be undertaken by leasing out KESC's existing assets, equipment and (if necessary) land to a new IPP i.e K-Energy, established and owned by a third party investor.

The agreement with K-Energy is based on setting up of a 2 x 210 MW Coal Power Project for which unit no. 3 and 4 of the BQPS I will be leased on long term lease basis. In addition to leased assets, new assets including the boilers and all related ancillaries shall be procured and the plant shall be installed and commissioned through an EPC arrangement. The boilers will initially use imported coal of specifications close to Thar Coal, so that it can be replaced with Thar Coal in future for generation of electricity.

Besides leasing its unit numbers 3 and 4, KESC shall provide an identified piece of land of BQPS – I, to K-Energy which is required to construct boiler islands, and ancillary coal and ash handling equipments.

The power generated from the project will be purchased by KESC under Nepra approved Independent Power Producer ("IPP") structure.

In light of above submissions, KESC submits following modifications in the Schedule 1 & 11 of its Generation license No GL/04/2002 Bin Qasim Power Station for the approval of Authority:

The details about the expected life for Unit # 3 and Unit # 4 of BQPS as given at Schedule I shall be replaced as follows:

Unit #	Expected life from the date of issuance of Generation Licence(Years)	Commissioned
1	16	1983
2	17	1984
3	-	-
4	-	-
5	24	1991
6	30	1997

The details about the installed capacity (Gross) and Net Capacity for Unit # 3 and Unit # 4 of BQPS as given at Schedule II shall be replaced as follows:

Unit #	Installed Capacity (MW)	Derated Capacity (MW)	Net Capacity after Auxiliary Consumption (MW)
Unit-1	210.00	200.00	184.60
Unit-2	210.00	200.00	184.60
Unit-3	-	-	-
Unit-4	-	-	-
Unit-5	210.00	200.00	184.60
Unit-6	210.00	200.00	184.60
Total	840.00	800.00	738.40

Indicative figure only: All the above figures have been based on historic average auxiliary consumption provided by the licensee. The net capacity available for dispatch and other purchasers will be determined through procedures contained in the grid code, applicable documents or the bilateral contracts.

At the end, we would like to mention here that KESC has applied for the exclusion of these assets from its generation license on the achievement of COD (commercial operations date) of the Project and any change in the arrangement regarding modification as requested above shall be communicated to NEPRA in due course of time".

Statements of reasons and specification in support of conditional Modification

1) Justification for Conversion from RFO/Gas to Coal

Over the past four years, KESC has added nearly 1000MW of new high efficient power generation plants, expansion and rehabilitation of its T&D system, by investing around USD 1 billion. However, to run the newly efficient power plants, KESC requires a committed supply of required gas. Additionally, KESC's 1260MW Bin Qasim Thermal Power Station ("BQPS-I") requires gas.

On an annual basis, the supply of gas has ranged between 150-160MMCFD over the last 2 years which is not even enough to operate the higher efficiency plants at full load around the year. This situation has forced KESC to operate BQPS-I units more on oil than gas. Given the overall gas availability forecast for the country, the supply of gas to KESC is not expected to improve going forward for the reasons beyond KESC's control.

The higher usage of 3x expensive furnace oil at BQPS-I has an adverse affect on the consumer tariff and the Company's working capital. Therefore, KESC has decided to address the issue of fuel mix by converting its Unit no. 3 and 4 of BQPS-I to coal ("the Project") based on technical and commercial reasons.

Once complete, the Unit no. 3 and 4 (i.e., under the new IPP structure) will ascend the Economic Dispatch Order ("EDO") as their cost per unit will reduce substantially from current levels. The conversion to coal will also facilitate base-load operation of these units on cheaper fuel with lesser risk associated with fuel supply thus also achieving the objective of fuel diversity.

2) Justification for Leasing Units 3 and 4 of BQPS I to IPP

The conversion to coal project envisages setting up a 2 x 210 MW coal fired thermal power station. The Project is brown-field in nature where the existing unit no. 3 and 4 of BQPS-I owned by KESC will be converted to coal fired. The project requires substantial amounts of investment in order to construct new boiler islands, chimney, coal conveying and crushing equipments, electrostatic precipitators, ash handling equipment and silos, coal yard and handling equipments, ash disposal ponds as well as rehabilitation of existing turbines, generators and BOP to ensure a longer term reliable performance.

Since taking over the management of KESC, Abraaj Capital has injected equity of circa US\$ 361 million together with arrangement of large amounts of multilateral and local debt. The funds received in KESC were used to pursue an aggressive reforms agenda which included addition of around 1000MW of generation assets and revamping of transmission and distribution networks. Due to higher leveraging of KESC's balance sheet owed to such aggressive reforms agenda, it is not possible to embark upon the coal conversion project of such magnitude immediately as the lenders to KESC are looking towards substantial repayment of their existing loans to create such space. Besides this, the KESC is currently capitalizing on opportunities to enhance system efficiencies by closing cycles as well as continue to strengthen the transmission and distribution network.

Therefore, after initial consultations with investors and GoP officials, the management of KESC has decided to do this project under Independent Power Producer ("IPP") structure. This will facilitate the raising of required funds through equity and debt in the IPP to complete the project. The KESC shall purchase the power from such IPP.

The IPP will be invested and managed by a non-associate of KESC. However, the contribution of KESC's unit 3 and 4 is fundamental to the success of the project. Since sale of these units to the IPP would have substantially increased the financial requirements, KESC has decided to lease unit 3 and 4 to the IPP under a Long Term Lease Agreement ("LTLA") to the IPP.

Since the units 3 and 4 will become dedicated to the new IPP for the purpose of generation on coal fuel and upon execution of lease these will no longer be a part of KESC's existing fleet, there is a need to exclude these units from KESC's generation portfolio and facilitate the IPP to apply for a new generation license.

