

PROJECT PARTICIPATION AGREEMENT

This PROJECT PARTICIPATION AGREEMENT ("Agreement"), dated as of March 31, 1993, between KING RANCH POWER CORP., a Delaware corporation ("Participant") and ENRON DEVELOPMENT CORP., a Delaware corporation ("EDC") (Participant and EDC being sometimes hereafter referred to individually as a "Party" and collectively as the "Parties"), provides as follows:

WHEREAS, Texas-Ohio Power, Inc. ("TOP") and Empresa Electrica de Guatemala, S.A. ("EEGSA") executed a power purchase agreement, dated January 13, 1992, which was assigned by TOP to EDC pursuant to an agreement dated March 12, 1992 (the "First PPA Assignment"), and which was further assigned to Puerto Quetzal Power Corp., a Delaware corporation ("PQP") pursuant to an agreement (the "Assignment Agreement") dated November 13, 1992 (as further amended, modified and supplemented from time to time, the "Power Purchase Agreement"); and

WHEREAS, Enron Corp. ("Enron"), the ultimate parent of EDC, by letter, dated April 14, 1992 (the "EEGSA Guarantee"), agreed to guarantee the performance by EDC of its obligation to supply electric power to EEGSA or pay liquidated damages under specified circumstances, all subject to the terms and conditions of the Power Purchase Agreement; and

WHEREAS, EDC owns 100 percent of the issued and outstanding shares of common stock of PQP; and

WHEREAS, subsequent to the First PPA Assignment PQP, with the assistance of EDC, has developed and constructed a 110 megawatt oil-fired, barge mounted power project described as the Facility in Section 1.16 of that certain Turnkey Contract between Enron Power Corp. ("EPC") and Wartsila Diesel, Inc. ("Wartsila"), dated as of April 10, 1992, as assigned by EPC to PQP (as so assigned, the "Turnkey Contract", and such project, the "Project") located outside San Jose, Guatemala at the Puerto Quetzal port facilities on the premises leased from Empresa Porturia Quetzal (the "Site"); and

Senate Finance Committee

EXHIBIT 29

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WHEREAS, in order to assist EEGSA obtain financing for the construction of an electrical power transmission line from a substation located adjacent to the Project to the principal transmission relay station in the Department of Esquintla, Guatemala, Enron has entered into a Guaranty Agreement (the "Transmission Line Guarantee"), dated as of December 18, 1992, with The First National Bank of Boston ("First National") under which Enron agreed to guarantee the obligations of EEGSA under a Loan Agreement, dated as of December 18, 1992, between EEGSA and First National; and

WHEREAS, PQP has arranged for the permanent financing of the Project (the "Financing") with the International Finance Corporation (the "IFC"); and

WHEREAS, as a condition to the Financing, the IFC requires credit support in the form of a letter of credit or cash collateral in an amount equal to six months debt service on the A Loan and B Loan portion of the Financing (the "Debt Service Guarantee"); and

WHEREAS, Participant has agreed to acquire from EDC, and EDC has agreed to sell to Participant 500 shares of common stock of PQP, which represents 50 percent of the issued and outstanding shares of common stock of PQP, upon the terms and subject to the conditions set forth herein; and

WHEREAS, Participant has agreed to cause King Ranch Oil and Gas, Inc., a Delaware corporation ("Parent"), the parent company of Participant, to assume a pro rata responsibility for the EEGSA Guarantee, the Transmission Line Guarantee, and the Debt Service Guarantee, as such terms are defined herein.

NOW, THEREFORE, in consideration of the mutual promises of the Parties, the warranties and covenants contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I

Sale and Purchase of Corporation Shares

1.01 Ownership of Common Stock. As of the date hereof, EDC is the owner of 1,000 shares of common stock of PQP, which represents 100 percent of the issued and outstanding shares of common stock (the "Shares") of PQP.

1.02 Sale and Purchase of Shares. At the Closing, as defined in Article III of this Agreement, EDC shall transfer 500 Shares (the "Transferred Shares"), which represent 50 percent of the issued and outstanding shares of common stock of PQP, to Participant by delivering or causing to be delivered to Participant one or more certificates representing the Transferred Shares, duly registered in the name of Participant. As consideration for the transfer of the Transferred Shares, and subject to the terms and conditions hereof, the Participant shall pay to EDC U.S. \$14,900,000 (the "Purchase Price") by wire or other electronic transfer of immediately available funds to an account designated by EDC.

1.03 Closing Deliveries. At the Closing, each of the documents set forth in Section 3.01 hereof shall be delivered by the Parties hereto, each such document to be fully executed or otherwise effective in accordance with its terms.

ARTICLE II

Special Transaction Agreements

2.01 Guarantees. In connection with the development and Financing of the Project, Enron has provided or agreed to provide the EEGSA Guarantee, the Transmission Line Guarantee and the Debt Service Guarantee. At the Closing, (a) each of Parent and Participant shall execute and deliver in favor of Enron and EDC, respectively, a Reimbursement Agreement of even date herewith (the "Reimbursement Agreement"), (b) Participant shall deliver an irrevocable standby letter of credit in favor of Enron, in form and substance identical to Exhibit 2.01(b) hereto or otherwise

reasonably satisfactory to EDC, backing up Parent's and Participant's reimbursement obligations under the Reimbursement Agreement (the "Reimbursement Agreement Letter of Credit") and (c) Participant shall deliver an irrevocable standby letter of credit in favor IFC, in form and substance identical to Exhibit 2.01(c) hereto or otherwise reasonably satisfactory to EDC, constituting 50 percent of the Debt Service Guarantee (the "IFC Letter of Credit").

2.02 TOP Contingent Payments. EDC has entered into an agreement with TOP requiring EDC to pay a commission based on a percentage of the gross revenues of the Project (the "TOP Payments"). Under the Assignment and Assumption Agreement dated November 13, 1992, among PQP, EDC and Electricidad Enron de Guatemala, S.A. (the "Operator"), EDC assigned the Power Purchase Agreement to PQP and the Operator assumed the obligation to make the TOP Payments from the fees it receives from PQP. Because under certain unexpected contingencies this arrangement could result in a windfall to the equity owners of PQP, EDC remained obligated to make the TOP Payments upon the occurrence of these contingencies to the extent the amount of such TOP Payments exceeds in any period the aggregate of the Base Fee and the Economic Dispatch Incentive Fee payable under the Operation and Maintenance Agreement dated as of November 13, 1992 as amended by Amendment No. 1 to Operation and Maintenance Agreement dated as of March 31, 1993 (the "TOP Backup Payment"). The Parties agree that, in the event EDC is required to make a TOP Backup Payment, the Parties shall put in place arrangements to achieve the same economic effect as if the payments were made by PQP before any distributions or dividends are paid.

2.03 Participant Puts. (a) The occurrence of any of the following shall constitute a Put Event and give to Participant the right to exercise a Put Election (as hereinafter defined):

(i) The failure of the funding of the Financing to occur on or before June 30, 1993 on terms no less favorable to PQP than the Financing Terms (as defined in Exhibit A hereto).

(ii) The funding of the Financing by EPC or an Affiliate (here and hereinafter used as defined in the

Stockholders' Agreement dated as of March 31, 1993 between the Parties (the "Stockholders' Agreement") of EDC on terms less favorable than the Financing Terms and the subsequent acceleration of the debt for non-payment of debt service and receipt by Participant of notice of such acceleration.

(iii) The receipt by PQP of (x) the bill of sale or other instrument evidencing passage of title from Wartsila to PQP for the Project and (y) a Certificate of Ownership (CG Form 1330) for each of El Enron I and El Enron II ("Title Acquisition") shall not have occurred on or before June 30, 1993.

(iv) (A) The failure of Title Acquisition to occur shall have a material adverse effect on the receipt by PQP of revenues under the Power Purchase Agreement, and (B) PQP (or, at its sole discretion, EDC or an affiliate of EDC) shall not have cured such material adverse effect on or before June 30, 1993.

(v) (A) The total remaining Project capital costs as of the date of this Agreement that have not been paid and are necessarily incurred or to be incurred (I) to close the Financing in accordance with the Financing Terms and (II) to complete the Project in a manner which triggers the obligation of EEGSA to commence payments under the Power Purchase Agreement with respect to 110 MW of capacity and associated energy, and fulfills the representations and warranties hereunder, including the payment of a \$2,000,000 development fee to EDC and the reimbursement to EDC and its Affiliates of any and all associated development, construction management or financing expenses, exceed \$500,000, and (B) EDC does not at such time pay or cause to be paid, or contribute or cause to be contributed to PQP in order for PQP to pay, such portions thereof which may then be due or become due and owing to third parties, all without imposing any debt or other obligation therefor upon PQP or the Project.

