4.0 PROJECT FINANCIAL ASSESSMENT

4.1 INTRODUCTION

Yankee believes that the Trinidad project will be financeable if the series of contractual arrangements currently being negotiated are satisfactorily concluded.

In any complicated project there is the need for credible parties, a viable technology, an economic basis and adequate incentives for the project to be successful. The project sponsors then need to identify and properly mitigate all project risk in a manner acceptable to investors and other interested parties to the project. Yankee believes it has identified all the major risk areas, and will be able to provide the types of risk protection required by investors to allow for non-recourse project financing. The following sections provide detail on the proposed structure and contractual arrangements. The last section then highlights the type of risk and mitigants Yankee anticipates.

4.1.1 CAPITAL USES

The project used as a starting point, the estimates developed during the DOT contract; these earlier estimates were reevaluated and modified to reflect more accurate or new information. Specifically the largest modification to the estimate was made for the methanol process plant with a decrease, from slightly over $141 million to $126.5 million. Another significant decrease, but of smaller magnitude was for the floating barge - (Yankee Energy received a budget quotation from a Korean Shipyard); the DOT estimate was lowered from $81.5 million to 75.5 million; altogether the decrease in capital cost for these 2 areas amount to $20.5 million. The following table shows the low and high ranges of capital costs based on our estimates (in thousands of dollars).

ASSESSMENT THAT FINAL EQUIPMENT COST WILL BE IN SPECIFIC RANGE

	LOW	LIKELY	HIGH
Plant Cost	118,510	126,520	150,660
Vessel Cost	75,451	75,451	83,990
Pre-Op Cost	36,586	38,551	39,815
Total	230,547	240,522	274,465

The following table is a detailed breakdown of all the capital costs including financing expenses of $52.2 million and a contingency reserve of $22.5 million or almost 10% before financing charges. It is to be noted that this 10% contingency is less than the high range cost estimate but over 65% of the difference between the likely case and the high range. The capital costs used for the financial projections are 14% higher than the low range estimate.

The funds required to complete the Project are estimated as follows (in millions of dollars)

Use of Proceeds	Likely
Vessel Construction	75.5
Methanol Plant Construction	126.5
Deployment	23.1
Pre-Commencement	4.1
Financial and Legal	60.1
Working Capital Reserve	4.5
Debt Reserve	27.0
Owner's Expense	11.3
Contingency Reserve	22.5
Total	354.6

(see economic pro forma for details and assumptions used)

4.1.2 CAPITAL SOURCES

Yankee estimates the total cost of the Project, including financing costs during construction, contingencies and reserves to be approximately $347 million. The proceeds of the Loan Facilities (described in section 4.1.3) will be used to finance 100% of the cost during the construction period. Upon completion and delivery of the Plantship, approximately $87 million of equity from the Owners will be funded and used to reduce outstanding commercial bank debt and establish a debt reserve. The $260 million in debt remaining outstanding will be repaid over the next 12 years. It is noteworthy that Yankee plans to have the equity contribution irrevocably committed (and collateralized to the extent required by the lendors) prior to construction commencement.

The anticipated source of funds for the Project are (in millions of dollars):

	Construction Period		Operating Period	
U.S. Export-Import Bank	144.0	40%	144.0	40%
Korean Export-Import Bank	45.0	13%	45.0	13%
Comercial Banks	166.0	47%	75.0 *	21%
Equity	0		91.0	26%
	$355.0	100%	355.0	100%

* This assumes the entire $22.5 million contingency reserve is spent during the construction period. Any unspent contingency will reduce the commercial bank loan amount.

