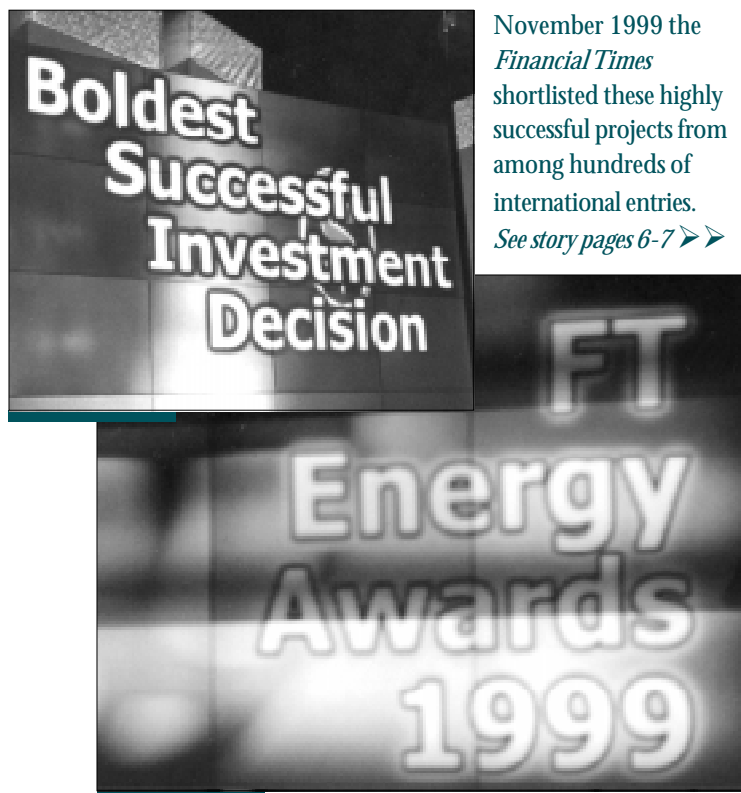


DECEMBER 1999



November 1999 the *Financial Times* shortlisted these highly successful projects from among hundreds of international entries. See story pages 6-7 >>>

KMR / K&M PROJECTS SHORTLISTED

Two Projects • Two Continents

TermoCandelaria
Power Project
KMR Power

Azito
Power Project
K&M Engineering

Asian Energy Infrastructure

Much ink has been spilled over the past two years analyzing both the causes and effects of the Asian financial crisis, not only in the broad context of the global economy, but looking specifically at the outlook for the region's infrastructure. In a region hungry for new facilities, projects throughout Asia were postponed, scaled back or abandoned while host governments and potential investors re-evaluated their respective risks and their abilities to obtain financing and investment returns.

The financial impact of project delays and cancellation has cascaded throughout the region's economies far beyond the direct project participants. The domino effect created a wakeup call throughout the international investment community as seemingly unrelated problems hit country after country in the region, then spread to Russia and thence to Latin America.

High profile solutions were anticipated as bailouts and reforms were debated. In the meantime, developers turned their

attention elsewhere, often prompting new projects in previously less active markets such as the Middle East and Africa. Yet, even in distant markets, developers found project finance became difficult to achieve as caution became the norm.

As the crisis hit, experts analyzed the prospect for infrastructure development in the region from a long term standpoint. While the cause of the economic crisis was far flung, long term growth and demand conditions for project financing remained in place. Many countries had already begun to embrace key elements of a market economy, while others were forced to address and accelerate reforms.

Developers and investors with the long term firmly in sight remain hopeful that, although the hardest hit countries were experiencing extreme difficulties in the short term, Asian markets would re-emerge stronger with the necessary reforms in place.

Article by K&M Chairman, Michael Kappaz, appeared in premier issue of *Asian Energy Infrastructure* magazine, September 1999.

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Asian Energy Infrastructure

Continued from page 1

Regional Outlook: Writing a New Script

As the dust settles, a mixture of results are apparent. On the one hand, the crisis provoked accelerated adoption of reforms that addressed decades-old hindrances to foreign investment. Yet, in some countries, the political commitment to reform fades.

As with all projects, it is critical to first ask a set of key questions to determine the fundamental rationale and viability. Is the project evaluated on its own merits, not on the region's strategic importance, or a company's desire to become a "player" in a targeted country? Does the underlying project make sense? Is the demand realistic? Can the utility pass along costs to the end-users? Does the government/offtaker have the financial strength to undertake the risks allocated to the public sector? If these fundamental questions can be answered with satisfaction by investors and finance parties, then committing more resources to a project's development begins to make sense.

WHAT THE FUTURE WILL LOOK LIKE

Regional growth patterns seen pre-crisis most likely will not re-emerge in the near term. However, respectable expansion rates will continue to offer opportunities in countries where newly structured competitive markets are emerging.

In the aftermath of the Asian crisis, project development both regionally and internationally will not only demand creativity but strict adherence to project fundamentals, resulting in stronger deals with higher potential for success. In order to attract investors, a hybrid of previously used financial and risk models will be seen. There will be an increased focus on risk assessment, competitiveness of the project itself, and businesslike teaming strategies. Ultimately, the crisis has forced development of more sophisticated local institutional investors and capital markets.