C

Statements showing the impact on tariff, quality of service and the performances by KESC of its obligations under the license

A) Impact on Tariff

KESC Multi Year Tariff (MYT) was determined in 2002 as reference tariff with a laid down mechanism for the monthly and quarterly fuel and power purchase cost adjustment. Accordingly the monthly adjustment in tariff on account of fuel and power purchase cost variation (increase/decrease) is to be reflected in the consumer's bill as Fuel Surcharge Adjustment (FSA). The rate of monthly FSA is worked out taking into account the total fuel cost variation in fuel and power purchase cost (increase/decrease) is divided by total units sent out, without taking into effect of T&D losses (KESC's sent out units plus Power purchased units) to determine the rate of monthly FSA charged to consumers. Whereas, the unrecovered cost of fuel, due to difference between units sent out and units sold on account of allowed T&D losses and the O&M cost and capacity charges are adjusted in the quarterly tariff on units sold basis.

The components of the base tariff are the cost of fuel, cost of power purchases, depreciation and the operation and maintenance (O&M) cost for generation, transmission and distribution. From the date of determination, the monthly adjustment is being made on the basis of generation fuel and power purchase price variation as per given heat rates and T&D losses. This target number of allowed T&D loss in tariff is constantly becoming stringent and reducing at the rate of 2% per annum from 2009. KESC is not allowed any return on its assets in the tariff; therefore carving out two units (i.e. BQPS Unit # 3 & 4) from its generation fleet will have no impact on the tariff. Rather these converted units will run on a cheaper fuel i.e. coal in future, and will effectively reduce furnace oil based generation of the IPP's (Gul Ahmed and Tapal Energy) and from BQPS other oil fired units. This will keep the fuel prices lower and will not enhance the consumer end tariff because lower price of generation on coal as compared to furnace oil. Furthermore it will reduce the burden of high working capital from KESC, and lower the subsidy amount due on GoP as compared to the high numbers arising from the usage of expensive furnace oil otherwise.

B) Impact on quality of service and the performances by KESC of its obligations under the license

Keeping in view the techno-economic comparison of Electricity generated by Fuel Oil and Coal, the proposed amendment would facilitate the Company in fulfilling its obligations under the License and other key project agreements, harmonizing with applicable company law. The quality of service will not be in any possibility adversely affected as replacing residual fuel oil (RFO) based boilers with coal fired technology would help KESC in attaining fuel security by diversifying its existing fuel mix, better utilization of existing fleet and most importantly aid in reducing cost of power generation and increasing the availability of electricity to Karachi.

(11)

HBL



HABIB BANK
Limited

HBL Plaza Branch, Habib Bank Plaza, I.I. Chundrigar
Road, Karachi. (0796)

Current A/c No. 07867000959117

PAYEE'S AC ONLY

May 14, 2013

Cheque No. DAN 06157

Date 30.05.2013

PAY NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

OR ORDER

RUPEES SIX HUNDRED SEVENTEEN THOUSAND AND ZERO PAISAS ONLY

Rs. 617,000.00



Karachi Electric Supply Company Limited

(Formerly The Karachi Electric Supply Corporation Limited)

KESC House 39/B, Sunset Boulevard, Phase - II, D.H.A. Karachi.

[Signature]

[Signature]

(For and Behalf of KESC Limited)

⑈0615700⑈0540786⑈7000959117⑈000⑈



Karachi Electric Supply Company Limited

(Formerly The Karachi Electric Supply Corporation Limited)

KESC House 39/B, Sunset Boulevard, Phase - II, D.H.A. Karachi.

Cheque No. DAN 06157

Date 30.05.2013

DETAILS OF PAYMENT

Bill No	Bill Date	Gross Amount	D/T	Deduction	Net Amount Before Tax	Income Tax	Net Amount
ADVANCE.	28.05.2013	617,000.00				0.00	617,000.00
	Total	617,000.00		0.00	0.00	0.00	617,000.00

3

Annexure - B

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (EGM) of the Karachi Electric Supply Company Limited will be held at **Navy Welfare Centre, Uquai Barracks, Karachi on Friday, 23 August 2013 at 11:00 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) held on 08 October 2012.

SPECIAL BUSINESS

2. To consider a long term Lease Agreement (the Agreement) to be entered into between KESC and K-Energy (Pvt.) Limited in relation to Unit-3 and Unit-4 of Bin Qasim Power Station-I (BQPS-I) of the Company for coal conversion project and to pass the following Special Resolutions with or without modification:-

RESOLVED THAT in order to effect the proposed procurement of 2 X 210 MW coal based cheap power from M/s. K-Energy (Pvt.) Limited, an Independent Power Producer (IPP) and a private limited company registered under the Companies Ordinance, 1984, approval of the General Meeting be and is hereby granted that a long term Lease Agreement ("the Agreement") be entered into between KESC and K-Energy (Pvt.) Limited in relation to Unit-3 and Unit-4 of Bin Qasim Power Station-I (BQPS-I) of the Company as per the proposed salient features and key terms & conditions of the Agreement set out in the annexed Statement u/s 160(1)(b) **and THAT** the Agreement will be finalized and executed after obtaining all requisite approvals including but not limited to NEPRA and KESC's existing Lenders, and also completing all legal requirements and corporate actions.

RESOLVED FURTHER THAT Chief Executive Officer (CEO) and Chief Business Development Officer (CBDO) of the Company be and are hereby jointly authorized to finalize the lease agreement after NEPRA's comments on the draft Lease Agreement and take all necessary actions and execute the Agreement and such other deeds, documents, instruments etc. incidental and related to the execution and implementation of the Agreement for and on behalf of the Company.

3. Any other business with the permission of the Chair.

By order of the Board

Syed Moonis Abdullah Alvi

Company Secretary

Karachi, 30th July, 2013

N. B.

- (i) Transfer Books of the Company will remain closed from 17 August 2013 to 23 August 2013 (both days inclusive). Only those persons whose names appear in the Register of Members of the Company as at 16 August 2013 are entitled to attend and participate in and vote at the Extraordinary General Meeting (EGM).
- (ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy must be a member of the Company. Proxy Form is attached.
- (iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- (iv) Shareholders (non-CDC) are requested to promptly notify the Share Registrar of the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their Participants.
- (v) Shareholders who have not yet submitted attested photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26 January, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For attending the meeting

- (i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- (i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- (ii) Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- (v) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

Statement u/s 160(1)(b) is being sent to the members of the Company along with the Notice.