(vi) The failure of the Operator to transfer to PQP Good Title (as hereinafter defined) to the Port Lease (as hereinafter defined) (or other legal, valid, binding and enforceable arrangements reasonably satisfactory to Participant vesting in PQP substantially the same economic and legal benefit with respect to the Port Lease and the property covered thereby) on or before

June 30, 1993, or the inability of EDC to make with respect to the Port Lease as of the date of acquisition thereof each and every representation and warranty contained in Section 4.08 hereof (with respect to Assets (as hereinafter defined) of PQP on the date hereof) or Section 4.11 (with respect to contracts to which PQP is a party on the date hereof).

(vii) The occurrence, on or before June 30, 1993, of a demand for reimbursement under the Reimbursement Agreement, a draw under the Reimbursement Agreement Letter of Credit or the IFC Letter of Credit, or any request for or requirement of any additional material investment, or the incurrence of any additional material obligation, by Participant or Parent with respect to the Project or PQP (including but not limited to Subordinated Stockholder Loans and Parent Guarantees under the Stockholders' Agreement, the purchase of additional capital stock or other form of capital contribution).

(b) A Put Election is constituted and exercised as follows:

(i) Participant may elect, in its sole discretion, by written notice which must be received by EDC within 10 days following the occurrence of the event(s) giving rise to Participant's right to a Put Election, to sell the Transferred Shares to EDC. In such event, Participant shall state in its notice a date (the "Put Date") that is between 10 and 20 days following the date upon which EDC receives such notice.

(ii) Upon delivery by Participant to EDC on the Put Date of the stock certificate(s) representing the Transferred Shares, each endorsed to EDC (or accompanied by a stock power endorsed in blank), EDC shall (A) pay to Participant by wire transfer in U.S. dollars in immediately available funds to an account notified in writing to EDC an amount equal to (x) (I) the Purchase Price plus (II) \$600,000 plus (III) from March 31, 1993 to the Put Date (the "Income Period"), Participant's pro rata share (in accordance with its ownership of Ordinary Shares (as defined in the Stockholders' Agreement)) of (alpha) the sum of all revenues of PQP (accrued and cash under U.S. generally accepted accounting principles ("GAAP")) less (beta) the

sum of (1) all expenses of PQP (accrued and cash under GAAP, excluding non-cash expenses), (2) accrued income taxes for PQP net income, and (3) debt service of PQP less (y) the sum of all dividends and distributions made to Participant by PQP during the Income Period (including such dividends and distributions as were allocable to Participant but paid to EDC or an affiliate of EDC pursuant to the Reimbursement Agreement), and (B) terminate the Reimbursement Agreement and return to Participant (x) the Reimbursement Agreement Letter of Credit and (y) the IFC Letter of Credit; provided, that, if EDC is unable to secure the return of the IFC Letter of Credit from IFC on reasonable terms, EDC shall deliver to Participant a guarantee or indemnification by EDC of Participant in form and substance reasonably satisfactory to Participant with respect to all draws which may at any time be made under the IFC Letter of Credit or any amendment, modification or extension thereof or replacement therefor. Participant shall have the right of specific performance with respect to the enforcement of Participant's rights under this Section 2.03(b)(ii).

2.04 Put Out. If a Put Event occurs under Sections 2.03(i), (ii), (iii), (iv), (v) or (vi) hereof, Participant shall have no remedies under this Agreement save those set forth in Section 2.03(b) hereof, and all of Participant's rights in and obligations under this Agreement, the Stockholders' Agreement and the Reimbursement Agreement shall terminate as of the date of such transfer, except where such rights or obligations are otherwise expressly provided herein or therein as surviving such termination.

ARTICLE III

Closing

3.01 Closing. The closing (the "Closing") shall take place at 9:00 a.m. local time on March 31, 1993 at the offices of EDC in Houston, Texas, or at such other time or place as the Parties mutually agree (the "Closing Date"). At the Closing, the following events shall occur:

(a) Participant shall pay the Purchase Price in U.S. dollars and in immediately available funds to EDC by wire or other electronic transfer of funds to

such account as EDC shall have designated to Participant as provided in Section 1.02;

(b) EDC shall deliver to Participant one or more stock certificates evidencing the Transferred Shares, as provided in Section 1.03;

(c) The Parties shall execute and deliver a Stockholders' Agreement with respect to PQP;

(d) The Parties shall hold such stockholders' and Board of Directors' meetings necessary to elect new directors and officers as required by the Stockholders' Agreement;

(e) Parent shall deliver the Reimbursement Agreement, the Reimbursement Agreement Letter of Credit and the IFC Letter of Credit, as provided in Article II; and

(f) Each of the documents set forth on Exhibit 3.01(f) hereto shall have been delivered by the Party indicated thereon in form and substance satisfactory to each of the Parties.

3.02 General Conditions. The obligation of either Party to take any of the actions set forth in Section 3.01 hereof shall be subject to the following condition precedent that no injunction or restraining order, issued by a court of competent jurisdiction, which prohibits the consummation of any of the transactions contemplated by this Agreement shall be in effect.

ARTICLE IV

Representations and Warranties as to EDC and POP

EDC hereby represents and warrants to Participant that as of the date hereof:

4.01 Corporate Organization and Qualification. Each of EDC and PQP is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Copies of the Certificate of Incorporation (certified by the Secretary of State of

Delaware) and the Bylaws (certified by the Secretary of PQP) of PQP, heretofore delivered to the Participant, are true, correct and complete and reflect all amendments thereto as of the date hereof. PQP is duly qualified under Guatemalan law to conduct business in Guatemala and has all necessary governmental licenses, permits, qualifications and authorizations to maintain, operate and sell power from the Project, the absence of which would have a Material Adverse Effect (as defined in Section 4.08).

4.02 Corporate Authority. Except as set forth on Exhibit 4.02, the execution, delivery and performance by EDC at Closing of each of this Agreement and of each EDC Closing Document set forth on Exhibit 3.01(f) hereto have been authorized by all necessary corporate action, and do not and will not: (a) require any consent or approval of the stockholders of EDC or any third party not already obtained, (b) violate any law, rule, regulation, order, or decree presently in effect and having applicability to EDC or PQP or any of the Assets (as hereinafter defined), (c) violate the Certificate of Incorporation or By-Laws of EDC or PQP, (d) violate any contract, agreement, security agreement, mortgage, deed of trust, financing agreement, or other contract to which either of EDC or PQP is a party or by which either of them may be bound, or (e) give rise to any lien, charge or other encumbrance on the Assets.

4.03 Enforceability. Each of this Agreement and each EDC Closing Document is the legal, valid and binding obligation of EDC, enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally and by general principles of equity, regardless of whether the issue of enforceability is considered in a proceeding at law or in equity.

4.04 No Litigation. Except for matters as to which Participant has a right of indemnification pursuant to Section 4.17 hereof, there is no litigation or administrative or regulatory proceeding pending or, to the best knowledge of EDC, threatened, to which EDC or PQP or any of their respective affiliates is a party and which,

if adversely determined, would have a material adverse effect on (a) PQP, the Project, their operation or prospects, or (b) the ability of EDC to consummate the transactions contemplated herein or to comply with the provisions of the EDC Closing Documents.

4.05 Compliance With Law. Other than those violations which on and after the date hereof will have no material adverse effect on Participant, PQP, the Assets or the Project, (a) to the best of EDC's knowledge and belief, there are not now and have not been any violations of any federal, state, county or municipal law in Guatemala ("Guatemalan Law") or any U.S. federal or state law, rule or regulation in connection with the construction or operation of the Project, and (b) neither EDC nor PQP nor any person or entity acting on their behalf and under their guidance or direction have committed any violations of Guatemalan Law or U.S. law, including, but limited to, the Foreign Corrupt Practices Act, in connection with the Project, the procurement of the Power Purchase Agreement, parts or equipment for the Project, permits or licenses for the Project or any other agreement to which PQP is or may be a party or from which it may benefit. EDC shall, and hereby does, indemnify and hold harmless Participant and the directors, officers, employees, agents, representatives and shareholders of Participant from and against any and all costs, losses, claims, damages and liabilities, including reasonable attorney's fees, incurred by any of them, arising out of any breach or violation prior to the date hereof of the Foreign Corrupt Practices Act of 1977, as amended, by PQP, EDC, or any predecessor in interest of PQP or EDC with respect to the Project, or any affiliate, employee, agent or representative of PQP, EDC or any predecessor in interest of PQP or EDC with respect to the Project, all without regard to any deduction provided for in Article VI; this indemnity shall survive the termination of this Agreement whether pursuant to Section 2.03 hereof or otherwise.

4.06 Authorized Capital. The authorized capital stock of PQP consists of 10,000 shares of common stock, of which 1,000 shares are issued and outstanding on the date hereof. All of such issued and outstanding shares of common stock have been duly authorized and are validly issued, fully paid and nonassessable and are owned beneficially and of record by EDC. There are no

preemptive rights and no outstanding subscriptions, options, warrants, rights, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock of PQP.

