

Taylor - DeJongh Advisories Chosen As **DEALS of the YEAR 2000.**

Taylor-DeJongh left its mark on the year 2000 project finance scene by a string of over 35 new advisory mandates and 69 continuing mandates, four of which made history by entering the ranks of THE DEALS OF THE YEAR 2000.

Project Finance magazine named **Termo Bajio Power project** in Mexico as LATIN AMERICAN DEAL OF THE YEAR. Three Turkey projects **Adapazari, Gebze and Izmir**, sponsored as a package deal by InterGen/Enka, were named DEAL OF THE YEAR by *Project Finance International* magazine. *Privatization International* named **Gaza IPP and the IPO of the Gaza Electric Company** as the MIDDLE EAST and NORTH AFRICA PUBLIC OFFER of the YEAR.

Termo Bajio Power

On August 30th, 2000, Sponsor InterGen announced the financial closing of the US \$435 million credit facilities for the Bajio power plant, a 600 MW, natural gas-fired, combined cycle power facility, to be built, owned and operated by InterGen and AEP Resources. Taylor-DeJongh acted as the overall financial adviser to the U.S. Export-Import Bank (Ex-Im Bank) Project Finance division.

The Ex-Im Bank Comprehensive Guarantee Program was utilized as the vehicle to attract US \$215 million project financing by Citibank, supplemented by other financing vehicles and sources. InterAmerican Development Bank provided US \$22.5 million for the project under the A Loan and a consortium of commercial banks, provided US \$113 million under the B Loan.

The uniqueness of the project included a substantial portion of the energy being merchant risk. Further, the amortization profile for the Ex-Im financing was the first utilization of the new OECD flexible profile for power projects.

"Taylor-DeJongh was proud to be part of the Bajio project," said Terry Newendorp, Chairman and CEO of Taylor-DeJongh. "This is the second Mexico project after Samalayuca II on which we have worked with the U.S. Ex-Im Bank. We have closed many IPP projects in Mexico and will continue to expand our business operations in this region in power and other sectors."

Adapazari, Izmir, Gebze Power

After two years of negotiations between the Sponsors (InterGen, Enka Insaat), Turkish Government entities, and the lenders, three landmark Build-Operate (BO) gas-fired combined-cycle power projects reached financial close in October 2000: the 777 MW Adapazari power plant; the 1,554MW Gebze power project; the 1,524 MW Izmir Project. The total cost for all three projects is in excess of US \$2 billion. The projects represent about 17% of Turkey's current installed capacity.

Taylor-DeJongh has acted as Financial Advisor to the U.S. Export-Import Bank on the deal, which is providing its financing commitment of close to US \$1 billion and is the single largest lender to the transaction. OND of Belgium, Hermes of Germany and OPIC are the other Senior Lenders for the projects.

Newendorp says: "The three Turkish deals are unprecedented in complexity and unique requirements of all the parties involved in the project. We were proud to be part of this joint effort in bringing Turkey closer to resolving its enormous energy needs by means of this project."



Taylor-DeJongh Wins Hotly Competed Financial Advisory for ALBA \$1.7 Bn Expansion Program.

Taylor-DeJongh has been awarded the financial advisory role for the \$1.7 Bn expansion program for the Aluminium Bahrain ("ALBA") plan to increase its output from the current 510,000 tons per year, to 750,000 tons per year, including an additional 400 MW of power generation.

The scope for Taylor-DeJongh, which will undertake the assignment in cooperation with its Bahrain-based associate, Islamic Finance Consultants (E.C.), will include a review of the economic feasibility study and analysis of all options for the structuring of the financing of the expansion, including an evaluation and recommendations for the financing structure that will provide the terms most suitable for ALBA for the undertaking. Options will be developed for financing all or part of the expansion as a project financing, from various capital sources, including commercial banks, export credit agencies and capital markets.

In making the announcement, Terry Newendorp, Chairman and CEO, stated "It is an honor to be working with ALBA on this important project. They are an outstanding company, and we are pleased to be part of this major commercial expansion of their already world class facilities." The TDJ team, which will be reviewing the financial structuring, is being led by Chris Lundstrom (Washington, DC) and Martin Blaiklock (London). The overall project leader is TDJ CEO, Terry Newendorp. This assignment is being undertaken in conjunction with TDJ's Bahrain-based associate, Islamic Finance Consultants (IFC), financial advisory and brokerage company specialized in Islamic Finance structures, with Abdelhak El Kafsi as its Managing Director.

APICORP Taylor-DeJongh Advisory Services Alliance.

Arab Petroleum Investments Corporation (APICORP) and Taylor-DeJongh announce the formation of an alliance to be known as **APICORP Taylor-DeJongh Advisory Services** to provide financial advisory services to the energy industry in the Middle East and North Africa.