Sources and uses of funds during the four year construction period is expected to be:

Source	Year 1	Year 2	Year 3	Year 4
U.S. Exim	14.6	38.4	64.1	26.8
Korean Exim			45.0	
Comercial Banks	9.3	18.6	41.1	62.6
Total	23.9	57.0	150.2	89.4

Use	Year 1	Year 2	Year 3	Year 4
Vessel Construction	2.8	7.7	64.7	.20
Plant Construction	5.0	42.6	68.2	10.60
Deployment			4.5	18.60
Pre-Commencement			1.0	3.10
Owner	3.6	2.5	2.7	2.30
Finance	12.3	3.0	9.1	32.06
Contingency				22.50
Total	23.7	55.8	150.2	89.36

4.1.3 DEBT FACILITIES

Proposed Summary of Terms and Conditions

Borrower:

A special purpose subsidiary of Yankee Energy Corporation, incorporated in the Cayman Islands.

Purpose:

To finance the cost of designing, building, equipping, towing, and mooring a methanol plantship capable of producing 3,000 TPD of chemical grade methanol. The plantship will be moored over the Pointsetta gas field, 35 miles off the coast of Trinidad. Natural gas will be supplied under a long term gas supply contract by Tenneco and methanol will be sold under a long term off-take agreement with a major U.S. company.

Amount:

Bank Loans:	$130,600,000, reducing to $71,000,000 at construction completion.
U.S. EXIM Loan:	$144,000,000
Korean EXIM Loan:	$45,000,000

Lenders:

Bank Loans:	a syndicate of international commercial banks.
U.S. EXIM Loan:	Either the U.S. Export-Import Bank through its direct loan program or a syndicate of international banks under a guarantee of the U.S. Export-Import Bank.
Korean EXIM Loan:	The Korean Export-Import Bank.

Loan Facilities:

Bank Loans:	A five-year construction loan with multiple drawings allowable (usually monthly) converting to a ten year term loan.
U.S. EXIM Loans:	A supplier credit for financing 85% of the equipment, goods and services manufactured by U.S. companies for the Borrower.
Korean EXIM Loans:	A supplier credit used to finance 80% of the equipment, goods, and services manufactured by a Korean company for the Borrower.

Availability:

Bank Loan:	From the date of the Credit Agreement to the earlier of Project Completion or 60 months.
U.S. EXIM Loan:	From the date of the Credit Agreemnet to the earlier of Project Completion or 60 months.
Korean EXIM Loan:	From the date of the Credit Agreement to the earlier of delivery of the vessel or 48 months.

Final Maturity:

Bank Loans:	Approximately fifteen (15) years from the date of the Credit Agreements.
U.S. EXIM Loan:	Approximately fifteen (15) years from the date of the Credit Agreements.
Korean EXIM Loan:	Approximately thirteen and one-half (13 1/2) years from the date of the Credit Agreements.

Repayment:

Bank Loans:	In nineteen (19) equal semiannual installments commencing twelve months after commencement of commercial operation.
U.S. EXIM Loan:	In twenty (20) equal semiannual installments commencing six months after commencement of commercial operation.
Korean EXIM Loan:	In seventeen (17) equal semiannual installments commencing twelve months after commencement of commercial operation.

Optional Prepayment:

Any prepayment of the loans shall be in amount which is an integral multiple of $1 million and will be applied pro-rata between the loans and in inverse order of maturities.

Interest Rate:

Bank Loans:	Will be priced at a margin above base rates (at Borrower's option) of Prime, LIBOR or CD.
U.S. EXIM Loan:	OECD consensus rate for Trinidad private sector credit of a direct loan facility and a margin over LIBOR for a guarantee loan facility.

Commitment Fees:

1/2% per annum on the unused portion of the Loans from the day of the commitment by each Lender through the end of the Availiability period, payable quarterly in arrears.