4.07 Ownership by EDC of Transferred Shares.

EDC's ownership of the Transferred Shares consists of good, valid and indefeasible title to the Transferred Shares, free and clear of all security interests, liens, encumbrances, options, calls, pledges, trusts, voting trusts and other shareholders' agreements, covenants, restrictions, reservations and other burdens of any type whatsoever, save and except only (a) the terms of the Stockholders' Agreement, and (b) any pledge of stock of PQP that may be required under the Financing or by the Overseas Private Investment Corporation (the "Stock Pledge"). The certificates representing the Transferred Shares to be delivered to the Participant at the Closing, and the signatures on the endorsements thereof or stock powers delivered therewith, will be valid and genuine. The stock certificates, endorsements, stock powers and other documents to be delivered to the Participant on the Closing Date will transfer to and vest in the Participant good, valid and indefeasible title to the Transferred shares, free and clear of all security interests, liens, encumbrances, options, calls, pledges, trusts, voting trusts and other shareholders' agreements, covenants, restrictions, reservations and other burdens of any type whatsoever, arising from any claim or act of EDC or its affiliates, save and except only the Stockholders' Agreement and the Stock Pledge. No stock transfer taxes or other similar taxes are required to be paid with respect to the transfer of the Transferred Shares as provided herein.

4.08 Ownership: Title to Properties and Related Matters. Upon the completion of the transfer of title thereto from Wartsila to PQP, except as set forth on Exhibit 4.08 hereto, PQP will have good and indefeasible title to all of the assets set forth on Exhibit 4.08 hereto (the "Assets") and none of the Assets of PQP will be subject to any (i) material lien, mortgage, pledge, security interest, lease, option, call, charge, joint ownership, or other encumbrance (except in connection with the Financing or arising in the ordinary course of business) or (ii) material right of way, building, use or zoning restriction, exception, variance,

reservation, limitation or burden of any nature whatsoever, which, in the case of either (i) or (ii) above, would have a material adverse effect upon the condition (financial or otherwise), business, operations, revenues, assets or liabilities (whether direct, indirect, accrued, absolute, contingent or otherwise) of PQP, whether or not covered by insurance (a "Material Adverse Effect"), except (a) as disclosed in writing to the Participant prior to the date hereof, (b) for liens for taxes, assessments or governmental charges or levies which are not delinquent, (c) with respect to those Assets that are described on Exhibit 4.11, for any obligation arising pursuant to the terms and provisions thereof, (d) with respect to the lease of dock/harbour space in Puerto Quetzal, Guatemala, dated December 17, 1992, between Empresa Porturia Quetzal and Operator (the "Port Lease") or those Assets that PQP is leasing from a third party, for any and all matters that did not arise by, through or under PQP, or its Affiliates and (e) with respect to matters respecting import duties as to which Participant is indemnified pursuant to Section 4.17 hereof ("Good Title"). If PQP does not have Good Title, then PQP shall have the right for 60 days after receipt of written notice of such defect from Participant to attempt to cure such defect if it is curable. All personal property material to the financial condition, operations, business or prospects of PQP and all buildings, structures and fixtures used by PQP in the conduct of its business are in good operating condition and repair, except for ordinary wear and tear and except for the punchlist items set forth on Exhibit 4.08(X) ("Punchlist Items"). To the knowledge of EDC, there is no pending or threatened condemnation, nationalization, expropriation or other similar proceeding or assessment affecting any of the assets of PQP, nor is any such proceeding or assessment contemplated by any governmental authority. There has not been any sale, assignment, lease, transfer, license, abandonment or other disposition by PQP of any interest in its properties which would have a Material Adverse Effect.

4.09 Permits and Land Use Rights. PQP has obtained all permits, authorizations and land use rights necessary to construct and operate the Project at the Site, except those the absence of which would not have a Material Adverse Effect.

4.10 [Wilfully Omitted]

4.11 Material Contracts and Liabilities.

Exhibit 4.11(A) sets forth all of the material contracts and agreements, including material modifications and clarifications thereof by parties thereto and material written interpretations between the parties thereto (such modifications, clarifications and interpretations, "Clarifications") in EDC's or PQP's possession, or known to EDC or PQP, to which PQP is a party or of which PQP is a named recipient or beneficiary (separately identifying those with EDC or any affiliate thereof), and, to PQP's best knowledge, sets forth all of the material contracts and agreements, including Clarifications, but excluding statutes, rulings, regulations and orders of any governmental entity, by which PQP or any of its property or the Project may be bound, and Exhibit 4.11(B) sets forth all material liabilities of PQP or the Project in excess of \$50,000. EDC has delivered to Participant true and complete copies of all the contracts and agreements set forth on Exhibit 4.11(A), all of which are in full force and effect.

Except (a) as disclosed in Exhibit 4.11(A) hereto, or (b) as may relate to an Expansion Project, but not the Project (as defined in the Stockholders' Agreement), PQP is not a party to and is not bound by: (i) any sales, agency, distributorship or brokerage agreement or franchise; (ii) any collective bargaining, union, employment, noncompetition or secrecy agreement (other than any confidentiality provision contained in any purchase order); (iii) any loan or credit agreement, security agreement, guaranty, indenture, mortgage, pledge, conditional sale or title retention agreement, equipment obligation, lease purchase agreement or other instrument evidencing indebtedness; (iv) any partnership, joint venture, joint operating or similar agreement; (v) any contract, agreement, arrangement or commitment presently in effect or entered into by EDC or PQP prior to the date hereof, whether or not fully performed, in connection with the issuance of capital stock, bonds or other securities or PQP; (vi) any contract, agreement, arrangement or commitment with any affiliate of EDC; or any contract, agreement or commitment which requires the expenditure by PQP of amounts in excess of (x) \$100,000 per annum or (y) \$500,000 over the life of the agreement,

or which otherwise materially affects the condition (financial or otherwise), properties, assets, business or prospects of PQP.

Each contract, agreement and commitment set forth on Exhibit 4.11(A) to which PQP is a party (a "4.11(A) Contract") constitutes the legal and binding agreement of PQP enforceable in accordance with its terms. Except as disclosed in writing to Participant, neither PQP nor any person that has assigned a 4.11(A) Contract has breached (which breach is continuing and has not been remedied or waived) any material provision of, or is in default in any material respect under the terms of, any such 4.11(A) Contract to PQP or a predecessor, and no event has occurred which, after notice or lapse of time or both, would constitute such a material default under the terms of any such 4.11(A) Contract. No other party to any such 4.11(A) Contract has failed to make to PQP any payment that is now due to PQP (after giving effect to customary grace periods), and, to the actual knowledge of EDC, no other party to any such 4.11(A) Contract to which PQP is a party or by which PQP is bound is in default thereunder or in breach of any term or provision thereof, except for Punchlist Items. To the knowledge of EDC, applying the standards of a reasonably prudent operator, there exist no conditions or events which, after notice or lapse of time or both, would constitute a default by any party to any such 4.11(A) Contract, except for Punchlist Items. To the actual knowledge of EDC, the Project has been constructed and is operated in accordance with such 4.11(A) Contracts and applicable law, except for Punchlist Items and for any matters disclosed under the heading in item 60 on Exhibit 4.11(A).

4.12 Equity Contribution. EDC has made or will make all equity contributions to PQP required under the Financing.

4.13 Power Purchase Agreement. The requirements of the Power Purchase Agreement necessary to trigger the obligation of EEGSA to commence payments thereunder with respect to 110MW of capacity and associated energy have been satisfied.

4.14 Guarantees. Neither EDC nor Enron Corp. have received notice of any claim or threatened claim

under the terms of the EEGSA Guarantee or the Transmission Line Guarantee (collectively, the "Guarantees") or with respect to any TOP Backup Payment, nor, to the knowledge of EDC, has any event occurred which constitutes or may constitute an event of default which gives rise to any obligation under any of the Guarantees or to make a TOP Backup Payment.

4.15 Absence of Undisclosed Liabilities.

Except as and to the extent disclosed in writing to the Participant in this Agreement or prior to the date hereof, PQP does not have any material liabilities or obligations of any nature (whether absolute, accrued, contingent or otherwise), including, without limitation, any liabilities resulting from failure to comply with any law applicable to PQP or any tax liabilities due or to become due or arising out of any transaction entered into on the date hereof. To the knowledge of EDC, there is no basis for any assertion against PQP of any material liabilities not disclosed to the Participant in writing in this Agreement or prior to the date hereof.

4.16 Consents and Approvals; No Violation. No

filing or registration with, and no permit, authorization, consent or approval of, any public body or authority is necessary for the consummation of the transaction contemplated by this Agreement.

4.17 Tax Matters. Except for value added tax

and Import Taxes (as defined below), all Guatemalan, federal, state, county and local income and other taxes, including interest and penalties thereon due from PQP based on its activities prior to the date hereof, have been fully paid, or adequate reserves have been established for them that are reflected on the books of PQP. The term "Import Taxes" shall include any governmental charge that may be imposed or assessed as a result of the importation of property into Guatemala and includes, without limitation, import duties, stamp taxes and documentary taxes.