Caution, coupled with tighter lender conditions means greater reliance upon sensitivity analysis and risk assessment. Lenders will seek assurance that project cash flows can sustain project risks.

An unsustainable level of foreign exchange risk previously allocated to power purchasers has resulted in offtaker defaults and the need to renegotiate contracts. Projects based on long-term, fixed-price power purchase agreements will be fewer, many will be replaced by projects selling into open competitive power markets as they are gradually restructured as part of economic reforms.

In markets where reforms are now in place, the energy sector will have a new face that is also becoming more familiar. State-owned utilities will be unbundled into generation, transmission and distribution companies; much of that will be put up for sale to well-capitalized investor-operators.

Korea is an example where the state has moved ahead definitively to open its power sector to foreign

ownership, coinciding with parallel reforms to tighten controls in banks and to orchestrate the breakup of debt-laden conglomerates.

Other countries are moving in this direction, and in the power sector competitive wholesale markets for electricity sales will emerge. The question of "stranded assets" of power generating companies (including existing utility commitments to long-term Power Purchase Agreements) will have to be addressed. Tariff levels must rise in order to allow distribution companies to recover full costs.

Multilateral lenders, particularly the IFC, ADB Private Sector Group, World Bank, and MIGA, will need to increase their role as catalysts with more innovative structures to attract commercial financing and address difficult political risk issues.

In the private sector, new innovative structures by developers in partnership with insurance companies may prove to be an answer to financing in open competitive power markets (merchant).

Externally, the collapse in the region's currencies and related demand for commodities led to large reductions in the cost of fuel, metals and other raw materials. Now as Asia and other regions once again buy these items in abundance, commodity prices are sure to rise. Already fuel prices have returned to their pre-crisis levels and are set to go higher.

As projects are brought back to the front burner, it will be necessary to carefully re-examine foreign currency funding structures and identify acceptable means to allocate, mitigate and cover this risk, especially large devaluations. An increased focus on the economic competitiveness of each project will be seen. Projects will be analyzed on the basis of projected performance in a competitive wholesale market, and in the context of greenfield versus privatized assets.

And lastly, as is happening in other regions of the world, an integrated energy market and cross-border supply and/or grid integration will emerge. Integration of fuel supply projects with power plant development may allow companies, particularly multinational oil companies, to strategically position themselves.

In the global competition for resources, Asian economies are expected to garner their substantial share, especially as important economies start to recover. As should be the case, countries unwilling to initiate reforms will continue to get passed by, or squeezed out of the competition for financing. Successful re-emergence of power projects in the region will begin to rebuild financial market confidence in Asian economies. The success will come on a project by project basis in an environment marked distinctively by parallel economic reforms and sector restructuring. Project fundamentals must be married to flexible project structure and creative strategies for being well positioned in competitive markets. ■

Laos: Nam Leuk Hydropower Project

Financial Due Diligence to Identify Financing Approaches



60 MW Nam Leuk Hydropower Project, located 80 km northeast of Vientiane.



Standing on top of spillway (left to right: K&M financial analyst Don Purka, K&M director of project development and finance William Kappaz, and Electricité du Laos (EdL) site manager.

In September, K&M undertook a specialized assignment on behalf of the Asian Development Bank (ADB) and Electricité du Laos (EdL) to evaluate and recommend private sector financing approaches to complete the 60 MW Nam Leuk Hydropower Project.

Following a review meeting with ADB in Manila, K&M's Project Development and Finance team, consisting of William Kappaz (Managing Director), Henry Steingass (Project Manager), and Don Purka (Financial Analyst), met with senior management of EdL, the Nam Leuk construction manager, the engineering consultant Sogreah (France), and Ministry of Industry officials.

The meetings included a review of project status and cost projections, review of applicable foreign investment law and practices, analysis of estimated financial projections, and various competitive procurement approaches.

The team determined that two private sector structures—an operating concession and a joint venture concession—were financially viable for this particular project and would allow the private sector to propose creative financial solutions to meet the shortfall. The foreign costs of construction were initially funded through loans from the Asian Development Bank and the Organization of Economic Cooperation Fund, Japan (OECF).

Vientiane

Based on this assessment, the Request for Proposals was issued in October 1999 to eight prequalified bidders from Asia, Europe and North America. Proposals were expected to be submitted to EdL in November, and subsequently K&M will conduct bid evaluations.

Construction of the Nam Leuk Hydropower Project, located 80 km northeast of the capital city of Vientiane, is currently 95 percent complete and is expected to begin commercial operation by March 2000. Construction was initiated in January 1997.

Components of the facility include a 45 meter embankment dam, a power house facility featuring two vertical shaft turbines (2 x 30 MW), two 115 kV transmission lines and two substations.

Inside five-turbine power house at Nam Leuk plant.



The facility will transmit the majority of its output to Thailand through a new transmission line and substation at the 150 MW Nam Ngum hydropower facility, which has been exporting to the Thai grid for several years. The Electricity Generating Authority of Thailand (EGAT) is the purchaser of all electricity from EdL through a 12-year Power Purchase Agreement.