Security Arrangements:

The following Security Arrangements will support the Borrower's payment obligations for interest, principal and any other amounts due on the loans.

a) An assignment of the Equity Funding Agreement, whereby the Owners unconditionally guarantee to provide $86.7 million at the earlier of Completion or four years after Loan Closing. This obligation will be collateralized in a manner acceptable to the Lenders.

b) An assignment in the Gas Supply Contract between Tenneco and the Borrower.

c) An assignment in the Construction Contract for the design and construction of a 180,000 dwt barge.

d) A first lien on the Project's assets.

e) An assignment in the Methanol Offtake Contract.

f) An assignment of the Borrower's interest in insurance policies covering the Project's assets.

g) A first lien on the Revenue Account, to be held at a Bank of the Lender's choice.

h) An assignment of political risk insurance provided by Overseas Private Investment Corporation covering expropriation and other related events.

i) Pledge of Poinsettia gas field reserves by Tenneco equivalent to 3x production for ten years.

j) An assignment of the Borrowers interest in any other material Project Assignment, as appropriate.

Project Completion:

The project shall be completed when the Borrower shall have certified that all the following conditions have been met:

a) Contractor shall have demonstrated satisfactory completion of Performance Tests. Such tests shall include production quality, production volume and gas consumption to be achieved during an agreed upon test period.

b) The plantship shall be located on the proposed project site and shall be completed substantially in accordance with its final design specifications, including all relevant infrastructure development necessary for the normal operation of the plantship and receipt, shipment and handling of raw materials or finished product (including, but not limited to, the facilities that have to be designed, constructed and completed by Tenneco as defined in their Gas Supply Contract).

c) All neccessary material authorizations (to be specified) for the commencement or normal operations of the Project shall have been obtained, and all conditions of such authorizations shall have been met by the end of the Test period.

d) The material Project Agreements (to be specified) shall be in full force and effect, and;

e) There is no Event of Default under the Credit Agreement and the Security Arrangements.

The performance tests of a technical nature will be monitored and certified by an independent consultant mutually acceptable to the Borrower and the Lenders.

Conditions Precedent To The Agreement:

Usual, including:

a) The investment or obtention of commitments from Owners for an aggregate amount of not less than U.S. $86,700,000 in equity for the project.

b) Absence of any material adverse change in the general conditions of Trinidad demonstratably affecting the feasibility of the Project.

c) Evidence of the availability of financing for the facilities that have to be constructed and completed by Tenneco as defined in the Gas Supply Contract.

d) Receipt of all necessary material governmental approvals for the operation of the Project or satisfactory evidence that such approvals will be obtained on a timely basis.

e) Satisfaction with a report confirming the gas reserves of Tenneco available to the Project pursuant to the Gas Contract, to be provided by an independent petroleum engineering firm.

f) A satisfactory Foreign Exchange Agreement permitting the Borrower to retain certain sales proceeds outside of Trinidad.

g) Satisfaction with all Material Contracts, including but not limited to Construction Contracts, Gas Supply Contract and Methanol Contract.

Conditions Precedent to Drawdowns:

Usual conditions, including execution of all the Credit Agreements, Security Arrangements and material Project Agreements, receipt of pertinent approvals, and no occurance of an Event of Default.

Borrower's Covenants:

Usual, including progress and financial reports during construction; operating and financial reports after Project Completion; performance of all material obligations under all Credit Agreements, Security Arrangements and material

Project Agreements; maintenance of ownership and limitations as to the scope of the Borrower's business, its ability to modify the Project Agreements and to acquire or set up subsidiaries; prohibition of sales other than on an arm's length basis; limitations on liens, sale of amterial assets, additional indebtedness and guarantees, short term indebtedness and mergers; maintenance of adequate insurance coverage.

The Borrower will specifically agree to:

a) Achieve Project Completion 60 months following the date of the Credit Agreements.

b) At and after Project Completion maintain a Minimum Cash availability of U.S. $27,000,000 until full repayment of principal, interest and other amounts due on the Loans. Such minimum Cash Availability will be maintained in the form of a cash balance on hand or investment in securities acceptable to the Lenders.