- 1 Duly authorized exemptions and waivers from the appropriate authorities in Guatemala with respect to the import duty, consumption tax and compensatory fee imposed by such authorities on the import, transfer and consumption of Bunker C fuel

oil for use by the Project have been obtained and are in full force and effect

- 2) The appropriate authorities in Guatemala have granted temporary import status to the barge and power generating systems affixed to the barges that are utilized by the Project. This temporary import status may terminate after January 1, 1994.

EDC shall indemnify Participant for any losses suffered by Participant arising from, and to the extent of, (a) any existing tax liability that PQP or EDC should have known about which has not been disclosed in writing to Participant, (b) any import duties and unrecoverable value-added tax incurred to date on the Assets, and (c) any import duties on barges and power generating equipment systems affixed to the barges or incorporated into the Project in Puerto Quetzal or Guatemala as of the date hereof (the "Barges and Systems") by virtue of the arrival or presence of the Barges and Systems in Guatemala or at Puerto Quetzal, in each case without regard to the \$250,000 threshold set forth in Article VI hereof.

4.18 Minute Books. The minute books of PQP, true, correct and complete copies of which have been previously delivered to the Participant, contain complete and accurate records of any and all meetings of the directors of PQP and of any material action taken by such directors.

4.19 Testing, Completion and Engineering. Wartsila has delivered and PQP has accepted the Substantial Completion Certificate by letter dated February 15, 1993, a true and correct copy of which has been delivered to Participant. Subject to and in accordance with the terms and provisions of that certain letter dated February 26, 1993, from Wartsila to EPC, a copy of which has been delivered to Participant, Wartsila has delivered and PQP has accepted each of the Operational Completion Certificate (as defined in the Turnkey Contract) in accordance with Section 10.5 of the Turnkey Contract and the Availability Test Completion Certificate (also as defined in the Turnkey Contract) in accordance with Section 10.6(b) of the Turnkey Contract. Wartsila also delivered its Pre-Final Completion

Certificate by letter dated March 23, 1993, a true and correct copy of each of which has been delivered to Participant; EDC has rejected Wartsila's Pre-Final Completion Certificate for, among other things, failure to list all of the Punchlist Items as required by Section 10.8(b) of the Turnkey Contract. The Project achieved Commercial Operation (as defined in the Power Purchase Agreement) on February 18, 1993.

4.20 Environmental Compliance. PQP has been informed by the IFC that as part of the approval process undertaken by the IFC in connection with the Financing, the IFC is satisfied that the construction, installation and operation of the Project comply with the World Bank's Occupational Health and Safety Guidelines and Environmental Guidelines, both dated September, 1988. The construction, installation and operation of the Project comply with all applicable Guatemalan environmental statutes, rules and regulations.

ARTICLE V

Representations and Warranties of Participant

Participant represents and warrants to EDC that as of the date hereof:

5.01 Corporate Organization and Qualification
Each of Participant and Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

5.02 Corporate Authority. The execution, delivery and performance by Participant at Closing of each of this Agreement and of each Participant Closing Document set forth on Exhibit 3.01(f) hereto, and by Parent of the Reimbursement Agreement, and the delivery by Parent of the Reimbursement Agreement Letter of Credit and the IFC Letter of Credit have been authorized by all necessary corporate action, and do not and will not: (a) require any consent or approval of the stockholders of Participant or Parent or any third party not already obtained, (b) violate any law, rule, regulation, order, or decree presently in effect and having applicability to Participant or Parent, (c) violate the Certificate of Incorporation or By-Laws of Participant or Parent, or (d)

violate any contract, agreement, security agreement, mortgage, deed of trust, financing agreement, or other contract to which either of Participant or Parent is a party or by which either of them may be bound.

5.03 Enforceability. Each of this Agreement and each Participant Closing Document is the legal, valid and binding obligation of Participant, and the Reimbursement Agreement is the legal, valid and binding obligation of Parent, each enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally and by general principles of equity, regardless of whether the issue of enforceability is considered in a proceeding at law or in equity.

5.04 No Litigation. There is no litigation or administrative or regulatory proceeding pending or, to the best knowledge of Participant, threatened, to which Participant or any of its affiliates is a party and which, if adversely determined, would have a material adverse effect on the ability of Participant or Parent to consummate the transactions contemplated herein or to comply with the provisions of each Participant Closing Document.

5.05 Investment Representations. None of Participant, Parent or any affiliate of either is (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, or (b) subject to, or not exempt from, regulation under the Public Utility Holding Company Act of 1935, as amended (the "Act"), or the Federal Power Act, as amended. Neither King Ranch, Inc. nor any affiliate (as defined under the Act) is a public utility company (as defined under the Act) over which a State commission has jurisdiction with respect to its retail electric or gas rates. Participant is acquiring the Transferred Shares for investment for its own account and not with a view toward any resale or distribution thereof. The statements set forth in the Affidavit of U.S. Citizenship delivered by Participant in connection with the Closing are complete, true and accurate statements of the ownership and status of Participant and any relevant affiliate as U.S. citizens.

ARTICLE VI

Indemnities

6.01 EDC Indemnity. EDC shall, and hereby does indemnify and hold harmless Participant and the directors, officers, employees, agents and representatives of Participant from and against any and all costs, losses, claims, damages and liabilities, including reasonable attorney's fees, incurred by it, arising out of any one or more breaches by EDC of any representation, warranty or covenant in this Agreement, to the extent that such damages exceed \$250,000 in the aggregate for all occurrences.

6.02 Participant Indemnity. Participant shall, and hereby does indemnify and hold harmless EDC and the directors, officers, employees, agents and representatives of EDC from and against any and all costs, losses, claims, damages and liabilities, including reasonable attorney's fees, incurred by it, arising out of any one or more breaches by Participant of a representation, warranty or covenant in this Agreement, to the extent that such damages exceed \$250,000 in the aggregate for all occurrences.

ARTICLE VII

General Provisions

7.01 Independent Investigation. Participant acknowledges that it has had access to the officers, employees, assets, operations, books, records and files of PQP and those of the EDC relating to PQP. In entering into the transactions contemplated by this Agreement, Participant is relying solely on its own investigation of the Project and on its own expertise in the independent power industry. Except for the representations, warranties and covenants contained herein, Participant is not relying on any other statement, document, or information provided by PQP or EDC or their affiliates, employees or agents, including without limitation any financial or operating projections. Without diminishing the scope of the express representations, warranties and covenants of EDC in this Agreement and without affecting

or impairing Participant's right to rely thereon, Participant acknowledges that EDC has not made, and EDC HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE CONDITION OF THE ASSETS AND OPERATIONS OF PQP (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS).

7.02 Entire Agreement. This Agreement, together with the EDC Closing Documents, the Participant Closing Documents, Stockholders' Agreement, and any other document executed or delivered between the Parties as of the date hereof, sets forth the entire agreement and understanding of the Parties relating to the subject matter set forth herein and supersedes any and all other understandings, contracts or agreements, oral or written, between the Parties hereto with respect of the subject matter of this Agreement.

7.03 Expenses. Each Party shall pay its own expenses related to this Agreement and the transactions contemplated hereby; provided however that on the Closing Date, Participant shall pay to EDC as reimbursement of the expenses of EDC in effecting this transaction the sum of \$600,000. .

7.04 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

7.05 DTPA Waiver. PARTICIPANT REPRESENTS AND WARRANTS TO EDC THAT PARTICIPANT SEEKS TO ACQUIRE THE GOODS AND/OR SERVICES WHICH ARE THE SUBJECT OF THIS AGREEMENT FOR COMMERCIAL AND BUSINESS USE AND THAT IT HAS ASSETS OF \$25 MILLION OR MORE OR IS OWNED OR CONTROLLED BY A CORPORATION OR OTHER ENTITY WITH ASSETS OF \$25 MILLION OR MORE. PARTICIPANT FURTHER REPRESENTS AND WARRANTS THAT, AT ALL TIMES PERTINENT OR RELATED TO THIS AGREEMENT AND THE TRANSACTION, ACTS OR PRACTICES THAT CONSTITUTE THE SALE OF THE GOODS AND/OR SERVICES UNDER THIS AGREEMENT, PARTICIPANT HAS AND WILL MAINTAIN TOTAL ASSETS OF AT LEAST \$25 MILLION OR MORE OR BE OWNED OR CONTROLLED BY A CORPORATION OR ENTITY WITH ASSETS OF \$25 MILLION OR MORE. ACCORDINGLY, PARTICIPANT ACKNOWLEDGES,

REPRESENTS AND WARRANTS THAT IT IS A "BUSINESS CONSUMER" AS THAT TERM IS DEFINED BY THE TEXAS DECEPTIVE TRADE PRACTICES--CONSUMER PROTECTION ACT, TEX. BUS. & COM. CODE ANN. §17.41 ET SEQ. (VERNON 1987) (THE "DTPA") AND AGREES THAT THE DTPA OTHER THAN SECTION 17.555 IS NOT IN ANY WAY APPLICABLE TO THIS TRANSACTION.