For further information contact K&M financial analyst Don Purka at K&M-Washington. ■

VIETNAM



Phu My 2
Phase 2

Negotiation Support

K&M is serving as lead advisor to Vietnam's Ministry of Industry and the state utility, Electricity of Vietnam (EVN), in their negotiations with the consortium led by Electricité de France for the Phu My 2-2 power project.

The BOT project, a 700 MW combined-cycle facility that will serve as one of the anchor loads for the new Nam Con Son offshore gas field development, is Vietnam's first competitively bid project and the largest investment to be considered under the country's BOT law.

K&M was the government's advisor over a three-year period to structure the concession and the project, to conduct the international competition, and to evaluate bids and recommend a selection.

With its partners (notably Hong Kong-based Johnson, Stokes & Master as the international legal advisor) K&M is providing technical, commercial, legal, and financial advice and assisting negotiation sessions in Hanoi for the BOT Contract and the Power Purchase Agreement. Negotiations will likely cover a 6-9 month period.

Egypt: Telecommunications Sector Support

K&M/KMR IN THE NEWS

COLOMBIA

TERMOCANDELARIA PROJECT

"KMR's Colombian Deal
with a Difference"
*Financial Times, Power
in Latin America*
October

"Technical Report:
Emerging Markets,
Artistic Development"
Reinsurance
October

"Industry Briefs: Power"
Oil & Gas Journal
September

The New Financiers:
"The business of financing
large companies is
converging with the
business of insuring them."
Economist
September

"Insured Bonds on Rise"
Latin Finance
July/August

"Tailored to Suit"
Best's Review
August

"Closure in Colombia"
Modern Power Systems
July

ECUADOR

"K&M Helps Reform
Power Sector"
South America Report
October

Telecom Egypt Executes New Outside Plant Contract

In August, K&M-Egypt participated in the signing ceremony that took place in Cairo commemorating finalization of a new \$61 million Outside Plant (OSP II) contract between Telecom Egypt and Morrison Knudsen Corporation.

The contract signing culminated a one year competitive procurement process for the selection of Morrison Knudsen as the turnkey contractor for the Telecommunications Sector Support, Phase II project.

K&M was responsible for preparing the tender documents, including all technical specifications and engineering drawings, evaluating the bids, and preparing the contract documents. K&M will continue with the project providing construction management and engineering services.

The signing ceremony was attended by H.E. Soliman Metwalli (Egyptian Minister of Transport and Communication), Mr. Vincent Battle (Charge d'Affairs, Embassy of the United States-Egypt), Mr. Richard Brown Director (USAID-Egypt), and distinguished delegates from Telecom Egypt, U.S. Agency for International Development (USAID) and Morrison Knudsen.

Minister Metwalli remarked, "this project will provide 350,000 new lines in 12 Exchanges, which will contribute to providing efficient service by reaching 10 million lines network capacity and 14% teledensity by 2002."

The USS portion is funded by a USAID Grant Agreement for the Telecommunication Sector Support (TSS) Program, while the Egyptian Pounds portion is funded from Telecom Egypt's own proceeds.



(TOP: Right to left) Eng. Belkais Saba, Telecom Egypt V.C. Planning & Execution; Eng. Aly El-Desuki, Telecom Egypt CDC Stores & Purchases; H.E. Soliman Metwalli, Minister of Transport & Communication; Mr. James Voorhees, Morrison Knudsen V.P. Middle East Operation; Eng. Tarek El-Kilany, K&M Contracts Manager; Mr. Vincent Battle, US Embassy Charge d'Affairs.

(BOTTOM: Right to left) H.E. Soliman Metwalli, Minister of Transport & Communication; Eng. Aly El-Desuki, Telecom Egypt CDC Stores & Purchases; Mr. James Voorhees, Morrison Knudsen V.P. Middle East Operation; Eng. Tarek El-Kilany, K&M Contracts Manager; Mr. Vincent Battle, US Embassy Charge d'Affairs.

US Embassy representative, Mr. Battle, observed, "Expanding its telecommunications network is absolutely vital for Egypt to attract investment, sustain economic growth and generate productive jobs."

The scope of the project includes installation of 290,000 new feeder lines and 65,000 redistribution lines in 12 Exchanges in three cities: Cairo, Alexandria and Port Said by the end of 2001. It includes copper, fiber optic and fixed wireless local loop technologies.

The project is the largest OSP contract signed to date in the USAID-supported telecommunications expansion program.

K&M serves as the Engineer and Construction Management Consultant (E&CMC) for this OSP II project under a subcontract to General Dynamics

(TSSP prime contractor). K&M previously performed similar services for Telecom IV (1992-1994) and TSSP OSP I (1994-1999).

The scope of OSP II is three times larger than that of the prior OSP I owing to the close cooperation of the K&M Engineering staff and the Telecom Egypt Network Planning staff. The planned deployment of copper, fiber, and wireless local loop is a major advancement in providing local network architecture offering three different transmission media to better position Telecom Egypt for provisioning enhanced customer services.