Borrower's Representation and Warranties:

Usual, including the following:

a) All the material Project Agreements are in full force and effect.

b) All material Trinidad and Tobago approvals and authorizations with respect to the development, construction and operation of the Project, the transportation and sale of the methanol produced by the Project and the execution and performance of the Credit Agreements, the Security Arrangements, and the Project Agreements have been obtained and are in full force and effect or will be obtained at the time of Project Completion.

c) The perfection of the collateral referred to as "Security Arrangements" above.

Events of Default:

Usual, including

a) non-payment of interest, principal and other amounts due under in respect of the Loans and,

b) other material conditions of default, including default under any Material Contracts.

4.1.4 EQUITY

Yankee believes that there will be a large number of major companies in the oil and gas and basic chemical industries who will be interested in the project if negotiations for equity postions with the gas supplier and methanol taker are not successful or if the equity commitments from those parties are not for the entire amount needed. Given the location, technology, cyclical nature of the industry and non-recourse nature of the Project, Yankee believes that equity investors will be seeking a minimum after-tax return in the range of 16-18% per annum. This range is equivalenet to return expectations for other non-recourse energy related project financings. This minimum return is obtained at a methanol price of $0.35 per gallon, and .50/MCF Feedstock (the base case).

Yankee anticipates providing $91 million in equity required primarily through the sale via a private placement of ownership interests in the special purpose company. Yankee intends to provide the initial opportunity to invest to Tenneco and its partners in the Poinsetta field as well as to the methanol off-take company. The prospective ownership interests, management control and operating responsibilities have not yet been finalized.

4.1.5 SPREADSHEET ASSUMPTIONS/SENSITIVITIES

A Financial Model was structured to reflect the needs of a self-contained "project financed" undertaking. A base case was developed within the following parameters.

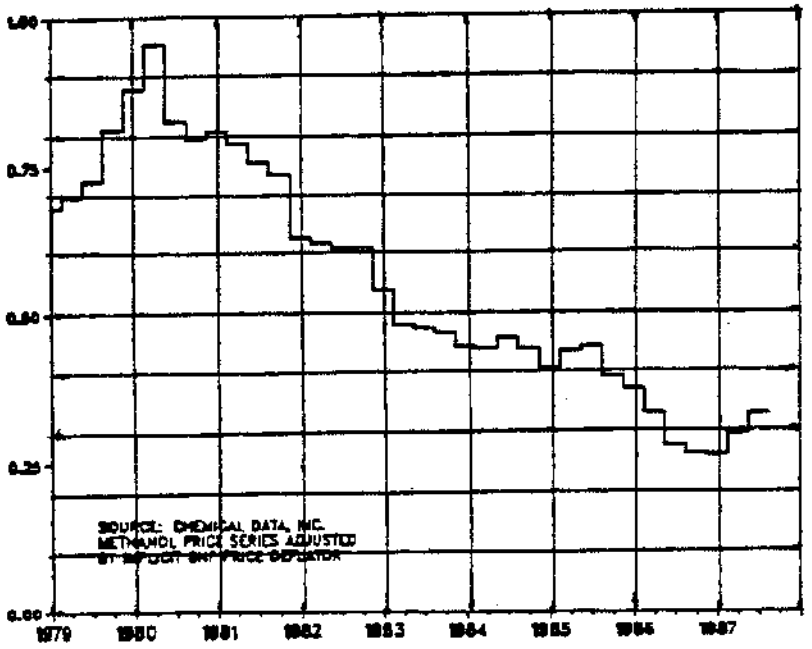
- Selling price of methanol is $0.35 per gallon or $116.55 per MT
- Feedstock price of natural gas is $0.50 per MCF and $1.00 per MCF
- Tax rate is 36% (assuming U.S. investors with no off-shore operations)
- Inflation rate is 0%
- Contingency is $22.50 million
- Debt Reserve is $27.0 million
- Total costs are $355.0 million
  Total financing expenses are $64.6 million

The base case parameters of prices and capital costs match what is believed to be the most likely case, assumptions Yankee believes to be realistic.