 **KARACHI ELECTRIC
SUPPLY COMPANY**
KHIDMAT MEIN ROSHAN

31. JUL. 2013 9:31

KSE T&M. AFFAIRS DEPTT. 2437560

NO. 520 P. 1



Karachi Electric Supply Company Ltd.

Office & Postal address: K.E.S.C House, 39-B, Sunset Boulevard, Phase-II,
Defence Housing Authority, Karachi.
Tel: 3264 7017 Fax: 3264 7155 & 3264 7159. Email Address: moonis.alvi@kesc.com.pk

Ref: SECK/KSE/13/120

Date: 30 July 2013

The General Manager
Karachi Stock Exchange Limited
Stock Exchange Building
Off I.I. Chundrigar Road
Karachi
Fax: 111 573 329

Subject: Extraordinary General Meeting of the Company.

Dear Sir,

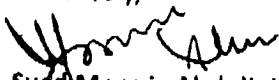
We write to inform you that the Board of Directors of the Company at its meeting held on Tuesday, 30 July 2013 at 02:00 p.m. in KESC Board Room, 3rd Floor, KESC House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi, inter alia, considered the Coal Conversion Project (BQPS-I) – long term Lease Agreement with K-Energy (Pvt) Ltd. for Unit 3 & 4 of BQPS-I and approved the following:

A. Corporate Actions

1. To convene an Extraordinary General Meeting (EGM) of the Company on Friday, 23 August 2013 at 11:00 a.m. to be held at Navy Welfare Centre, Liaquat Barracks, Karachi. EGM notice is attached containing complete details of the business to be transacted,
2. The Share Transfer Books of the Company will remain closed from 17 August to 23 August 2013 (both days inclusive). Transfers received at Share Registrar Department, Central Depository Company of Pakistan Limited CDC House 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Friday, 16 August 2013 will be treated in time for the purpose of attending EGM of the Company.

We trust this will meet the requirements of the listing rules in full.

Yours Truly,


Syed Moonis Abdullah Alvi
Company Secretary

Encl. As above

Copy to:	1. The Secretary, Lahore Stock Exchange Ltd., Lahore	Fax: 042-3630 3485
	2. The Secretary, Islamabad Stock Exchange Ltd., Islamabad	Fax: 051-111 473 329
	3. The Securities & Exchange Commission of Pakistan, Islamabad	Fax: 051-9218592/9204915
	4. The Registrar, Joint Stock Companies, SECP, Karachi	Fax: 021-99213278
	5. Central Depository Company of Pakistan Ltd.	Fax: 021-34326034
	6. CDC Share Registrar Services	Fax: 021-34326053
Copy to:	Chief Executive Officer, KESC	

**Karachi Electric Supply Company Ltd.**

3rd Floor, K.E.S.C House, 28 E, Sunset Boulevard, Phase-II,
Defence Housing Authority, Karachi.
Tel: 32647017 Fax: 99205147 Email Address: moonis.alvi@kesc.com.pk

NOTICE OF EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (EGM) of the Karachi Electric Supply Company Limited will be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Friday, 29 August 2013 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting (AGM) and Extra-Ordinary General Meeting (EGM) held on 08 October 2012.

SPECIAL BUSINESS

2. To consider a long term Lease Agreement (the Agreement) to be entered into between KESC and K-Energy (Pvt.) Limited in relation to Unit-3 and Unit-4 of Bin Qasim Power Station I (BQPS I) of the Company for coal conversion project and to pass the following Special Resolutions with or without modification:-

RESOLVED THAT in order to effect the proposed procurement of 2 X 210 MW coal based cheap power from M/s. K-Energy (Pvt.) Limited, an independent Power Producer (IPP) and a private limited company registered under the Companies Ordinance 1984, approval of the General Meeting be and is hereby granted that a long term Lease Agreement ("the Agreement") be entered into between KESC and K-Energy (Pvt.) Limited in relation to Unit-3 and Unit-4 of Bin Qasim Power Station-I (BQPS-I) of the Company as per the proposed salient features and key terms & conditions of the Agreement set out in the annexed Statement u/s 160(1)(b) and THAT the Agreement will be finalized and executed after obtaining all requisite approvals including but not limited to NEPRA and KESC's existing Lenders, and also completing all legal requirements and corporate actions.

RESOLVED FURTHER THAT Chief Executive Officer (CEO) and Chief Business Development Officer (CBDO) of the Company be and are hereby jointly authorized to finalize the lease agreement after NEPRA's comments on the draft Lease Agreement and take all necessary actions and execute the Agreement and such other deeds, documents, instruments etc. incidental and related to the execution and implementation of the Agreement for and on behalf of the Company.

3. Any other business with the permission of the Chair.

By order of the Board

Syed Moonis Abdullah Alvi
Company Secretary
Karachi, 30 July 2013

N.B.

- (i) Transfer Books of the Company will remain closed from 17 August 2013 to 23 August 2013 (both days inclusive). Only those persons whose names appear in the Register of Members of the Company as at 16 August 2013 are entitled to attend and participate in and vote at the Extra-Ordinary General Meeting (EGM).
- (ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy must be a member of the Company. Proxy Form is attached.
- (iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- (iv) Shareholders (Non-CDC) are requested to promptly notify the Share Registrar of the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their Participants.
- (v) Shareholders who have not yet submitted attested photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26 January, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For attending the meeting

- (i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- (i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- (v) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

Statement U/S 160(1)(b) of the Companies Ordinance 1984

COAL CONVERSION PROJECT

KESC is in the process of converting the unit nos. 3 and 4 of Bin Qasim Power Station 1 totaling 420 MW (210 MW x 2) from furnace oil/gas to coal fired (the "Project"). The key reasons for conversion to coal include non-availability of gas and 3 times cost of furnace oil which causes working capital shortage and losses to the utility.

After consultations with the regulator and investors, the project will be executed under the Independent Power Producer ("IPP") structure. The investors have already formed a new company "K-Energy (Pvt.) Limited" ("K-Energy") which shall undertake the Project by raising around US\$ 300 million under equity and debt funds to construct new boiler islands and ancillary equipment for coal and ash handling as well as rehabilitation of unit nos. 3 and 4. The newly constructed infrastructure will be connected with existing unit nos. 3 and 4 for production of power based on coal. For this purpose, KESC shall lease these two units to K-Energy under a long term lease agreement, subject to obtaining approvals of various stakeholders. KESC shall purchase power from K-Energy by entering into a Power Purchase Agreement for a period of 20 years.