General Dynamics and K&M were awarded a new contract by USAID to provide E&CMC services for the TSS Program for the two years, October 1999 through September 2001, with an option to extend the Program for an additional two more years to 2003.

For further information contact K&M Resident Manager Joseph Shanley at K&M-Egypt. ■

K&M Hosts Chinese Delegation

China Economic Systems Restructuring Commission



In November, K&M-Washington hosted a delegation from Tianjin, People's Republic of China on a study mission in the United States.

The Tianjin Province is the gateway port of Beijing and one of the largest ports in North Asia.

Headed by Mr. Kiu Ruizhao, Deputy Director, Tianjin Research Institute for Economic Systems Restructuring, the 12-member delegation consisted of economists, industrialists, and accountants.

The delegates are heavily involved in attempting to restore State-Owned Enterprises to profitability in China through restructuring, reorganization and improved management—or by selling them to the private sector.

Discussions focused on the management role of the private sector in the infrastructure sector. K&M gave a broadbrush overview of the management methodologies, techniques and approaches essential to maintain and increase profitability of infrastructure projects.

The delegation's fundamental question revolved around how the private sector can more effectively and profitably operate large enterprises in contrast to a government agency.

The delegation also met with American companies in California, Pennsylvania and New York.

For further information contact K&M marketing manager Karen Harbert at K&M-Washington. ■

K&M Hosts Vietnamese Delegation

Financial Management Training Program



In November, K&M-Washington hosted a 8-member delegation from Electricity of Vietnam, Ministry of Finance and Ministry of Industry participating in a financial management training study tour of the United States. The 10-day tour was hosted by the United States Energy Association under sponsorship of the United States Trade and Development Agency.

Finance and accounting experts participated in discussions on the basic principles and tools for financial decision-making, as well as financial reporting policies and procedures.

K&M's presentation covered financial and risk management, BOT project security structure, technical and operating parameters, power tariffs, fuel charges and multilateral development bank guarantees.

Vietnam is embarking on a new phase in its electric power development strategy—the implementation of Build-Own-Transfer (BOT) projects with major foreign investors. (See related story, side bar, Page 3).

For further information contact K&M project manager Henry Steingass at K&M-Washington. ■

K&M/KMR IN THE NEWS

EGYPT

TSS/OSP PROJECT

"Telecom Egypt Signs Telecoms Contract"
(Morrison Knudsen/K&M)
Middle East Economic Digest
September

GENERAL

"Writing a New Script"
by K&M chairman
Michael Kappaz
Asian Energy Infrastructure
September

GHANA

GHANA INDUSTRIES /
WEST AFRICA GAS
PIPELINE PROJECT

"Chevron, Shell to
Sign Pact With African
Nations"
Wall Street Journal
August

Hispanic Business
November

TOP 50

HISPANIC
EXPORTING
FIRMS IN USA

—K&M Engineering—

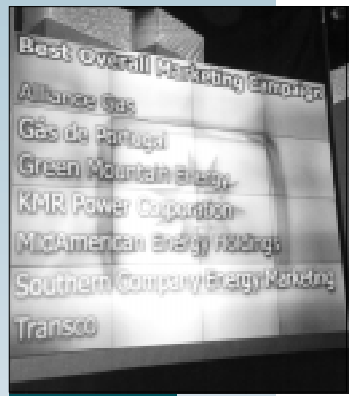
Debut
on list

69
#22

KMR's TermoCandelaria Project Shortlisted



(Left to right) Rear: Lynn Smull, Vice President, Project Finance, Bank of America; John Sulski, Vice President, Project Finance, Bank of America; Denis Slavich, Vice President and CFO, KMR Power. Front: Julie Kennon, Director of Corporate Communications, KMR Power; Karen Donatelli, Project Finance Manager, KMR Power; Stephan Marti, Vice President, Centre Solutions.



KMR was honored by the Financial Times Energy Awards committee at a gala held in New York City at the Waldorf-Astoria Hotel in November. KMR Power's TermoCandelaria project was considered for the award of "Boldest Successful Investment Decision" of 1999, along with projects submitted by K&M Engineering and Consulting Corporation, AmerGen, Tractebel, Centrica, and Williams.

The Financial Times honored KMR Power for its 320 MW Cartagena,

Colombia-based TermoCandelaria power project, which reached financial close in June 1999. TermoCandelaria represents KMR Power's largest wholly owned project to date, doubling the company's generation base in Colombia and quadrupling its net megawatt ownership in that country.

KMR Power attracted \$180 million in debt financing for the TermoCandelaria project, despite Colombia's economic and political environment. With its partners, Bank of America and Centre Solutions, KMR Power arranged an innovative financing structure in which insurance was used as a surrogate for capital. The presence of a guarantee allowed Bank of America to underwrite \$40 million of the senior loan for a two-tranche bank facility. Centre, which provided a guarantee on an \$85 million subordinated loan, also took a \$35 million participation in the senior loan. Instituto de Fomento Industrial and Banco de Bogotá (Nassau) Ltd., both Colombian institutions, provided the balance of the financing.