7.06 Confidentiality. The terms of this Agreement shall be kept confidential, except to the extent any information is reasonably required to be disclosed (a) to any person or entity for the purpose of evaluating whether to provide insurance or financing or other credit support for the Project or PQP or the Parties or their Affiliates or to any actual or proposed assignee of all or any part of the interest of the Participant or EDC in PQP, (b) to the legal, accounting, regulatory or other advisers of EDC, Participant or PQP, or their affiliates, (c) as required by any governmental authority or otherwise by law, (d) in connection with any litigation to which the Participant or any of its affiliates may become a party, or (e) to the extent reasonably required in connection with the exercise of any remedy hereunder; provided that any party to which disclosure is made under the foregoing Sections 7.06(a)-(b) has entered into an appropriate confidentiality undertaking; and further provided that if an appropriate confidentiality undertaking is not obtainable for disclosures under Sections 7.06 (c), (d) or (e), that a suitable protective order has been obtained (if obtainable); and further provided that the terms of this Agreement may be disclosed under the circumstances set forth in Section 6.01(b) of the Stockholders' Agreement. The provisions of this Section 7.06 shall survive any termination of this Agreement, including without limitation a termination pursuant to Section 2.03 hereof.

7.07 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties hereto as nearly as may be possible, and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction. If any provision or provisions of this

Agreement shall be held to be invalid, illegal or unenforceable, the validity, illegality or unenforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

7.08 Succession; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Except as otherwise set forth herein, this Agreement is solely for the benefit of the Parties hereto and their respective successors and permitted assigns, and this Agreement shall not otherwise be deemed to confer upon or give to any other third Party any remedy, claim, liability, reimbursement, cause of action or other right.

7.09 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each complete set of which when so executed and delivered by all Parties, shall be original, but all such counterparts shall constitute but one and the same instrument.

7.10 Notices. Any notice to be given hereunder shall be in writing and may be delivered by hand (including without limitation by express courier) against written receipt or sent by first class mail postage prepaid or by facsimile copy with telephone confirmation thereof, promptly followed by a written notice sent by first class mail postage prepaid to the persons and addresses specified below (or such other person or address as any party may previously have notified in writing for the purpose). A notice shall be deemed to have been served when delivered by hand at that address or received by facsimile copy, or, if sent by first class mail as aforesaid, five days after it was posted. In proving service by first class mail, it shall be sufficient to prove that the letter containing the notice was properly addressed and stamped and posted. The names and addresses for the service of notices referred to in this Section are:

TO Participant at:

King Ranch Power Corp.
c/o King Ranch, Inc.
Two Greenspoint Plaza, Suite 1450

16825 Northchase
Houston, Texas 77060
Attention: Roger Jarvis
Fax No.: 713-873-4411

with a copy to:

Larry Worden
King Ranch Power Corp.
c/o King Ranch, Inc.
Two Greenspoint Plaza, Suite 1450
16825 Northchase
Houston, Texas 77060
Fax No.: 713-872-7209

TO EDC at:

Enron Development Corp.
c/o Enron Power Corp. - U.S.
Three Allen Center
333 Clay Street, Suite 400
Houston, Texas 77002

Attention: Jude Rolfes
Fax No.: 713-646-6022

with a copy to:

Robert H. Walls, Jr.
General Counsel
Enron Power Corp.
Three Allen Center
333 Clay Street, Suite 400
Houston, Texas 77002
Fax No.: 713-646-6022

7.11 Headings. Headings used in this Agreement are for convenience of reference only and do not constitute part of this Agreement for any purpose.

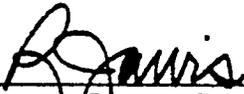
7.12 Nature and Survival of Representations and Warranties. All representations, warranties and covenants, including covenants of indemnification (unless otherwise provided herein), made by the parties and contained in this Agreement shall survive the Closing and all inspections, examinations, or audits on behalf of the parties hereto, and shall terminate on the second anniversary of the Closing Date.

7.13 Waiver of Compliance. Any failure of the Participant, on the one hand, or EDC, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by EDC or the Participant, respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

7.14 Jurisdiction and Venue. Any process against the Participant or EDC in, or in connection with, any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement may be served personally or by certified mail at the address set forth in Section 7.10 with the same effect as though served on it personally. The Participant and EDC hereby irrevocably submit in any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement to the jurisdiction and venue of the United States District Court for the Southern District of Texas and the jurisdiction and venue of any court of the State of Texas located in Harris County and waive any and all objections to jurisdiction and review or venue that it may have under the laws of Texas or the United States.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Project Participation Agreement as of the date above set forth.

KING RANCH POWER CORP.

By: 
Name: Roger Jarvis
Title: President and
Chief Executive
Officer

ENRON DEVELOPMENT CORP..

By: 
Name: Rebecca P. Mark
Title: President and
Chief Executive
Officer

Exhibit A
to the
Project Participation
Agreement

FINANCING TERMS

1. If Financing is provided by the IFC (and any other institution participating with the IFC in such Financing), "Financing Terms" shall mean terms and conditions better than, or substantially the same as, those terms and conditions set forth in the following draft documents:

(a) Investment Agreement between IFC and PQP (draft of March 28, 1993)

(b) Project Funds Agreement between IFC and PQP (draft of March 29, 1993)

(c) Sponsor Support Agreement among Enron Corp., PQP and IFC (draft of March 29, 1993)

(d) Share Retention Agreement between EDC and IFC (draft of February 25, 1993)

EDC has provided true and correct copies of the foregoing draft documents to Participant.

2. If Financing is provided by Enron or an affiliate thereof, "Financing Terms" shall mean those set forth on Attachment A-1 hereto.

V. Summary Of Preliminary Financing Terms and Conditions

A. DRAFT TERM SHEET FOR IFC INVESTMENT

This draft term sheet is for discussion purposes only and subject to change. It does not constitute an offer or commitment by the International Finance Corp. ("IFC") nor does it contain any representation or warranty of any kind on IFC's part. Any investment by IFC is contingent upon the negotiation of mutually satisfactory terms and conditions, review by local counsel, approval of the transactions contemplated herein by IFC's management and Board of Directors and execution of satisfactory documentation.

1. Certain Definitions:

Borrower:	Puerto Quetzal Power Corp. ("Borrower")
Closing:	Upon execution of the Investment Agreement. Closing is targeted to occur on or before March 15, 1993.
Commitment:	The aggregate amount made available by the Lenders to provide loans to the Borrower.
Investment Agreement:	The agreement among the Borrower, the Agent and the Lenders, pursuant to which the Lenders will commit to make available to the Borrower the Commitment.
Lenders:	Financial institutions participating in the Investment Agreement.
Project:	A 110 megawatt (net), fuel oil-fired, dispatchable, barge mounted power plant located in Puerto Quetzal, Guatemala together with ancillary onshore equipment.

2. Project Company: The Project will be implemented by the Puerto Quetzal Power Corp., ("Borrower" or "the Company"), a corporation established under the laws of the State of Delaware, U.S.A. The shareholders of the Company will include (1) Enron Power Development Corporation ("EPDC") or an affiliate thereof, a wholly owned subsidiary of Enron Power Corp. ("Enron Power"), itself a wholly owned subsidiary of Enron Corp. (the "Sponsor"), and incorporated in the State of Delaware, and (2) any other investors to whom EPDC sells its equity up to a

maximum of 50% ownership interest in the Company after consultation with IFC, with any further sale to be approved by IFC, such approval not to be unreasonably withheld.

3 Project Cost:

Project Costs will include (i) all construction costs of the Project, including all amounts payable under the Project construction contract; (ii) initial spares, start-up and operator mobilization costs, and working capital requirements; (iii) Project development fees, construction management fees and development cost recoveries, (iv) related legal and other transaction and financing costs; (v) costs of site and; (vi) all other Project-related costs and expenses for the acquisition, construction and financing of the Project. Costs in excess of the facility amount will be funded by the sponsors. The total cost of the Project is estimated to be US\$92 million for the complete Project package, including working capital and contingencies. The major components of this turnkey package are identified below:

<u>Item</u>	<u>\$ in Million</u>
Turnkey Equipment Contract	77.40
Construction Management	2.80
Goodwill Purchase	1.70
Start-up Fees, Legal, etc.	1.70
Legal Fees	0.75
Working Capital	2.00
Financing Costs	2.40
Contingency/Development Fee	<u>3.25</u>
Total Project Cost	<u>92.00</u>

4. Financial Plan:

The Project is expected to be financed as follows:

	<u>US\$ Million</u>	
	<u>Total</u>	<u>% of Total</u>
<u>Equity/Quasi-Equity</u>		
EPDC	13.75	14.9%
Deposit from EEGSA	<u>7.25</u>	<u>7.9%</u>
	21.0	22.8%
 <u>Subordinated Debt</u>		
IFC Subordinated "C" Loan	6.6	7.2%
 <u>Senior Loans</u>		
IFC "A" Loan	13.4	14.6%
IFC "B" Loan and or <u>Co-Financing</u>	<u>51.0</u>	<u>55.4%</u>
Total Senior Debt	64.4	70.0%
 Total Financing	92.0	<u>100.0%</u>

The deposit from EEGSA would be repaid by the Project Company in ten semi-annual installments of US\$725,000 each, commencing on the last day of year 7. These repayments will be the obligation of the Sponsor, except to the extent that they can be met out of net income otherwise available for dividends. The IFC "B" Loans, to the amount required to complete the Financial Plan, will be guaranteed by the Sponsor until taken by participants on a non-recourse basis.