49

2

The feasibility of the Project has been completed by Knight Piesold and vetted by KESC. The EPC bids were invited and received in December 2012 and negotiations are underway with the shortlisted EPC Contractors. K-Energy is in discussions with potential coal mines for long term supply of coal and has also appointed their financial advisors for raising local debt.

The next step of the Project is to get tariff from NEPRA. For this purpose, K-Energy will file their application for Generation License.

The salient features and key terms & conditions of the long term lease agreement and the benefits likely to accrue to the Company, the shareholders and the consumers are summarized below:

Benefits of Coal Conversion:

The Coal Conversion Project is being undertaken due to several economic, financial, and technical benefits for the Company, its shareholders and the consumers.

Despite making huge investment in state of the art power plants within a short period of 3-4 years, KESC is struggling to receive gas supplies committed by GoP. With the decrease in gas supply to KESC, the only option which is found seemingly open to produce energy, is furnace oil that is 3 times more costly than gas. The substantial decline in gas supply lead to higher consumption of furnace oil for power generation. However, the price of furnace oil has shot up by about 250 percent in last 3 to 4 years. Therefore, generation on oil considerably impacts the consumer tariff, GoP subsidy and working capital of the Company thus making it a challenge to utilize full capacity of furnace oil based generation around the year.

In view of the limitations imposed by the existing fuel mix, conversion to coal will substantially improve the company's working capital situation as coal is much cheaper compared to furnace oil, and this will create much needed fiscal space for the company. The reduction in investment in working capital will reduce financial costs as well as the adverse impact of difference between actual and NEPRA allowed T&D losses.

The scope of the conversion includes the rehabilitation and overhaul of the current units that are to be converted. This rehabilitation will increase the life of these units for another long term and also reclaim the name plate capacity (210 MW each) that has been degraded (160 MW each) over the years. The units will be available for base load operations as availability of fuel will no longer be a major obstacle due to improved working capital.

Benefits to Consumers and GOP:

Annual savings as a result of conversion to coal will be over \$ 225 million if we are to take the differential between generation on Furnace oil (Rs. 17/kWh) and coal (Rs. 9.5/kWh). This reduction in cost of generation will prove beneficial not only to the consumers of KESC, as the tariff will be reduced, but also the GOP since it will help alleviate the burden of subsidy.

Another major advantage of the Project is the annual foreign exchange savings of around US\$ 350 million after coal conversion. The expected foreign exchange savings over the Project life of 20 years is a colossal US\$ 7 billion which should go a long way in contributing towards Pakistan's economic recovery. Therefore, there is a strong merit in converting the whole BQPS I to coal fired. Once complete, the unit no. 3 and 4 will ascend in the Economic Dispatch Order ("EDO") as their cost per unit will reduce substantially from current levels.



Summary of Key Terms - Lease Agreement

Objective:

- KESC ("Lessor") shall provide Unit numbers 3 and 4 of Bin Qasim Power Station 1 ("the Equipment") having a total rated capacity of 420MW to K-Energy ("Lessee"), for the purpose of executing the Coal Conversion Project ("the Project").

Key Terms of Lease:

- Lessor shall lease the Equipment to Lessee for a term of 20 years
- Based on the schedule from EPC Contractor, the units 3 & 4 shall be made available prior to Commercial Operations Date ("COD") for the EPC Contractor to carry out extensive rehabilitation of the Equipment in order to ensure its reliable and efficient operation over the life of the lease
- The ownership of the Equipment shall at all times remain with the Lessor
- Lease shall be effective from COD
 - Lease rentals shall be paid quarterly at the end of each quarter based on a fair market value of the unit nos. 3 and 4 as determined by an independent valuer, which will be subject to NEPRA's approval during the process of tariff determination
 - Rental payable shall be calculated as per the prevailing ("KIBOR") rate plus 3% margin, to be approved by NEPRA
 - Payment of all taxes incidental to usage and ownership, if applicable, shall be the sole responsibility of the Lessee
 - Delayed payment of lease rentals shall attract late payment penalty as per industry practice
 - Lessee shall be required to arrange an acceptable security to cover the amount of quarterly lease rental due
- The Lessee shall be responsible for maintenance of the Equipment
- The Lessee shall be responsible for procuring insurance and payment of the premium
- At the end of the Lease period, the Equipment shall be returned to the Lessor

* Lease Agreement will be signed once the following is achieved:

- Determination of an acceptable tariff from NEPRA
- K-Energy successfully achieving Financial Close for the Project
- K-Energy successfully executing EPC Contract with the EPC Contractor
- KESC obtaining necessary NOCs from its lenders

The draft long term Lease Agreement between KESC and K-Energy (Pvt.) Limited and the Memorandum & Articles Association of the Company are available at the Corporate Office of the Company for inspection by the members during office hours.

The Directors of the Company have no interest in the said special business.

[Handwritten signature]

[Handwritten signature]

Annexure - C



Karachi Electric Supply Company Ltd.

3rd Floor, K.E.S.C House, 39-B, Sunset Boulevard, Phase-II,
Defence Housing Authority, Karachi.

Tel: 32647017 Fax: 32647155 & 021-32647159. Email Address: moonis.alvi@kesc.com.pk

**Certified True Copy (CTC) of Resolutions
passed by KESC Board of Directors at its Meeting No. 1177th
held on Tuesday, 30 July 2013 at 2:00 p.m. in KESC's Board Room,
3RD Floor, KESC House, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi**