"At a time when many financial institutions refused to invest in Colombia, KMR Power worked tirelessly with Bank of America and Centre to push the TermoCandelaria project across the finish line," said Denis Slavich, CFO, KMR Power Corporation. "We are extremely proud to be nominated for this award. TermoCandelaria is a great example of KMR's

... its projects. We feel strongly about our deals walk away from them, regardless of the hurdles. With a long term view, we were able to make a great investment in a country where, today, others aren't."

"TermoCandelaria proves that if a project has sound fundamentals and the deal is well structured, even the most daunting obstacles can be overcome," said Stephan Marti, vice president, Centre. "We are proud to have partnered with KMR for this transaction and are excited to see the project honored in this way." ■

**Termo-
Candelaria**

**TWO
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FINANCIAL

1999

Award

**BOLDEST SUCCESSFUL
INVESTMENT
Shortlist**

TermoCandelaria

**Cartagena,
KMR Power, in**

Azito Power

Abidjan, Co

K&M Engineering IP

**BEST OVERALL
MARKETING
Shortlist**

TermoCandelaria

**Cartagena,
KMR Power, in**

TWO CATEGORIES

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ENERGY

wards

SUCCESSFUL
T DECISION

tlisted

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Columbia

investor/owner

er Project

ôte d'Ivoire

PP/BOT Consultants

OVERALL

G CAMPAIGN

tlisted

ia Power Project

Columbia

investor/owner

AGORIES

K&M's Azito Project Shortlisted

K&M served as IPP/BOT consultants to the Government of Côte d'Ivoire as the Ministry of Industry and its infrastructure planning and privatization agency structured and offered the country's first competitively bid private power project to international developers.

Recognizing the tremendous benchmark for project finance in Africa—demonstrated by the successful financial closure of the 288MW \$225 million Azito BOT—K&M nominated the project. It competed in the category of "Boldest Successful Investment Decision" for the prestigious 1999 Financial Times Energy Award.

K&M was selected by the World Bank and the Government of the Côte d'Ivoire to serve as project advisor to structure key technical, commercial, financial and legal components of the Azito project.

K&M's IPP/BOT consultants developed the bid documents and managed the tendering process for two distinct packages issued simultaneously—one for the private IPP plant under a long-term concession—and one for the turnkey transmission project.

The successful project structuring, attested by the widely contested international competitive bidding, and the benchmark financial closure now serves as a model for infrastructure project development in Africa. In recognition of the tremendous milestones achieved, the project was shortlisted for the 1999 Financial Times Energy Award.

The Azito project fought the odds in challenging market conditions during the global currency crisis of 1997-98 to become the first international commercial bank financing for a major power project in sub-Saharan Africa, and the largest IPP to date in the region.

The successful structuring, full international competitive bidding and financial closure now serves as a model for infrastructure project development in Africa. A major component in the project's success was achieved when the World Bank's International Development Association provided its first partial risk guarantee, which served as a catalyst to attract commercial financing.

The Azito project coincided with important milestones in the country's power sector restructuring program that created an attractive market for investors and facilitated private investment.

The project consortium, Cinergy, S.A., consisting of ABB Energy Ventures (Switzerland), Electricité de France International and Industrial Promotion Services (Côte d'Ivoire) achieved financial closure in January 1999. Construction began in March 1999, with commercial operation expected in 2001.



(Left to right) Karen Harbert Mitchell, Marketing Manager, K&M; Ibrahim Khalifa, Senior Advisor, K&M; Farida Mazhar, Project Finance and Guarantees, World Bank; and William Drotleff, Senior Vice President, K&M.



TWO
PROJECTS

BCIU OPERA GALA

In October, K&M / KMR was pleased to be a patron-level corporate sponsor for the Business Council for International Understanding's 40th Anniversary celebration.

Held at the prestigious Metropolitan Opera in New York City, the festive gala featured dinner on the Grand Tier followed by a performance of the ever-popular "Aida" in the Lincoln Center Opera House with over 500 guests in attendance.

BCIU is a facilitator between the American business community and domestic and foreign government officials through a series of forums, conferences and other venues which focus on the global marketplace.

K&M chairman Michael Kappaz serves as Vice Chairman of BCIU, and was an Honorary Co-Chair for the Gala.

U.S-Middle East Trade Mission

In October, K&M chairman Michael Kappaz accompanied U.S. Secretary of Commerce William Daley on a business development trade mission to the Middle East. The focus of the mission was to identify opportunities for American companies presented by the liberalization of economies and privatization of key industry sectors, and to reaffirm the U.S. Government's support for the commercial aspects of the peace process.

The trade mission commenced with a meeting in Washington with King Abdullah of Jordan. Senior-level meetings were held in Egypt, Israel, Gaza/West Bank, Jordan, Saudi Arabia and the United Arab Emirates. Industry sectors represented included energy, water and wastewater, environment, information technology, agribusiness, tourism, insurance, banking and medical services. Delegates met with U.S. embassy officials, American Chambers of Commerce and prospective partners in the private sector.