5. IFC Investment:

In accordance with the Financial Plan, the IFC Investment is proposed to be:

- (a) Up to US\$13.4 million "A" Loan for its own account.
- (b) Up to US\$6.6 million Subordinated "C" Loan for its own account.
- (c) Up to US\$51 million "B" Loan for the account of participants.

6. Letter of Information:

A Letter of Information, providing all material facts relating to the company, the Project the Sponsor and the Financial Plan, the award of fuel tax exemption status to the Project, actions taken or to be taken by the company and the Sponsor regarding the environmental and socio-economic impact of the Project and certain representations and warranties concerning the Company and the sponsor, shall be submitted to IFC by the Company and the Sponsor before presentation of the Project to IFC's Board of Directors for final approval.

7. Principal Documentation:

- (a) Investment Agreement between IFC and the Company providing for the IFC "A", "B" and "C" Loans (collectively "the Loans").
- (b) Participation Agreements between IFC and each of the participants in the "B" Loan.
- (c) Loan Agreements providing for Co-financing, where such financing is substituted for some part of the "B" Loan.¹
- (d) Documentation providing for the Security described in paragraph 34.
- (e) A Share Retention Agreement between IFC and the sponsor or any affiliate thereof providing that the Sponsor or any affiliate thereof shall not sell more than 50% of its shared (or otherwise cease to have control) of the Company until the IFC Loans have been fully repaid, without the approval in writing of IFC which shall not be unreasonably withheld
- (f) An Operation and Maintenance Agreement, reasonably satisfactory to IFC, between the Company and Electricidad Enron de Guatemala or some other wholly owned subsidiary of Enron Power to operate and maintain the plant. Payment under this Operation and Maintenance Agreement, i.e., the O&M Base Fee and the Economic Dispatch

¹If there is no co-financing, i.e., if the entire loan package is provided for by IFC and the "B" Loan Participants, all references herein to "Senior Lenders", "lenders", "other lenders", etc. should be interpreted to mean "IFC".

Fee (but excluding those costs incurred by the Operator which are directly reimbursable by the Project Company) must be subordinated to the payment of interest and principal on the IFC "A" and "B" Loans, any loans from co-financiers (hereinafter the "Senior Loans" and the lenders thereof the "Senior Lenders"), to the payment of interest and principal on IFC Subordinated "C" Loan and to the maintenance of the Retention Account and the Overhaul Reserve Account described in (g) and (j) below.

- (g) An Overhaul Reserve Agreement between the Sponsor, the Company, the Lenders and the Overhaul Account agent, whereby the Sponsor will provide a cash reserve which may be substituted by a Letter of Credit or corporate guarantee. The size of the reserve and the mechanism for release of unutilized funds subject to a Sponsor guarantee are currently being negotiated.
- (h) A Fuel Supply Agreement reasonably acceptable to IFC, between the Company and fuel suppliers with a term at least equal to the duration of the Senior Loans and consistent with the terms established in the Power Purchase Agreement (PPA).
- (i) Title documents reflecting assignment of right of use of the Project site pursuant to the lease with the Puerto Quetzal Port Authority.
- (j) A Retention Account Agreement among the Sponsor, the Company, the Lenders and the retention account agent whereby the Sponsor will provide for a cash reserve, a Sponsor Guarantee or a Letter of Credit from a bank acceptable to IFC, in US dollars, equal to six months debt service on the Senior Loans, to be put in place before disbursement of the loan. The amount will be set each six months, in line with the debt service requirements of the following six months. After the initial establishment of the fund by the Sponsor, any additional sums required will be funded from the project's cash flow after all Project Operating

expenses.

- (k) A Project Funds Agreement among the Company, IFC and the Sponsor providing completion support for the Project.
- (l) a duly executed Power Purchase Agreement between PQPC and EEGSA (the "PPA").

I. IFC "A" LOAN

- 8. BORROWER: The Company.
- 9. LOAN AMOUNT: US\$13.4 million.
- INTEREST RATE: Fixed rate. The interest rate will be determined on the day the Project is presented to the IFC Board, based on the fixed rate swap equivalent of LIBOR plus 325 basis points. As an indicator, the current fixed rate would be 10.1875%.
- 11. FRONT-END FEE: 1% of the loan amount, payable on the earlier of 30 days after the date of signing of the Investment Agreement or the date of the first disbursement of any of the IFC "A" Loans.
- COMMITMENT FEE: 1% p.a. on the undisbursed portion of the IFC "A" Loan payable quarterly in arrears, commencing to accrue 30 days after the investment is approved by IFC's Board of Directors.
- 13. REPAYMENT: Repayable in 36 equal quarterly repayments of principal, commencing no earlier than six months after signature of the Investment Agreement.
- INTEREST PAYMENT DATES: October 1, January 1, April 1 and July 1
- DEFAULT RATE: 1% p.a. above the regular interest rate.
- 16. PREPAYMENT OF A LOAN:
 - (a) Voluntary: Prepayment of the IFC "A" Loan will be permitted but subject to payment of either (i) a

prepayment fee of 1.5% of the prepaid amount multiplied by the number of years remaining (including part years expressed as a fraction) to final scheduled maturity or (ii) a prepayment fee based on IFC's redeployment costs at the time of prepayment (formula to be provided at a later date), plus accrued interest and other amounts due. The prepayment fee option is to be chosen during negotiation of the Investment Agreement. Prepayment is permitted only upon payment of all accrued interest and other amounts then payable. Partial prepayments will be applied pro-rata to all repayment installments.

- (b) Mandatory: Prepayment is mandatory upon (i) any prepayment by the Company of any other loan other than permitted indebtedness in which event prepayment shall be pro-rata; (ii) the end of the initial 15-year term provided for in the PPA.

II. IFC "B" LOAN

19. BORROWER: The Company.
20. LOAN AMOUNT: US\$51 million
21. INTEREST RATE: No more than LIBOR + 325 b.p. Variable rate.
- OTHER TERMS: Terms to be negotiated; (For loan preparation purposes at this stage, assumed to be repayment over 8 years, after 6 months grace). The Commitment Fee will be 0.5% p.a. No prepayment penalty will apply to a variable rate loan.

III. IFC SUBORDINATED "C" LOAN

- LOAN AMOUNT: US\$6.6 million
24. INTEREST RATE: Fixed rate, based on the fixed rate swap equivalent of

LIBOR plus 725 basis points. As an indicator the current rate would be around 14.0%.

25. FRONT-END FEE: 1% of the loan amount, payable on the earlier of 30 days after the date of signing of the Investment Agreement or the date of the first disbursement.
26. COMMITMENT FEE: 1% p.a. on the undisbursed portion of the IFC Subordinated "C" Loan, payable quarterly in arrears, commencing to accrue 30 days after the investment is approved by IFC's Board of Directors or Management.
27. REPAYMENT: Repayable in 40 equal quarterly installments commencing no earlier than six months after signature of Investment Agreement.
28. INTEREST RATE: October 1, January 1, April 1 and July 1
29. DEFAULT RATE: 1% p.a. above the regular interest rate.
30. SUBORDINATION: IFC Subordinated "C" Loan shall be subordinated to interest and principal repayments of the IFC "A" and "B" Loans and other Senior Loans as contemplated in the Financial Plan.
31. DEFERMENT: Payment of interest, fees and principal on the IFC Subordinated "C" Loan will be deferred if any payment due on account of the IFC "A" and "B" Loans or other Senior Loans is not made when due. Any amount deferred will continue to accrue interest and will be repaid as soon as cash generation would allow.
32. PREPAYMENT OF IFC SUBORDINATED C LOAN:
- (a) Voluntary: Prepayment of the IFC Subordinated "C" Loan will be permitted but subject to payment of (i) a prepayment fee of 5-1/2% of the prepaid amount multiplied by the number of years remaining (including part years expressed as a fraction) to final scheduled maturity. Prepayment is permitted only upon payment of all accrued interest and other amounts then payable. Partial prepayment will be applied pro-rata to all repayment installments.