Figure 2 shows the price of methanol, U.S. Gulf Coast, in 1987 dollars from 1979 to 1987. Based on this historic pattern of methanol prices, Yankee believes that a market price of $0.35 per gallon is realistic, and may even be conservative for 1991-1992, when world supply and demand are expected to be in balance.

FIGURE 2

Quarterly Average Methanol Prices
U.S. Gulf Coast Contract Barges
1987 $/gallon



The internal rate of return (IRR) has been computed for three methanol prices; the results are shown in the table below:

Price of Methanol	Cost of Feedstock (Cents/MCF)	
cents/gal	50	100
35 (Base Price)	16.00%	6.73%
50	41.68%	34.90%
75	1,541.00%	69.62%

As already stated, a 16-18% IRR is believed to be an attractive return for equity investors. The table shows that this level is achieved for all cases except for the case of $1.00 per MCF feedstock cost and a methanol price of $0.35 per gallon. However if the price of methanol increases to $0.40 per gallon from $0.35 per gallon the IRR of 16% is obtained with the price of natural gas at $1.00 per MCF.

An economic assessment has also been made to compute a break-even cost of methanol to determine the cushion available in the event of an unforeseen and unexpected world methanol surplus. The break even calculation was made with the following assumptions:

- no return on equity to the investors
- ratio of debt service (interest and principal) to cash flow 1.0x
- debt reserve of $27 million remains constant and unchanged.

The breakeven costs are illustrative of possible economic scenarios for the project--for example, under conditions of depressed world-market methanol prices. However, (typically) such depressed conditions are not expected to be of a protracted duration because of the self-adjusting mechanism of supply/demand economics.

The table below gives the results, in cents per gallon, of break-even computations for three feedstock prices:

	Cost of Feedstock (cents/MCF)		
	"0"	50.0	100.0
1994	19.6	24.6	29.6
1995	22.0	27.0	32.0
1996	21.1	26.1	31.1
1997	20.2	25.2	30.2
1998	19.3	24.3	29.3
1999	18.4	23.4	28.4
2000	17.5	22.5	27.5
2001	16.9	21.9	26.9
2002	16.0	21.0	26.0
2003	15.1	20.1	25.1

The zero cost feedstock case is presented because of the eventuality that field owners and operators have an equity participation of the same proportion as the equity owners have in the investment in the plantship (the project is financed as a single package). Here, the field owners could forfeit some or all of their return on investment during times of depressed world-market price conditions. However, a zero condition may be unrealistic if income from the project must continue to flow to the government of Trinidad and Tobago.

The transportation costs from Trinidad to the U.S. market--in 50,000 DWT dedicated tankers--has been evaluated (section 12) and will add approximately 3.2 to 3.9 cents per gallon to the breakeven costs in the above table.

4.1.6 PRO FORMAS

The first full year of operation, the 5th and 10th years for the base case of $0.35 per gallon of methanol and $0.50 per MCF of gas have anticipated pro forma income statements (in millions of dollars) as follows:

	YEAR 1	YEAR 5	YEAR 10
Revenues	$107.8	107.8	107.8
Expenses			
Feedstock	13.4	13.4	13.4
Catalyst	1.5	1.5	1.5
Materials	.5	.5	.5
Site Related	6.6	6.6	6.6
Corporate	6.4	6.4	6.4
Total Operating Expenses	28.4	28.4	28.4
Operating Income	79.3	79.3	79.3
Depreciation	21.3	21.3	21.3
Interest Expense	25.7	18.6	5.7
Pre-Tax Income	32.3	39.4	52.3
Excise Tax	1.3	1.0	0.4
Income Tax	11.2	13.8	18.7
Net Income	19.8	24.6	33.2
After-Tax Cash Flow			
Net Income	19.8	24.6	33.2
Depreciation	21.3	21.3	21.3
Total Expenses	25.7	18.6	5.7
Total Cash Available	66.8	64.5	60.2
Interest Expense	25.7	18.6	5.7
Principal Payment	20.6	26.8	26.8
Net Cash Flow to Owners	20.5	19.1	27.7
Debt Service Coverage	1.44x	1.42x	1.86x

4.1.7 RISK PROFILE

Market Risk

To Project: Inaccurate demand estimates. The price at which the methanol is sold is not economic for the project.