According to Secretary Daley, "the mission accomplished what we aimed to achieve, highlighting the importance of regional cooperation and trade investment opportunities for American companies. Together, as a region the countries of the Middle East stand poised to become a formidable force in the global trade arena." He continued, "these missions demonstrate that business and commerce are an effective vehicle not only for promoting peace and stability, but also to help build the infrastructure and institutions of everyday life." ■



U.S. Department of Commerce Secretary William Daley (left) and K&M Chairman/CEO Michael Kappaz (right).



K&M Debuts on Privatisation League Tables

Privatisation International, in association with Thomson Financial Securities Data, annually conducts a comprehensive review of the global infrastructure industry to rank the top ongoing and closed privately financed non-recourse and limited-recourse projects. Over 3,500 projects were reviewed based on estimated construction cost, status of financing and overall progress.

The 9th Annual Project Finance League Tables were issued in September rating leading financial, legal, transactional support and special advisory firms for the period of June 1998 to June 1999.

K&M debuted on the league tables in the special advisory category for work completed on behalf of Colombia, Ecuador, Bangladesh, Tunisia, Vietnam, Côte d'Ivoire, Korea, Sri Lanka, Mauritius, Jordan and The Philippines.

For these projects K&M served in a variety of roles as technical consultant and principal consultant, including technical advisor for BOT bid evaluation, technical and contracts advisor for BOT, project developer and consulting engineer for BOO, and principal consultant for asset unbundling for sell-off.

As could be expected, the global financial crisis that spread throughout seemingly unrelated economies during the rating period had a significant effect on overall investment flows to developing countries. Although funding diminished, interest remained high and the movement to implement reform persevered.

Privatisation International (PI) reported that, in the global power sector—where K&M has its strongest presence—most transactions were completed for greenfield projects in emerging markets. Potential investors took a cautious approach prompting renewed focus on risk mitigation strategies. As had been the trend in recent years, the PI tables revealed strong investment in Latin America, the Caribbean and East Asia.

The PI survey revealed three key factors required to strengthen the viability of a project: political stability, sovereign government creditworthiness, and strong framework.

For further information contact K&M project development and finance director William Kappaz at K&M-Washington. ■

World Economic Development Congress

“Ensuring Growth of Your Global Energy Business in Increasingly Competitive and High Risk Global Markets”

In September, K&M/KMR participated in and co-sponsored the 8th Annual World Economic Development Congress (WEDC) held in Washington, D.C. The 1999 Integrated Energy Summit, “Ensure Growth of Your Global Energy Business in Increasingly Competitive and High Risk Global Markets,” highlighted the latest developments in the area of Energy Trading.

In an increasingly complex and dynamic global energy industry, it is critical to evaluate policies and strategies. According to the WEDC, over 2,300 greenfield power projects are under development, 600 are under solicitation, and 170 privatizations are outstanding, in an industry that is undergoing enormous restructuring.

KMR Power sponsored the Welcoming Reception on the first evening of the three-day conference attended by delegates from the CEO, CFO and Industry Summits.

As part of the Integrated Energy Summit, K&M Chairman and CEO Michael Kappaz participated on the panel “Combating Volatility and Choosing the Right Opportunities and Strategies for Success in Emerging Markets.” He led a discussion on “Examining How

Governments are Re-thinking Their Privatization and Deregulation Strategies in the Wake of the Asian Currency Crisis.” *(A copy of his presentation may be downloaded by visiting the WEDC website at www.worldcongress.com.)*

KMR CEO and President George Kappaz gave a joint presentation with Centre Solutions’ Chief Underwriting Officer Thomas Dickson on the project finance panel “Future Options for Capital Markets Financing, Project Finance and Local Finance for Infrastructure Development.” Mr. Kappaz and Mr. Dickson shared a case study of the TermoCandelaria Power Project for which Centre Solutions provided the first insurance company guarantee for a private power project. Their presentation, “A New Approach: Insurance-Based Project and Capital Market Financing,” delineated the elements of this innovative structure. Others participating in this discussion were Stephan Marti, Centre Solutions, and Kevin Wellenius, Frontier Economics.

For further information contact KMR Communications Director, Julie Kennon. ■

GROUP OF 50

K&M chairman Michael Kappaz participated in the 6th Annual Meeting of the Group of 50 held in Washington, D.C. and the Maryland Eastern Shore.

A joint initiative of the Carnegie Endowment for International Peace and the Inter-American Dialogue, the Group of 50 consists of select CEO’s from Latin America’s leading private sector companies.

The Group provides a forum to exchange experiences, develop initiatives and foster economic / social progress in Latin America.

The 1999 forum featured a series of roundtable discussions including “Key Global Events to Watch and Why,” “Where’s the Money?” “Leap-Frogging or Lagging Behind?” and “Markets, Inequality, and Democracy in Latin America.”

Multilateral Development Bank Conference

K&M/KMR Co-sponsor Executive Directors’ Summit

In September, the U.S. Department of Commerce hosted its annual meeting in Washington, D.C. that brought together the U.S. Executive Directors posted at the five major multilateral development banks (MDBs) for a full-day forum that highlighted business opportunities, new investment strategies and participation for the MDBs in infrastructure projects.