A Memorandum of Understanding was signed on March 21, 2001 in Abu Dhabi by Mr. Rasheed Al'Maraj, General Manager & Chief Executive of APICORP and Mr. Terry Newendorp, Chairman & CEO of Taylor-DeJongh, stating that the alliance will jointly provide financial advisory services to clients in the oil & gas and power generation industries throughout the Middle East and North Africa. The alliance brings together two of the leading providers of financial services for the energy sector. APICORP is the leading financial institution in the Middle East and North Africa for oil & gas industry projects, specialising in debt and equity finance.

APICORP, a company which is registered in Saudi Arabia and has its head office in Dammam, was established in 1975 by ten Member States of the Organisation of Arab Petroleum Exporting Countries (OAPEC). The company, which operates on a commercial basis, aims to promote the development of the hydrocarbon sector in the Arab World. Pursuant to this, the company has taken equity positions in new projects and companies throughout the Middle East and North Africa. In addition, APICORP has played a leading role in developing project financing structures in the region and has acted as an Arranger on almost all of the major hydrocarbon related financings in the region in recent years. APICORP has also acted as financial advisor to companies in the petrochemical sector in Saudi Arabia.

★ ★ **JOIN us for the Thomson Financial Conference "Financing Power and Petrochemical Projects in the Middle East and North Africa" to be held the 5th of June 2001 in London. The APICORP Taylor-DeJongh Advisory Services alliance is co-sponsoring. Call or email for more details!**

Indexation Issues in Brazil.

Brazil has been a difficult market for project finance due in part to problematic regulations that govern key transactional issues. Indexation is an issue that concerns most investors, especially in the power sector. The Real Plan does not permit the indexation of commercial project agreements (i.e. Power Purchase Agreements) to foreign exchange rates. Indexation to inflation, however, is permitted but is limited to yearly price adjustments. The result is a mismatch between local currency revenues and dollar-denominated obligations that can lead to large, unmitigated foreign currency exposure. Below is a brief summary of potential solutions used by project financiers to cope with indexation.

A possible legal exception is a constitutional provision allowing contractual terms to be readjusted in response to unforeseen economic events. The "Economic Equilibrium" clause, as it is known, has been successfully incorporated into publicly bid Administrative Law contracts. Whether this argument can be applied to private law contracts - typical in project finance - remains uncertain. Other legal exceptions to the Real Plan have been sought to justify direct or indirect linkage to foreign exchange rates. Each of these approaches relies on legislation that pre-dates the Real Plan in order to justify tariff structures that provide currency protection.

Several financial engineering solutions have also been devised to cope with indexation. These structures help preserve the dollar value of the cashflow available to project lenders, though the correct structure must be closely adapted to the requirements of all project parties. Finally, there is some hope that governmental action will address indexation, including provisional measures that would explicitly allow priority thermal generators to pass on cost variations resulting from exchange rate movements to off-takers, and the possible creation of a BNDES-backed fund to cover the periodic effects of exchange rate fluctuations. Each of these options could effectively mitigate currency risks. The key is to thoroughly study the specific needs of the project at hand and tailor the solution accordingly.

Taylor-DeJongh is currently active in advising on 4 power projects, a petrochemical project and 2 pipeline projects in Brazil.

Taylor-DeJongh Announces its New Madrid Office.

Taylor-DeJongh has opened an office in Madrid, Spain, to focus on infrastructure finance activities in Southern Europe, with an emphasis on the Iberian Peninsula. Mr. Stanislas Karnkowski, who will be President of Taylor-DeJongh Spain, has already been working along with his staff and Taylor-DeJongh on a number of financial advisory assignments, including structuring the recapitalization of a water, power and telecommunications utility. TDJ's Madrid office will also work with Spanish corporates on cross-border transactions. "There is considerable opportunity for independent corporate, structured and project finance services in these markets. TDJ has consistently been ranked as one of the leading international advisory firms by the trade press. I am delighted to join this premier organization and look forward to expanding TDJ's reach," stated Mr. Karnkowski at the Global Projects 2001 conference held in Paris March 26-28.

The Madrid office contact information is Padilla, 32-2 Iz., Madrid, 28006 Spain. Telephone (34) 91 426 0022 and fax (34) 91 426 0999, email: tdj@iberfin.es.

Taylor-DeJongh is an international project development and finance company with over 20 years of international experience and over \$20 Bn of projects financed. Power, oil & gas, telecommunications, infrastructure development and privatizations are the focus of company's financing activities. The company is headquartered in Washington, DC with branch offices in London and Cairo and affiliated offices in Bahrain, Madrid, Buenos Aires and Rio de Janeiro.