



mgm INTERNATIONAL

Aao Sochein Bada!



इंडियन डेवलपमेंट बैंक ऑफ इंडिया लिमिटेड  
Industrial Development Bank of India Limited

26th<sup>th</sup> February 2007

National Hydroelectric Power Corporation Ltd.,  
NHPC Office Complex,  
Sector-33, Faridabad -121003,  
Haryana, India

**Kind Attention: Mr. M. K. Raina, Executive Director - Contracts (E&M)**

Dear Sir,

**Sub: Clean Development Mechanism (CDM) Projects - Joint Offer from MGM International & IDBI**

We refer to our joint indicative offer dated 24<sup>th</sup> July, 2006, our subsequent clarifications and our various discussions and negotiations regarding development of the Nimoo Bazgo & Chutak hydroelectric projects proposed by NHPC as CDM projects till date.

Taking into account our discussions and negotiations held so far including the last discussions on 7<sup>th</sup> and 8<sup>th</sup> February 2007 between NHPC, IDBI Ltd & MGM International, the validity of the offer dated 24<sup>th</sup> July 2006 is extended upto 31<sup>st</sup> March 2007 incorporating the following modifications in the said offer.

**1. Services to be Provided by MGM International (as per work schedule):**

- a. Additionality analysis
- b. PDD Development
- c. Validation
- d. Registration
- e. Monitoring Support
- f. National Approval support (i.e approval by the Indian DNA) & Annex I support
- g. CER issuance support

**Optional Services offered by MGM International:**

- h. Commercialization through MGM Carbon Portfolio (if required)
- i. Legal Services for sale of CERs (if required, at extra cost as mentioned in the offer later)

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**IDBI BANK**

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The clause after modification will be as follows:

- a. Advisory & coordination services
- b. Sole selling services for CERs

d. Other services like bank guarantee for delivery of CERs, discounting of future CER receivables could also be considered, with full recourse to NHPC.

This offer is made on the basis of a success fee, i.e. sharing of risks and rewards and considers the starting dates of the two projects as 1<sup>st</sup> August 2010 for Nimoo Bazgo and 1<sup>st</sup> February 2011 for Chutak and annual CERs of 215000 and 190000 respectively as stated in the PINs for the calculation of the success fee. Although the total number of CERs has reduced because of the change in the project starting dates since the original offer was submitted by us, in deference to the wishes of the negotiating committee, we have as an exceptional case accepted the reduced MGM share of the fees not only by 0.5% but also in terms of absolute numbers of CERs.

**Rest of the paragraph will remain unchanged.**

**Existing table along with Note is replaced by the following:**

Project Name	MGM's share of fees #		IDBI's share towards advisory & coordination services fee *	NHPC share of CERs
	Upto registration and CER issuance stage	Legal services		
Nimoo Bazgo	8.5%	1%	2%	88.5%
Chutak	9.5%	1%	2%	87.5%

\* Share of fees in the form of sales realizations and payable within 15 days from the date of receipt of the same by NHPC.

**Notes :** Legal services from MGM would include drafting of ERPA/CERSA. The company has option of not availing this service and in that situation 1% fee is not payable. NHPC will pay for the adaptation fund, as per CDM rules.

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#### 5. Sale of CERs/Carbon Credits:

a. IDBI shall be the sole selling agent for the CERs/Carbon Credits generated /to be generated from the Nimmo Bazgo and Chutak Projects and NHPC shall pay to IDBI commission of 2% of the CERs/Carbon Credit sales realization within 15 days from the date of receiving of the same by NHPC. The duration of this service for sale of CERs/Carbon Credits shall be up to December 31, 2012 from the date of signing of the tripartite agreement among NHPC, MGM and the IDBI or till the signing of ERPA/CERSA for all the CERs/Carbon Credits generated /to be generated from the Projects, between the NHPC and the buyer/buyers whichever occurs earlier.

The additional clauses to be incorporated in the agreement which will be discussed and finalised after award of the contract by NHPC to MGM and IDBI.

**Rest paragraph will remain unchanged.**

#### 6. Offer validity:

This offer is now extended and valid for acceptance upto 31<sup>st</sup> March 2007.

**The following new clauses are also added:**

#### 7. Taxes:

Applicable taxes on the fees payable by NHPC to IDBI and MGM will be reimbursed by NHPC on actual basis. Presently the taxes applicable are Service Tax and Education cess.

The Income tax on the CDM revenues will be borne by the respective parties.

If any other taxes or levies are imposed in the future by any statutory authority, the liability and responsibility for the same shall be mutually discussed and agreed upon.

#### 8. Agreement Validity:

The tripartite agreement among NHPC, IDBI & MGM shall be valid in respect of all CERs generated by the projects upto and including 31<sup>st</sup> December 2012, even though some of these CERs will be issued in early 2013 because of the procedures involved.

If it is considered desirable and beneficial to extend the agreement after its expiry, it may be extended on the basis of mutually discussed and agreed terms and conditions.

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## 12. Delay/Earlier Commissioning of Project

If there is delay in commissioning of the projects or if the projects are commissioned ahead of schedule projects or CERs vary for any reason, the success fee to IDBI and MGM will be adjusted after mutual discussions either by way of pro-rata adjustment in the CERs or by extending/reducing the success fee entitlement period (subject to the extension of the Kyoto Protocol beyond December 2012).

## 13. Confidentiality:

Any information provided by one party to the other shall be treated as strictly confidential and not publicly disclosed or disclosed to any person who is not connected with the project development activity.

## 14. Laws & Arbitration:

This contract shall be governed by the laws of India.

In the event of any dispute, the parties shall first try to resolve it by mutual discussions and agreement.

In the event of non-resolution within 6 months, the procedures under the Indian Arbitration rules shall be followed and each party will bear the arbitration costs equally.

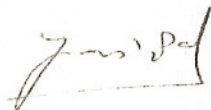
Except the above, all the terms and conditions of our offer dated 24<sup>th</sup> July 2006 remain unchanged. A draft agreement incorporating the above terms would be provided on receipt of your letter of intent and acceptance thereof by us. The agreement may be signed after completion of the initial analysis.

Thanking you and assuring you of our best attention at all times.

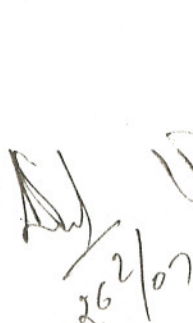
Yours sincerely,

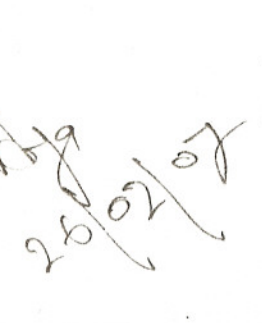
  
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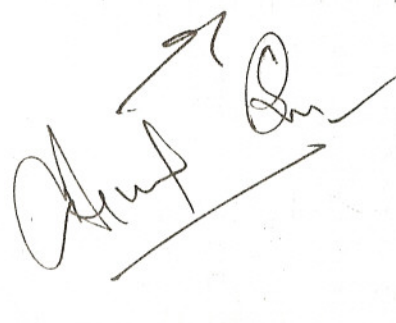
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