Morning sessions offered an opportunity for each of the U.S. Executive Directors (USED) to make a presentation to participants representing corporations, law firms, and commercial banks. USED Alice Dear, African Development Bank, opened the meeting with “The AfDB in the 21st Century: A New Vision for Development,” followed by USED-Alternate Cinnamon Dornsife, Asian Development Bank, who spoke about “Policy Priorities at the ADB” in the areas of poverty reduction and private sector development strategies. Next, USED-Alternate Larry Harrington, Inter-American Development Bank, outlined the IDB’s current project

portfolio and direction of lending. The formal presentations wrapped up with remarks by USED Karen Shepherd, European Bank for Reconstruction and Development titled “Recent EBRD Initiatives and Investment Climate in Central and Eastern Europe and the Countries of the Former Soviet Union,” and concluded with USED Jan Piercy, World Bank, speaking on “Governance, Development and Private Sector Opportunity.”

Following the luncheon, hosted by K&M/KMR, which featured a presentation by Nemat Shafik, Vice President for Private Sector Development and Infrastructure, World Bank, the afternoon offered opportunities for private meetings with U.S. Department of Commerce Senior Commercial Officers held at the Ronald Reagan International Trade Center.

K&M/KMR were pleased to co-sponsor this well-attended and informative event. ■

K&MST-Colombia Hosts U.S. Ambassador

In August, K&MST hosted a visit to the Mamonal Power Plant site by U.S. Ambassador to Colombia, Hon. Curtis Kamman, and Commercial Attache, Rick Ortiz.

In addition, the K&MST office cohosted a luncheon with the Colombian-American Chamber of Commerce in honor of Amb. Kamman.

K&M/KMR executives participated in a variety of trade missions, conferences, seminar roundtables, power delegation briefings, meetings and presentations. This offers opportunities to exchange ideas and share important experiences with counterparts, project developers and government officials throughout the world.



(Left to right) Jose Kappaz, General Manager, K&MST-Colombia; Rick Ortiz, U.S. Commercial Attache, Bogota; Mrs. Curtis Kamman; U.S. Ambassador to Colombia, Curtis Kamman, Bogota; Steve Johnson, Technical Manager, K&MST Colombia.



K&MST-Colombia hosts tour of Mamonal facility. (Left to right) Jose Kappaz, General Manager, K&MST; Ambassador Curtis Kamman; Rick Ortiz, Commercial Attache; Steve Johnson, Technical Manager, K&MST.



Colombian-American Chamber of Commerce and K&MST host luncheon for U.S. Ambassador and Commercial Advisor. Left to right: Alfonso Salas, President Sociedad Portuaria of Cartagena; Curtis Kamman, U.S. Ambassador; Jose Kappaz, K&MST General Manager; Jaime Borda, President, Colombia-American Chamber of Commerce.

Outreach

NOVEMBER

Michael Kappaz, participant
Global Power Forum
Threats to the Global Power Business:
Hot Spots, Death-spiral Pricing, and
Super Competitors
Sponsor: Cambridge Energy Research
Associates
Pebble Beach, CA, USA

Michael Kappaz, participant
Economic Policy Forum for U.S. Chiefs of
Mission serving in the Western Hemisphere
Sponsor: Business Council for International
Understanding
Washington, DC, USA

George Stockton, speaker
Middle East Power Generation Summit
Topic: "Creative Project Financing for Private
Greenfield Projects"
Sponsor: IIR Industrial
Dubai, United Arab Emirates

John Rezaian, speaker
Second International Symposium on
Clean Coal Technology
Topic: "Structuring and Financing Advanced,
Clean Power Generation Projects"
Sponsor: U.S. Department of Energy, State
Administration of Coal Industry, P.R. China,
European Commission Directorate of Energy
and Department of Industries, Science and
Resources, Australia
Beijing, China

OCTOBER

Michael Kappaz, delegate
U.S.-Middle East Trade Mission to
Saudi Arabia, United Arab Emirates, Egypt,
Palestine, Gaza/West Bank, Israel.
Sponsor: U.S. Department of Commerce
(See separate story, page 8)

Ralph Fairbanks, speaker
Foreign Service Institute, Power Generation
Seminar for Economic and Commercial
Studies
Topic: "The TermoCandelaria Project: A Case
Study in Innovative Project Finance"
Sponsor: Business Council for International
Understanding
Arlington, VA, USA

Ras Desai, Aimée Meher-Homji, attendees
American Forum for Political Education
Sponsors: U.S.-India Business Council and
U.S. Chamber of Commerce
Washington, DC, USA

SEPTEMBER

William Kappaz, panelist
Emerging Arab Economics: A Gateway to a
New Millennium
Topic: "Global Integration"
Sponsor: Euromoney Institutional Investor
Cairo, Egypt

Meet Our Manager

As Technical Director for K&M, Martin Tormey is responsible for management and technical direction of the firm's domestic and international engineering projects. Mr. Tormey oversees the daily activities of K&M's technical and engineering services project managers in the areas of engineering and design, feasibility studies, owner's and banker's engineer due diligence, and IPP/BOT project structuring, including the international competitive bid process.