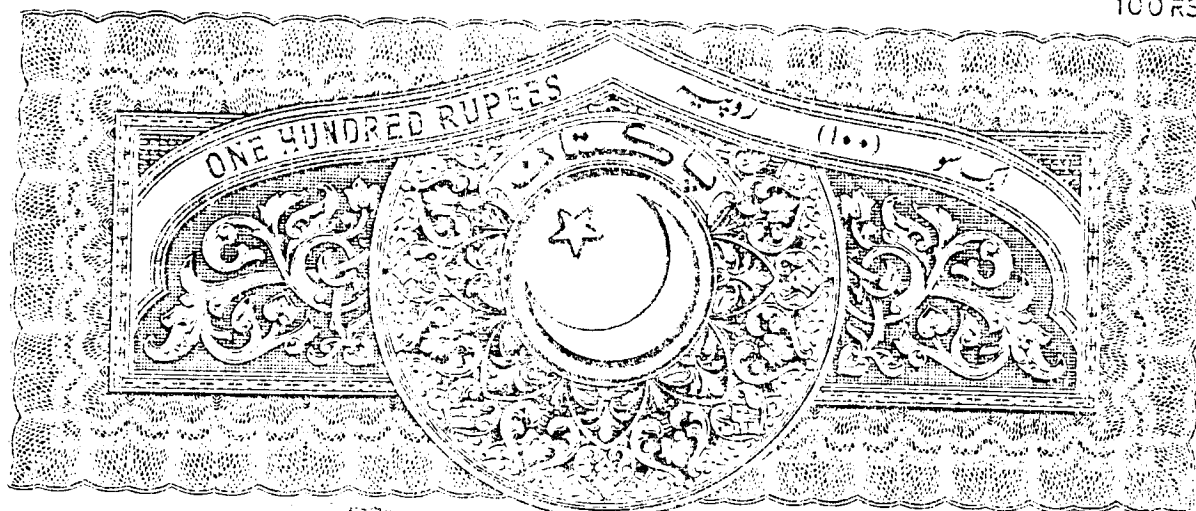
Coal Conversion Project of two (2) BQPS-I Units of 210 MW each.

RESOLVED THAT further to the approval of the Board at its meeting held on 11 February 2013 for procurement of 2 X 210 MW coal based power from M/s. K-Energy (Pvt.) Limited, an Independent Power Producer (IPP) and a private limited company registered under the Companies Ordinance 1984 and filing of Power Acquisition Request (PAR) with National Power Regulatory Authority (NEPRA) pursuant to NEPRA Interim Power Procurement (Procedures & Standards) Regulations 2005 (Regulations) for the said procurement of power and now in order to exclude Units # 3 and 4 of Bin Qasim Power Station-I (BQPS-I) from KESC's generation license, the filing of the KESC Licensee Proposed Modification (LPM) with the National Electric Power Regulatory Authority (NEPRA) be and is hereby approved.

RESOLVED FURTHER THAT Chief Executive Officer (CEO) and Chief Business Development Officer (CBDO), KESC be and are hereby jointly authorized to nominate any officer of the Company, as they deem fit, to sign and file the LPM with NEPRA and such other deeds, documents, instruments etc. and take all necessary actions incidental and related to the LPM and appear before the Authority and admit execution thereof for and on behalf of the Company.

MOONIS ALVI
CFO & Co. Secretary
KESC Ltd.

SYED NAVEED AHMED
Chief Business Development Officer
KESC Ltd.



25 OCT 2011

Ref: SECK/BM 1177/13
Dated: 01 August, 2013

Authority Letter

WHEREAS, we, Nayyer Hussain, s/o Syed Shahid Hussain, Chief Executive Officer (CEO) and Syed Naveed Ahmed s/o Habib Ahmed, Chief Business Development Officer (CBDO) of the Karachi Electric Supply Company Limited, having its Registered Office at the KESC House, 39-B Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi, are authorized by the Board of Directors (BOD) of the Company through Resolution passed in the Board Meeting of the Company held on 30 July 2013 (attached), which also empowers us to nominate any officer of the Company, as we deem fit, to sign and file the Licensee Proposed Modification (LPM) with National Electric Power Regulatory Authority (NEPRA) and such other deeds, documents, instruments etc. and take all necessary actions incidental and related to the LPM and appear before the Authority and admit execution thereof for and on behalf of the Company.

Now, therefore, in exercise of powers vested in us by the BOD of the Company we, hereby authorize **Mr. Muhammad Aamir Ghaziani** s/o M. ANWER, CNIC No. 42301-1189331-3, resident of House no. 74 L-1, BLOCK 2 PECHS KARACHI, Karachi, Director Controlling, Accounts & Regulations, KESC to sign and file the LPM with NEPRA and such other deeds, documents, instruments etc. and take all necessary actions incidental and related to the LPM and appear before the Authority and admit execution thereof for and on behalf of the Company.

Nayyer Hussain
Chief Executive Officer, KESC

Sayed Naveed Ahmed
Syed Naveed Ahmed
Chief Business Development Officer, KESC

Authorized Person:

Mr. Muhammad Aamir Ghaziani
Mr. Muhammad Aamir Ghaziani
Director, Controlling, Accounts & Regulations, KESC

Annexure -D

EQUIPMENT LEASE AGREEMENT

THIS EQUIPMENT LEASE AGREEMENT ("ELA") is made at [Karachi] this ____ day _____, 2013 (the "**Agreement**");

BY AND BETWEEN THE FOLLOWING PARTIES:

- (1) **KARACHI ELECTRIC SUPPLY COMPANY LIMITED**, a public limited company incorporated under the laws of the Islamic Republic of Pakistan and having its registered office at KESC House, 39 B Sunset Boulevard, Phase II D.H.A, Karachi, Pakistan (hereinafter referred to as the "**Lessor**", which expression shall include its principals, administrators, successors, executors and assigns) of the ONE PART; and
- (2) **K-ENERGY (PRIVATE) LIMITED**, a company incorporated and existing under the laws of Pakistan, having its registered / principal place of business at House No F-60 Park Lane, Kehkashan, Clifton, Karachi (hereinafter referred to as the "**Lessee**", which expression shall include its administrators, successors, executors and assigns) of the OTHER PART.

(The Lessor and the Lessee are hereinafter also collectively referred to as the "**Parties**" and individually as the "**Party**", as the context may require).

RECITALS:

WHEREAS:

- (A) The Lessor is the sole and absolute owner of the unencumbered equipment and machinery described in **Schedule 1** attached hereto (hereinafter called the "**Equipment**");
- (B) The Lessee is desirous of carrying out the Project (as defined below) and in this respect is desirous of taking the Equipment on lease from the Lessor;
- (C) The Lessor has agreed to provide/has provided the Equipment to the Lessee on lease upon the terms and conditions hereinafter appearing;

NOW, THEREFORE, the Parties hereby agree as follows:

1 DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

The words and expressions beginning with capital letters and defined in this Agreement shall, unless the context otherwise requires, bear the meaning ascribed thereto herein.