- (b) Mandatory: Prepayment, at IFC's option, of the IFC Subordinated "C" Loan, plus accrued interest and other amounts due, is mandatory by the end of the initial 15-year term provided for in the PPA.
33. ESTIMATED DATE FOR SIGNATURE OF LOAN AGREEMENT: February 28, 1993 (assuming Board approval has been obtained by then).
34. CUT-OFF DATES FOR DISBURSEMENTS: First Disbursement: July 31, 1993.
Last Disbursement: December 31, 1993.
35. SECURITY:
- (a) All Senior Lenders will rank pari passu and share in the security package. Subordinated lenders will rank pari passu behind Senior Lenders and share on a junior basis, also in the common security package. The principal security will include: An assignment to IFC by the Company of its rights under the PPA (which shall include an agreement to transfer the PPA in the event that the lenders foreclose on the security). This assignment shall include the right to attach the irrevocable 90-day letter of credit, accounting for one month's revenues, renewable every 90 days, which may be called on by the Company in the event of a default by EEGSA.
- (b) A first mortgage and pledge over immovable and movable assets of the Company, including the Project barges.
- (c) An assignment of all concessions, agreements, licenses, permits etc., associated with the Project (including the PPA, the long-term lease from the Puerto Quetzal Port Authority and other port permits and any performance bond issued thereunder, including the one-year warranty from the turnkey contractor).
- (d) A designation of the Senior Lenders as co-loss payees of all Project insurance policies, (excluding insurances provided by Overseas Private Investment

Corporation) relating to the Project.

- (e) A Security Sharing Agreement between IFC and the other Senior Lenders.

36. PRINCIPAL CONDITIONS
PRECEDENT FOR FIRST
DISBURSEMENT OF ANY
OF THE IFC LOANS:

The Company shall be legally incorporated and its By-Laws and Articles of Incorporation shall be satisfactory to IFC.

Arrangements satisfactory to IFC shall have been implemented for (i) accounting, management information and cost control systems and (ii) appointment of auditors.

- (c) The agreements specified in paragraph 7 above, each in form and substance reasonably satisfactory to IFC, shall have been entered into by all the relevant parties and shall have become fully effective.
- (d) IFC shall have received satisfactory confirmation from the relevant government authority that the Project is eligible for the incentives and concessions pertaining to electricity generating projects under the laws of Guatemala including, without limiting the foregoing, authority to establish a foreign exchange account and to import fuel. All governmental, corporate, creditors' and shareholders' consents legally required or reasonably deemed necessary by IFC shall have been obtained, including approvals of repatriation and remittance rights reasonably satisfactory to IFC. IFC shall have received copies of documentation from appropriate authorities satisfactory to IFC, granting the authority to the port space to the Project. Arrangements satisfactory to IFC shall have been reasonably satisfactory to IFC shall have been made concerning the acquisition of all necessary rights to the Project site (including water

rights).

- (e) The common equity and the EEGSA deposit shall be fully paid pursuant to the Financial Plan.
- (f) The Security shall have been created and perfected.
- (g) Legal opinions satisfactory to IFC shall have been obtained from counsel acceptable to IFC at the Company's expense.
- (h) The Senior Lenders shall have been named as co-loss payees in respect of the Company's Project insurance policies, shall have received insurance certificates verifying coverage and such policies shall be in form and substance reasonably satisfactory to IFC. The Company will provide the details of the proposed insurance coverage to the Senior Lenders for their approval.
- (i) The transmission line linking the Project to the national grid shall be complete and ready to receive 110MW.
- (j) Arrangements satisfactory to IFC shall have been made for the Project to meet and to continue to operate within IBRD and Guatemala guidelines on the environment and occupational health and safety, including those set out in paragraph 39(q) below.
- (k) The Retention Account described in 7(j) above shall have been established in a manner satisfactory to IFC.
- (l) All corporate guarantees and/or letters of credit required under the Investment Agreement.

37. FURTHER CONDITIONS
PRECEDENT FOR ALL
DISBURSEMENTS:

- (a) No Material default (actual or pending) under the Investment Agreement shall have occurred and be continuing.

- (b) No material default under any of the other agreements referred to in paragraph 7 shall have occurred and be continuing.
 - (c) There shall have occurred no material adverse change in the projection since the date of execution of the Investment Agreement, the Company or the Sponsor.
 - (d) Representations and warranties shall have been confirmed as of the disbursement date.
 - (e) The proceeds of disbursement shall not be spent in countries which are not members of the World Bank.
38. DISBURSEMENT:
- (a) Disbursement of the IFC "A" and "B" Loans shall be pari passu with the loans from other Senior Lenders, and after the IFC Subordinated "C" Loan has been fully disbursed.
 - (b) The minimum disbursement of the IFC "A" and "B" loans (other than the last disbursement) will be, in aggregate, US\$10,000,000.

39. PRINCIPAL FINANCIAL COVENANTS:

Unless otherwise agreed by the IFC, the Company shall:

- (a) Use proceeds of all funds provided under the Financial Plan exclusively for the Project.
- (b) Maintain agreed upon insurance to the extent commercially available during the construction and operating periods with reputable insurers and provide IFC with insurance certificates from insurers or brokers upon extension, renewal, modification or purchase of new or additional insurance. IFC and other Senior Lenders shall be named co-loss payees in respect of the insurance policies.
- (c) Maintain accounting, management information and cost control systems satisfactory to IFC, maintain a

firm of independent auditors, reasonably satisfactory to IFC; and authorize IFC to contact its auditors directly.

- (d) Provide monthly progress reports in form and substance satisfactory to IFC during the first year of the project, quarterly reports thereafter within 60 days of the end of the period covered.
- (e) Provide monthly financial statements in the first year (unaudited) with quarterly no default certification by the chief financial officer within 60 days after the end of each quarter and provide, within 120 days after the end of financial year, annual (audited) financial statements, annual auditors' "no default" certifications, the auditors' management letters to the Company and such other information as IFC may reasonably request.
- (f) Permit IFC representatives to visit the premises upon reasonable advance notice during normal business hours of the Company and to have access to its books.
- (g) Maintain in full force and effect all licenses, consents and approvals required to implement the Project and operate the plant.
- (h) Not pay cash dividends until after Project completion as defined in paragraph 44 below, and then only out of cash flow available for dividends and if:
 - (i) The IFC "A" and "B" Loans are current and all deferred payments on the IFC "C" Loan (if any) have been repaid;
 - the minimum balance has been accumulated and maintained in the Retention Account described in paragraph 7 j above;
 - the minimum balance has been accumulated and maintained in the overhaul reserve, or a sponsor guarantee or letter of credit is in

place to cover it;

- (iv) fees due under the Operation and Maintenance Agreement have been paid.

the Company is not in default under the IFC Loans or any other loan; Comment: You mean co-financing?

The Project has a minimum cash balance of \$500,000.

the Debt Service Coverage Ratio based on the most recent 12 rolling months figures for cash flow is not be less than 1.2 The hierarchy of claims over the project cash flow, defined as net income [before] tax plus depreciation and amortization plus Operation and Maintenance Fees plus provision for overhauls plus any transfers to Retention Account is:

1. service of senior debt;
2. service of subordinated debt;
3. provision for overhauls;
4. any transfer required to Retention Account;
5. Operation and Maintenance fees; and
6. dividends.

- (i) Not to incur or commit to incur, expenditures for fixed and other non-current assets exceeding [\$100,000] per fiscal year, excluding expenditure for maintenance and capital expenditure deemed necessary for operations.

- (j) Not to incur or permit to incur any indebtedness other than:

- (i) indebtedness under the Financial Plan;

short-term debt, not to exceed in total 50% of the aggregate amount of inventories,

receivables, cash and short-term deposits; and

indebtedness incurred in the ordinary course of business other than for money borrowed.

- (k) Not to guarantee the debt of others (with the exception of guarantees in the ordinary course of business not exceeding in the aggregate US\$50,00 equivalent at any time).
- (l) Not to create or permit to exist any liens or charges on any of its property other than:
 - (i) the Security in favor of the secured lenders; and

any tax or other statutory liens.

Permitted liens (to be agreed)

- (m) Not engage in transactions with affiliates which are not less favorable than the Borrower could obtain in an arm's length transaction with a person that is not an affiliate, it being agreed that the agreements in Section 7 above constitute arms length transactions
- (n) Not to enter into any agreement whereby the company's income or profits are shared with any other party.
- (o) Not to make any investments in other companies except investments in short term marketable securities.
- (p) Not enter into leases (as lessee), except for the site lease, leases of transportation equipment, office equipment, computers and similar equipment, under which the aggregate rental payments do not exceed the equivalent of [\$100,000] per year.
- (q) Comply with Guatemalan occupational health and safety standards; environmental statues, rules and regulations and world Bank and IFC standards; maintain levels of emissions levels to be agreed

with IFC, and give IFC annual compliance reports within 60 days from the end of each fiscal year, and allow for monitoring verification of these reports, at least twice a year, at the Company's expense.

- (r) Not to issue or undertake to issue any shares of capital stock or securities convertible into or exchangeable for capital stock other than in accordance with the Financial Plan.
- (s) Not to remove the barges without IFC's consent.

OTHER COVENANTS:

- (a) The Company shall promptly notify the IFC of any existing or imminent defaults under any of the agreements listed in paragraph 7 above.
- (b) Payment or reimbursement to IFC of any stamp duties and taxes, if any.
- (c) Reimbursement of costs of IFC's outside Guatemala, New York and U.S. maritime legal counsel.
- (d) No assignment or other transfer of, or termination of, nor waiver or amendment of, any of the agreements listed in paragraph 7 unless consented to by IFC.
- (e) Standard provisions, including no changes in Project, and articles of incorporation or by-laws, no substantial disposal of assets and no merger, consolidation, etc.