Protection: A long term methanol purchase contract with a floor price between Yankee and a large, creditworthy U. S. Corporation.

Natural Gas Supply Risk

To Project: Inaccurate supply estimate. The price at which the natural gas is said is not economical for the project.

Protection: A long term gas supply contract at a fixed price with acceptable escalators and pledge of adequate reserves to meet contractual undertaking between Yankkee and gas supplier.

Natural Gas Resource Risk

To Project: Size and nature of reserves underestimated. Lack of continued avaliability of the reserve or resource.

Protection: Independent evaluation by more than one geological consulting firm. Dedication of the reserves to the project. Gas supplier will develop the field and warrant commercial production at outset.

Managerial Risk

To Project: Remote location makes it difficult. Size and nature of project requires specialized management skills.

Protection: Hire company to operate project. Have equity partners with gas field operating and methanol marketing experience.

CONSTRUCTION PHASE RISK

To Project: Construction overruns due to factors such as inflation, poor cost estimates; construction delay caused by technical, environmental, or regulatory problems, or poor contractor. Overruns can create funding problems or make the project uneconomic. Insufficient funds to meet cost overruns can create problems by increasing delay and forcing non-completion. Non-completion and abandonment.

Protection: Fixed-price Turnkey contract. Independent feasibility study on cost estimates and technology. Financing plan includes contingency. Equity unconditionally committed. Performance bonds from contractor. Tough "completion" test.

Operational Phase Risk

To Project: Interruption or diminution of supply from the project due to the various risks noted above and plant failure, malfunction, extended maintenance and repair, and natural disaster.

Protection: Business interruption insurance to pay debt service and fixed costs due to plant failure or natural disaster. Operating contract with performance incentives.

Currency Risk

To Project: Debt service obligation is in one currency, and revenues and/or expenses in other currencies which depreciate against the currency in which repayment is to be made.

Protection: Careful matching of currency of revenue with currency of debt service.

Regulatory Approvals Risk

To Project: Government approval of any critical element of the project is not received in a form satisfactory to lenders. Government authorities withdraw (or alter) initial approval after project is under way.

Protection: Careful advance planning. All critical permits issued prior to construction commencing. Sensitivity to concerns of government authorities.

Technical Risk

To Project: Unexpected difficult production problems. New technology is used and has start-up problems.

Protection: Independent analysis of technology being used. Guaranty of technology by supplier and operator.

Legal Risk

To Project: Long-term contracts are often made between parties with ambiguous terms or different legal systems, resulting in inadequate security for lenders. Sovereign immunity.

Protection: Obtain high-quality legal advice. Recognize that disputes inevitably arise, and devise workable dispute settlement mechanism (e.g., specify third-party arbitration in advance).

Political Risk

To Project: Relationship between borrower and Trinidad changes.

Protection: Political risk insurance. Multilateral consortia. World Bank cofinancing. Investment and tax guidelines approved. Trust arrangements which segregate revenue stream outside borrowing country until debt service has been paid.

4.2 NATURAL GAS SUPPLY AGREEMENT

Since the cost of the feedstock translates into the cost of methanol at a ratio of approximately 10:1, it has been a major goal of methanol producers to have access to low cost natural gas. It is indeed exactly such an incentive to have access to low priced gas which has seen new methanol plants being constructed in Chile, Malaysia, Burma, Saudi Arabia, etc. and the "moth-balling" of U.S. methanol plants where $1.80 per MCF natural gas converts to approximately 18 cents per gallon methanol before any debt repayment, depreciation, operating and maintenance, etc., are accounted for.