- (a) **AGREEMENT** means this Equipment Lease Agreement entered into between the Lessor and the Lessee.
- (b) **BQPS-1** means the Lessee's Bin Qasim Power Station 1 located at Port Qasim, Karachi.

- (c) **BUSINESS DAY** shall mean a day when commercial banks are operating in Pakistan.
- (d) **COMMERCIAL OPERATIONS DATE (COD)** shall have the meaning ascribed in the Power Purchase Agreement between the Lessee and the Power Purchaser.
- (e) **COMMISSIONING** shall have the meaning ascribed in the Power Purchase Agreement between the Lessee and the Power Purchaser.
- (f) **CONVERSION** means, with respect to the Conversion Units, the successful designing, acquisition of land (if necessary), building, construction, relocation of existing structures as finalized within the EPC Contract, erection, installation of all new facilities, interconnection, retrofitting/overhauling/replacement/up-gradation of existing equipment as defined within the EPC Contract, testing, commissioning and otherwise completion of the Project at the Project Site in accordance all applicable drawings, designs, environmental compliances and technical specifications determined by the Lessee in order to enable the Lessee to operate and maintain the Conversion Units on coal. The terms "**convert**" and "**converted**" shall be construed accordingly.
- (g) **CONVERSION UNITS** shall mean two (2) of the six (6) power generation units of BQPS-1 (i.e. unit # 3 and unit # 4 constructed by Ansaldo) owned by the Lessor and located at the Project Site being converted to coal fuelled units from Residual Fuel Oil ("**RFO**")/Gas fuelled units as part of the Project.
- (h) **EPC** means engineering, procurement and construction.
- (i) **EPC CONTRACT** means one or more contracts to be entered into between the Lessee and the EPC Contractor for EPC in relation to the Project.
- (j) **EPC CONTRACTOR** means one or more contractors, suppliers, service providers, either individually or collectively, who will be appointed by the Lessee for providing the EPC for the Project.
- (k) **FINANCING DOCUMENTS** means the financing and security documents entered into between the Lessee and the Project Financiers pursuant to which financing facilities and/or accommodations have been obtained by the Lessee for the Project Financing requirements of the Project and shall include all related notes, indentures, security agreements, guarantees, documents under Islamic financing arrangements, agreements or other instruments providing security to the Project Financiers (including consents and acknowledgements of assignment and direct agreements in respect to documents assigned as security to the Project Financiers) and other documents entered into by the Lessee in relation to the construction and permanent financing (including refinancing) of the Project Assets (or any part thereof), as amended from time to time.
- (l) **INTERCREDITOR AGREEMENT** means the agreement entered into between the Project Financiers inter se setting down the procedure for making disbursements to

the Lessee, distribution of proceeds received from the Lessee, taking any action against the Lessee for the enforcement of any right of the Project Financiers under the Financing Documents and includes (without limitation) taking any action for the enforcement of any security against the Lessee upon the occurrence of any event of default under the Financing Documents.

- (m) **LEASE EFFECTIVE DATE** shall be on the day following the Commercial Operation Date.
- (n) **POWER PURCHASE AGREEMENT** means the agreement for the sale and purchase of electric power to be executed between the Power Purchaser and the Lessee in connection with the power generated by the Project.
- (o) **PROJECT** means converting the Conversion Units from RFO fuelled generation to coal fuelled generation through Conversion and the subsequent operation and maintenance of the Project.
- (p) **PROJECT FINANCIERS** mean the financial institutions party to the Financing Documents, or any subsequent financial institution(s) that become a party to the Financing Documents, in its/their capacity as the lenders of the Lessee and make available the Project Finance to the Lessee to fund the debt component of the Project.
- (q) **PROJECT SITE** shall mean the land sub-leased to the Lessee by Lessor, within the premises of BQPS-1 and/or any additional land that may be procured by either of the Parties outside BQPS, on which the Project / Conversion will be implemented.

2 LEASE

- 2.1 The Lessor hereby leases to the Lessee and the Lessee hereby takes on lease from the Lessor, the Equipment from the Lease Effective Date subject to the terms and conditions of this Agreement. It is agreed that the Equipment shall be used for power generation purposes as defined in the Project.
- 2.2 The Lessee confirms that the Equipment is suitable for the execution of the Project, meets with the requirements of the Lessee and the Lessee has agreed to take the same on lease from the Lessor.

3 LEASE PERIOD

- 3.1 The period of lease in respect of the Equipment shall commence from the Lease Effective Date and shall continue for a period of [20 years] (the "**Lease Period**") unless earlier terminated with the mutual consent of the Parties. Both Parties will be entitled to terminate this Agreement for a breach of the other Party provided that written notice of such breach has been provided to the other Party and the breach remains un-rectified.

- 3.2 Upon completion of the Lease Period, the Lessee shall hand over possession of the Equipment to the Lessor. The Lessee shall ensure that the Equipment is handed over to the Lessor in good operating condition and working order, and free from any physical damage.

4 REHABILITATION OF UNITS 3 & 4

- 4.1 Prior to COD and on the dates specified in the EPC Contract, the Lessee shall take over from the Lessor the units 3 & 4 of the BQPS I and cause the EPC Contractor to carry out major rehabilitation works as provided in the EPC Contract.