EVENTS OF DEFAULT:

Full provisions after expiration of applicable cure periods relating to Company and any others Sponsor, including (a) payment default; (b) performance default under Investment Agreement or agreements listed in paragraph 7; (c) cross-default provisions; (d) express provision for default if any of the agreements listed in paragraph 7 is assigned, terminated or materially amended by the Company or the Sponsor without IFC's consent; (e) falsity of representations and warranties by the Company in the Investment Agreement and related financing documents; (f) bankruptcy, insolvency of the Company; (g) nationalization and confiscation; (h) abandonment of the Project by the Company; (i) express provision for default if the barges are

removed from Guatemalan waters by the Company; and (j) express provision for default if at any time the average annual availability of the generating units is less than [110000] hours (i.e. 5500*20), net of any curtailment and which, would materially adversely affect the Company's ability to perform its obligations. Lenders reserve the right to cure any default on any material contracts by the Company.

42. FINANCIAL
CALCULATIONS

Shall be based on financial statements which have been prepared in accordance with generally accepted U.S. accounting principles consistently applied and shall be calculated from the Company's most recent quarterly or annual financial statements. Financial statements shall include certified data on appropriate dollar exchange rates which is applicable to the financial information provided.

43. CHOICE OF LAW:

New York

44. PROVISIONAL
ACCEPTANCE:

The date of Provisional Acceptance shall be the day on which all of the following requirements shall have been satisfied:

(a) Physical Completion. The Company shall have delivered to IFC and the other lenders, a written notice (together with the relevant supporting data) in form and substance reasonably satisfactory to IFC, and signed by an authorized representative of the Company, certifying that:

- (i) The Project has satisfactorily passed the mechanical and electrical performance tests, reliability tests, and performance tests, reliability tests, and performance guarantee tests as specified in the Wärtsilä/Enron Turnkey Construction Contract.
- (ii) The Project has performed continuously for a 15-day period, while meeting World Bank and Government of the Guatemala environmental standards, and those emission

limits specified in 37 (q) above. Procedures for a twice yearly test to monitor and record the level of emissions have been agreed. The procedures will include a provision to notify the Senior Lenders of the emission levels and the plant's compliance with the specifications.

Each complete generating unit has performed continuously for a 15-day period, with all systems operating and under the conditions specified in the Wärtsilä/Enron turnkey contract including use of fuel within the specifications set out there unless otherwise agreed by Wärtsilä. The test shall be deemed satisfactory if during such operating period the unit operates continuously or intermittently in commercial service as may be convenient for, and meets the requirements of EEGSA. A period of continuous operation at full load for 48 hours may be included during the reliability trial, subject to system availability.

All payments for contractors' work and equipment having a material impact on the operability of the Project have been settled in full, other than change order amounts in dispute and which are being contested in good faith and loans required to be made by the Turnkey Contractors under the Completion Support Agreement, and there exist no liens relating to such work or equipment except in respect of such amounts in dispute or financing contemplated under the Financial Plan.

The plant has (a) a net capacity of 110MW and (b) a net heat rate which shall not be greater than 9,225 Btu/kwh. (higher heating value).

- (b) Turnkey Contract Completion. The Company has certified that to its knowledge all substantive work

under the terms of the Turnkey Construction Contract is complete and in compliance with the Turnkey Construction Contract, including any authorized amendments (minor items which do not affect normal full load operation are excluded from this requirement), completion, reliability, and performance testing has been successfully concluded, reviewed, and approved, and all guarantees on performance other than Wärtsilä's one-year warranty have been satisfied.

- (c) Financial Completion. The company's auditors shall have delivered to IFC and other long term lenders a certificate confirming that the working capital of the Company is at least US\$2.0 million equivalent, and that the Retention Account described in paragraph 7(j) above and the Overhaul Reserve described in paragraph 7(g), has been established or fully funded in accordance with the terms hereof.
- (d) The Company shall have delivered certification satisfactory to IFC confirming the matters in paragraph (a)-(b) above.

45. **PROJECT COMPLETION**

DATE:

Project Completion shall be deemed to have occurred when the condition of Provisional Acceptance outlined in paragraph 44 (a)-(d) have been met and in addition:

- (i) the plant shall have demonstrated an average availability of [7300] hours per unit in any consecutive 12-month period. Average unit availability will be that recorded on unit operating history records.
- (ii) IFC shall have delivered to the Company a certificate (Project Completion Certificate) accepting that the conditions as outlined in this Paragraph have been met and that Project completion has been achieved. IFC shall endeavor to provide this certificate within thirty (30) days of receiving satisfactory documentation that the other conditions of Project Completion

have been met.

46. PROJECT FUNDS AGREEMENT:

A. Obligations

The Sponsor shall enter into an agreement with the company and IFC whereby the Sponsor agrees that, in the event that the IFC shall determine prior to the Project completion Date that the funds available to the Company are not sufficient to (i) achieve the Project Completion Date (as defined in paragraph 44 above,) or (ii) carry on its day-to-day operations, or (iii) permit the Company to satisfy its obligations under the Investment Agreement, or Where the Company is unable to satisfy its debt service obligations to the IFC and other Senior Lenders, if any and/or to meet the debt service coverage covenant set out in paragraph 39(h) (vii), the sponsor will provide to the Company such funds as required or at the Sponsor's option, the Sponsor will retire debt from the Senior Lenders on a pro-rata basis, to the point where the Company's obligations can be respected. The provisions of prepayment, as set out in paragraphs 16 and 32 would apply to such debt deductions.

B. Type of Funds

All the funds to be provided under the Project Funds Agreement shall be in the form of equity or loans subordinated in payment and liquidation to the IFC Loans ("A", "B" and "C") and other Senior Loans on terms and conditions reasonably satisfactory to IFC, or in the form of prepayment of senior debt, at the option of the Sponsor. The repayment of any such debt under the Project Funds Agreement would be allowed only if (i) the company is current on all payments due under the IFC "A" and "B" Loans, other Senior Loans and the IFC Subordinated "C" Loan, and (iii) if after such repayment the debt service coverage covenants set out in 39(h) (vii) are respected.

C. Call Amount

The obligations of the Sponsor to provide funds under the Project Funds and Support Agreement shall be limited to an aggregate amount of US\$15,000,000, which amount is additional to any amounts recovered or claimed from the Turnkey Contractors. This amount shall be reduced to US\$10,000,000 once the plant has demonstrated an average availability of [3700] hours during the previous 6 months.

B. Security of Repayment

Funding by Lenders for the Project is not required until minimum performance tests have been passed and commercial operations have commenced. Therefore, typical project financing risks associated with construction, development, permitting and siting are not borne by Lenders. From an operating standpoint, the Project has been structured to provide adequate debt service coverage ratios from operating margins which are contractually secure. At the expected 85% plant dispatch level, projected pre-tax coverage ratios are an average 2.71 times Project cash flow and a minimum of 1.57 times Project cash flow; at the contractual 50% minimum take levels, coverage ratios are an average of 2.23 times Project cash flow and a minimum of 1.31 times Project cash flow. The capacity payments from EEGSA are expected to cover all fixed costs, including debt service and return on equity. The energy payment is indexed to a market index for the same grade of fuel oil to be burned in the Project, thereby allowing increases in fuel costs to be fully passed through to the power Purchaser.

As in all project-financed power projects, maintenance of the Project debt service and coverage ratios are based on performance by EEGSA as the power purchaser under the PPA. EEGSA is a financially stable private utility with a long history of operations. It has enjoyed

an extremely high collection rate from its customers which has remained unchanged through recent rate increases. This is largely due to demographic makeup of its customer base, which is made up of large commercial and industrial customers, higher net worth residential customers and other government/municipal customers. Although the payments under the PPA will initially approach 50% of EEGSA's total cash outflows, this percent should decrease over time as demand, supplies and EEGSA deliveries increase, and because customer rate increases that match inflation will likely exceed the 3% escalation in capacity payments.

As additional security measures, EEGSA will make a \$7.25 million prepayment of capacity payments at the commencement of commercial operations, as its front-end commitment to the Project. These funds will be retained in the Project as part of the Project equity. The PPA also requires EEGSA to provide a Letter of Credit for the equivalent of 30 days of capacity and energy payments (approximately \$4.4 million). INDE has further agreed to cause EEGSA to comply with all its obligations under the PPA.

As a final security measure, in the event that insurmountable difficulties occurred in Guatemala and utilizing OPIC insurance coverage was not deemed feasible or desirable, the barge mounted power station can be readily removed from the port thereby providing the opportunity for the plant to seek alternative locations to fulfill its economic potential. Electric rates prevailing in most other Central and South American countries significantly exceed the 6.24¢ all-in electric price being charged under the power contract. As a final backstop, an independent U.S. marine appraiser, Noble, Denton & Associates, Inc. has estimated the market value of the barges alone at \$62 million, based on the resale value of the equipment.