His current major activity is implementing K&M's largest turnkey EPC contract to date on behalf of KMR Power's 320 MW TermoCandelaria private power plant in Colombia, South America.

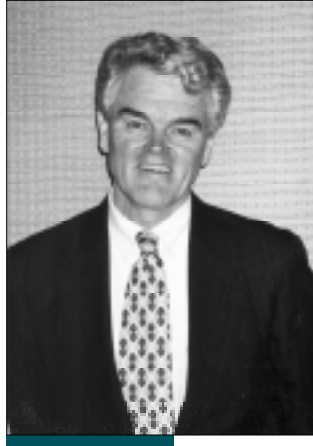
In Asia, Mr. Tormey has provided technical consulting services to KEPCO for its 1,200 MW Ilijan natural gas project in The Philippines, now under construction. Ilijan, the largest combined-cycle plant in Asia, is introducing the first commercial application of the MHI 501-G advanced turbine technology in the Philippines, for which K&M performed an extensive technology due diligence study under Mr. Tormey's leadership.

Mr. Tormey served as K&M's resident manager for Vietnam's first international competitively bid BOT project, the 700 MW Phu My 2 Phase 2, and is currently leading K&M's negotiation support team on behalf of the Government of Vietnam as the Ministry of Industry and Electricity of Vietnam finalize agreements with the first-ranked project developer. (See separate story, page 3).

In Bangladesh, Mr. Tormey assisted the Power Development Board to structure and bid the 450 MW Meghnaghat BOT power project, now under construction.

He is currently project manager for a feasibility study on behalf of the Government of Mauritius, Ministry of Public Utilities, seeking to develop the country's largest IPP to date. The ministry is currently reviewing proposed site and technology options. And, Mr. Tormey supervised K&M's technical bid evaluation of the proposed 140-180 MW Kelantissa BOT project on behalf of the Government of Sri Lanka, which is expected to reach financial close by the end of 1999.

He recently assisted in the technical project structuring components of the 200 MW SiHiwa coal-fired power project



Martin Tormey

Technical Director

"Because of K&M's unique approach of combining in-depth practical engineering capability with overall project commercial development and financial structuring, we're fortunate to have Marty's extensive background and abilities. They've been a perfect fit in helping K&M meet the needs of our most challenging assignments."

William Drotleff
Senior Vice President

EXPERTISE

Power Plant Design
Engineering and Design
Feasibility Studies
IPP/BOT Consulting
EPC Contract Management
Project Agreement Negotiation
International Competitive Bidding

in Seoul, South Korea currently in the development phase.

Previously, he was involved in the due diligence review of two private power projects in Pakistan, the 115 MW Raiwind Project, and 112 MW Rousch Project.

On the domestic side, Mr. Tormey has oversight of K&M's multi-task technical services in support of the U.S. Department of Energy, Federal Energy Technology Center (DOE-FETC). This work comprises technical reviews and market assessments for a variety of Research, Demonstration and Development (RD&D) projects in the areas of advance power generation systems, environmental hazard mitigation technologies, clean coal technologies, and international commercialization strategies for these new American energy technologies.

Mr. Tormey was affiliated with Stone and Webster Engineering Corporation for 29 years in various project and technical positions. As Chief Mechanical Engineer he was responsible for the management of all technical, consulting, and administrative activities, including technical adequacy, quality, and timely performance of the Mechanical Engineering Division.

He has experience in nuclear, fossil and advanced technology power plant engineering, design, licensing and operation. Mr. Tormey was an NROTC graduate and served aboard a destroyer in the United States Navy's Atlantic fleet.

He holds a M.S. in Engineering Management from Northeastern University, and a Bachelor degree in Mechanical Engineering from Cornell University. He has completed post-graduate course work in Hazardous Materials Management at Tufts University, and Environment Protection at Northeastern University. He is licensed as a Professional Engineer in five states.

Mr. Tormey is a native of Massachusetts, married with four grown children and one granddaughter (and more expected). He is an avid sailor. Last year, Mr. Tormey was the "winner" of K&M's annual Christmas dinner-dance employee recognition raffle, which consisted of round-trip airfare for two. He took advantage of the opportunity to arrange to charter a bareboat out of New Zealand and enjoy a sailing vacation with his wife in the South Seas; well-deserved after he had lead a rather nomadic life managing K&M projects worldwide while commuting between his home in Boston, apartment in Washington and hotel in Hanoi. ■

EMPLOYEES: OUR MOST VALUED ASSET

K&M ENGINEERING

NEW HIRES— WASHINGTON

Sharon Clontz
Senior Accountant

David Ferguson
Assistant Controller

Linda Ivanov
Communications

Augusto (Gus) Pagano
Chief Civil Engineer

K&M POWER

NEW HIRES— WASHINGTON

Femi Adeniji
Senior Accountant

Kim Fitzgerald
Executive Assistant to the
Vice President/CFO

Candi McDonald
Executive Assistant
to the CEO

Phillis Quarles
Receptionist

K&MST

5 YEAR AWARD

Carolina Vides
General Secretary



Carolina Vides, K&MST General Secretary, receives five year anniversary award from Jose Kappaz.

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