5 RENTAL PAYMENT

- 5.1 Starting from the date on which the Project achieves commercial operations as per the EPC Contract and subsequently on the first Business Day of each quarter, the Lessor shall invoice to the Lessee and the Lessee shall pay to the Lessor within 7 days from the end of relevant quarter, a rental payment for the Equipment (the "Rental Payment" or "Rental"). Rental payments shall be calculated as per the formula provided in **Schedule 2** hereto.
- 5.2 The Rental payable by the Lessee shall be calculated to provide return to the Lessor equivalent to the Bench Mark plus margin of [3%] ("Margin"). "Bench Mark" shall mean Karachi Inter Bank Offer Rate ("KIBOR") for calculating the Rentals, which shall be set quarterly in respect of the Rental payable. The rentals stated in **Schedule 2** have been calculated at KIBOR prevailing on the Reference Date which shall be revised at the beginning of each Quarter based on the KIBOR prevalent on the last Business Day of previous Month
- 5.3 If at any time the Lessee is required to make any non-refundable and non-adjustable deduction or withholding in respect of Taxes and/or any other levy, from any payment due to the Lessor under this ELA, the sum due from the Lessee in respect of such payment shall, subject to NEPRA's approval, be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Lessor receives on the payment Date, a net sum equal to the sum which it would have received had no such deduction or withholding have been required to be made and the Lessee shall indemnify the Lessor against any losses or costs incurred by the Lessor by reason of any failure of the Lessee to make any such deduction or withholding, the Lessee shall promptly deliver to the Lessor originals or copies of any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.
- 5.4 If payment is not made by the Lessee within the due date, the Lessee will be required to pay a penalty for the period of default. The amount/ rate of such penalty shall be in accordance with the Schedule 3 attached hereto.

6 TAXES, FEES AND EXPENSES

- 6.1 The Lessee shall pay on a continuing basis all taxes, duties and charges, whether Municipal, Provincial or Federal which may at any time be payable for or in relation to the Equipment or the business of the Lessee and shall hold the Lessor safe, harmless and indemnified from any delay or omission or failure to pay such taxes, duties and charges

7 TITLE

number of person(s) with required qualifications, skills and experience to carry out the operations and maintenance of the Equipment.

11 CONDITION OF EQUIPMENT AND DELIVERY

- 11.1 The Lessee confirms that the Equipment is suitable for the execution of the Project, meets with the requirements of the Lessee and the Lessee has agreed to take the same on lease from the Lessor on as is where is basis.
- 11.2 Upon receipt of delivery of the Equipment, the Lessee shall execute and deliver to the Lessor a receipt or acceptance thereof in the approved form.

12 MAINTENANCE OF LEASED ASSETS

- 12.1 The Lessee agrees, to be responsible for the performance of all maintenance and repair required for the Equipment, whether scheduled, breakdown, replacement, modification or any other form, at its own cost and expense.
- 12.2 The Lessee agrees to be solely responsible for all costs and expenses in relation to the Equipment including but not limited to the use of labour, fuel, lubricants, chemicals, consumables, parts, tools, components, taxes, duties, levies, fines, etc. incurred in connection with or in any way referable to storage, handling, use, maintenance and operation of each item of the Equipment.

13 USE OF EQUIPMENT

- 13.1 The Equipment shall be used for the power generation purposes as defined in the Project.
- 13.2 The Lessee shall use the Equipment carefully and prudently and strictly in conformity with the Equipment manufacturer's instructions and approved O&M Procedure..
- 13.3 The Lessee hereby agrees and undertakes that:

a) Lessee shall at all times store, house, use and operate the Equipment carefully and strictly in conformity with the instructions and directions of the manufacturers and/or Suppliers thereof (including those relating to the environmental conditions, if any, under which the Equipment is to be transported, stored, housed, used or operated), whether such instructions and directions are contained in the operational manuals or are otherwise provided with or before or after the delivery of the Equipment by the Lessor, manufacturer and/or Suppliers thereof:

e) The Lessee shall store, house, install, use and operate the Equipment in compliance with all relevant laws, rules, regulations, orders and direction, whether of the Federal or any Provincial government or of any Municipal or Local Authority or of any court, tribunal or other competent authority or officer;

f) The Lessee shall not sell, transfer, assign or otherwise dispose off, loan, give on license, or part with the possession of, or in any way mortgage, hypothecate, pledge, charge or otherwise encumber, the Equipment with the prior permission of the Lessor in writing.

g) The Equipment shall not be used or operated contrary to the provisions or requirements of the insurance policies covering the Equipment or in any manner which would invalidate the insurance policies or make them unenforceable against the insurance companies;

h) The Lessee shall be solely responsible for the operating and maintenance cost of the Equipment

i) The Equipment shall be Rehabilitated according to the EPC Contract by the Lessee and the Lessee hereby undertakes to arrange for required funding for the same.

13.4 During the term of the ELA, the Lessee shall not, without the prior consent of the Lessor, make any alteration, addition or improvement to the Equipment or change the condition thereof. All alterations, additions, modifications, replacements, rehabilitation and improvements as per the EPC scope of whatsoever kind of nature made to the Equipment by the Lessee including replacement or substitution of any part or equipment of the Equipment shall become part of and accreted to the Equipment and belong to and be the property of the Lessor and shall be subject to the terms and conditions of this Agreement

13.5 Nothing contained in this Section shall release the Lessee from its liability for any storage, handling, use or operation of the Equipment in breach of any of the terms and conditions contained herein or in a manner contrary to any provisions or requirements of the insurance policy or policies intended to cover the Lessor's liability as owner of the Equipment or in contravention of any law, rule, regulation, order or direction, whether of the Federal or any Provincial government or of any Municipal or Local Authority or of any court, tribunal or other competent authority or officer;

13.6 The Lessee hereby agrees to indemnify and save harmless the Lessor from and against all claims and demands made and all fines or penalties levied or imposed in respect of or arising out of the storage, handling, use or operation of the Equipment;

13.7 Lessee shall not change place of permanent location of the Equipment.

13.8 The Lessee shall allow the officers, agents or employees/representatives of the Lessor free and full access to the Equipment during normal working hours (and immediately in case of emergency) to inspect, view and examine the state and condition of the Equipment and for that purpose the Lessee shall permit the said persons to enter the premises where the Equipment is in use, stored, or lying and the Lessee shall bear the actual cost of such inspection and out of pocket expenses of the persons who shall undertake the inspection and shall forthwith pay the same to the Lessor on receipt of a notice of demand from the Lessor in this behalf. The Lessee shall, also permit the inspection, examination and audit of all of the Lessee's books of accounts or other financial records, if any, relating to the Equipment.

14 CONDUCT WITHIN BQPS I

- 14.1 The Lessee hereby acknowledges and agrees that the Project is being undertaken within the premises of BQPS I which is owned by Lessor. Therefore, the Lessee hereby confirms its obligation to observe a strict code of conduct to be agreed into between the Lessee and the Lessor.

15 COMPLIANCE WITH STANDARDS

- 15.1 The Lessee undertakes to comply with all governmental regulations and standards. Six months prior to COD, the Lessee shall prepare and seek approval of Lessor in relation to O&M Procedures prepared as per ISO/OHSHA, OEM, and GAAP standards, including but not limited to Operation Manual, Maintenance Manual, HSE Manual, Procurement Manual, Accounting Manual etc. The Lessee shall seek prior approval of the Lessor in the event of any material changes in the O&M Procedures.

16 INDEMNITY

- 16.1 The Parties hereby agree to indemnify and keep each other fully and effectively indemnified against all actions, costs, losses, claims and expenses of whatsoever kind or nature arising from any breach or non-performance or threatened breach or non-performance of any of their respective warranties, representations, or obligations contained in this Agreement.

17 LESSEE EVENTS OF DEFAULT

- 17.1 To be finalized after the feedback of Project Financiers in relevant Intercreditor Agreement(s)

18 TERMINATION

- 18.1 Upon occurrence of an Event of Default, that is not cured within the applicable period for cure, the non-defaulting Party may, at its option, initiate termination of this Agreement by delivering a written notice ("Notice of Intent to Terminate") of its intent to terminate this Agreement to the defaulting Party. The Notice of Intent to Terminate shall specify in reasonable detail the Event of Default, giving rise to the Notice of Intent to Terminate.

It is binding upon the Party serving Notice of Intent to Terminate to provide a copy of the same to the Company Lenders, where such notice is to be coupled with a request to the Lenders to cure any such default within the additional cure period of 30 days (the "Additional Cure Period"), and such cure period shall commence upon delivery of each such notice to the Lenders.

- 18.2 In the event the breach is not cured by the defaulting Party within the Additional Cure Period, the non-defaulting Party shall have the option and not the obligation to terminate the ELA by delivering Termination Notice pursuant to Section 18.1.

18.3 In the event that the breach is cured within the specified period and the defaulting Party has notified such cure in writing to the non-defaulting Party and the non-defaulting Party has not repudiated the contents of such notification within seven (07) days of its receipt of the notification then the non-defaulting Party shall have no right to terminate this Agreement in respect of such cured default.

18.4 In the event that the Lenders fail to cure any Lessee Event of Default on or before the expiration of the Additional Cure Period, Lessor may exercise its rights and remedies with respect to such default set forth in this Lease Agreement and Lessor may immediately terminate this Lease Agreement, and such termination shall be effective on delivery to the Lenders of notice of such termination. Upon such notice of termination being served to the Lessee and the Lenders, the terms agreed between the Lessor and Lessee under the Intercreditor Agreement shall apply,

19 ASSIGNMENT

19.1 Neither Party shall assign or transfer any of its rights, benefits or obligations under this Agreement to any other person, company, firm or corporation, without the prior written consent of the other Party.

20 GOVERNING LAW, JURISDICTION AND DISPUTE RESOLUTION

20.1 This Agreement shall be governed by and construed in accordance with the laws of Pakistan and the Courts of Karachi shall have jurisdiction to settle any claim or dispute arising out of or relating to this Agreement.

IN WITNESS WHEREOF this Agreement has been executed by the duly authorized representatives of the Parties hereto on the date first above written.

[SIGNATURE PAGE FOLLOWS]

SCHEDULE 1
DETAILS OF THE EQUIPMENT

[Equipment shall mean all assets, structures, plant, machinery, facilities, apparatus, appliances, articles, tools, components and equipment of existing Unit # 3 and Unit # 4 of the BQPS-1

SCHEDULE 2
Lease Rentals

KESC will lease its existing unit No. 3 & 4 to the K-Energy for the project. For this purpose a valuation has been conducted by Iqbal Nanji and Company for these units, who have valued these assets at USD 206.2 Million. A copy of the valuation report has been provided. Given below is the lease repayment schedule during the concession period of 20 years. The lease rate has been assumed at KIBOR plus 3% spread.

Lease Schedule	Year 1	Year 2	Year 3	Year 4	Year 5
	USD				
Opening Outstanding	206,254,228	203,499,236	200,404,553	196,928,295	193,023,415
Principal	2,754,992	3,094,683	3,476,257	3,904,880	4,386,352
Interest	25,431,146	25,091,456	24,709,881	24,281,259	23,799,787
Installment	28,186,139	28,186,139	28,186,139	28,186,139	28,186,139
Closing Outstanding	203,499,236	200,404,553	196,928,295	193,023,415	188,637,064

Lease Schedule	Year 6	Year 7	Year 8	Year 9	Year 10
	USD				
Opening Outstanding	188,637,064	183,709,875	178,175,164	171,958,023	164,974,308
Principal	4,927,189	5,534,711	6,217,141	6,983,715	7,844,807
Interest	23,258,950	22,651,428	21,968,998	21,202,424	20,341,332
Installment	28,186,139	28,186,139	28,186,139	28,186,139	28,186,139
Closing Outstanding	183,709,875	178,175,164	171,958,023	164,974,308	157,129,502

Lease Schedule	Year 11	Year 12	Year 13	Year 14	Year 15
	USD				
Opening Outstanding	157,129,502	148,317,431	138,418,831	127,299,734	114,809,653
Principal	8,812,071	9,898,600	11,119,097	12,490,082	14,030,109
Interest	19,374,068	18,287,539	17,067,042	15,696,057	14,156,030
Installment	28,186,139	28,186,139	28,186,139	28,186,139	28,186,139
Closing Outstanding	148,317,431	138,418,831	127,299,734	114,809,653	100,779,544

Lease Schedule	Year 16	Year 17	Year 18	Year 19	Year 20
	USD				
Opening Outstanding	100,779,544	85,019,523	67,316,292	47,430,251	25,092,263
Principal	15,760,021	17,703,232	19,886,040	22,337,989	25,092,263
Interest	12,426,118	10,482,907	8,300,099	5,848,150	3,093,876
Installment	28,186,139	28,186,139	28,186,139	28,186,139	28,186,139
Closing Outstanding	85,019,523	67,316,292	47,430,251	25,092,263	(0)