Much of Trinidad's revenues are derived from commodities, specifically methanol and fertilizers which use natural gas for their feedstock. The natural gas for these existing on shore production facilities is supplied from off-shore; it derives from the production of crude oil in the sections southeast of the island. This associated gas is piped to shore and is sold by the lease owner(s) to Trintoc (the natural petroleum company of Trinidad and Tobago) which owns and operates the pipelines. Trintoc sells and delivers this gas to the owners of the methanol or fertilizer plants. It is understood that existing and future prices for this gas from the southeast shore is in the range of U.S. $0.60-0.80 per MCF. The economic viability threshold for the plantship project has been set at U.S. $0.50 per MCF.

Yankee and Tenneco have held numerous meetings to determine a suitable working mechanism by which the project can best be served. The Poinsettia gas field was originally explored under agreements between a partnership consortium and the GOTT which involved initial payments and annual maintenance fees. The agreement also included royalties to be paid as a percentage of the value of the reserves produced. Tenneco is the operator of this concession with three partners. There is a general agreement that a means needs to be found to exploit and "monetize" this reserve which has no oil and only natural gas.

In negotiations between Yankee and Tenneco to determine a suitable price for this gas, factors considered included the subsea gathering costs, operating costs, and various indirect costs imposed by the GOTT such as employment taxes, taxes on interest, etc. It is these indirect costs imposed by the GOTT that are difficult to determine until a formal application is made to waive them to the extent provided by present fiscal incentive legislation that may result in a 10 year tax holiday for qualified new projects. This discussion cannot be held until the project is fully defined and funded. Consequently, a range of price for the gas has been developed for this study that extends from $0.50 to $1.00 per MM BTU.

The low range will require certain concessions of taxes while the higher range assumes that the project would need to meet most tax requirements as they presently stand.

Tenneco and its partners would make the required investment for the development of the gas field including the drilling, under-sea pipelines to PLEM shut off valves, and risers and instrumentation described in section 9.0

of this report. Tenneco would deliver natural gas at a minimum of about 100 million cubic feet per day, for at least 10 years, with adequate allowances to permit periodic maintenance. Yankee Energy would incur the expenses to hire a qualified organization which would certify (based on data furnished by Tenneco) that there are adequate reserves in the gas field for Tenneco to meet its contractural obligations. Yankee Energy would agree to purchase from Tenneco the natural gas delivered at the plantship's inlet.

This project will require complex negotiations and concessions between the government of Trinidad, the gas producer, the plantship, the marketing company and the product taker.

4.3 METHANOL OFF-TAKE AGREEMENT

Yankee Energy has been in active negotiations with one major U.S. corporation for the full production output of the plantship. The attached table shows the timing of meetings and correspondence with the intended product taker. The resultant Draft Off-Take Agreement presented in Figure 3. The principle of a take or pay contract for 10 years with a floor price of sufficient level to satisfy debt repayments and operating costs (feed stock, royalties, operating and maintenance costs) has been accepted by the product taker. The level of the floor price remains under negotiation as well as the mechanism for crediting the product taker when the Houston price drops below the floor price. The product taker is a company presently engaged in the production of many chemicals including methanol; their existing methanol facility would be decommissioned once the plantship commenced steady and reliable operation. Decommissioning of this competitive methanol supply alternative will have the salutory effect of reducing the financial risks to the plantship project.

Nevertheless, to be prudent, Yankee Energy has made contact with 2 other potential product takers, in the event the principal product taker decides to take less than 100% of the plantship output. These potential product takers are each interested in 10-20% of the plantship's output.

Meetings and Correspondence with Principal Product Taker

December 11, 1987 -	Meeting at the offices of the product taker to initiate discussions on terms and conditions.
January 4, 1988 -	Letter from Yankee Energy to product taker with initial terms and conditions.
January 6, 1988 -	Meeting at the office of the product taker to discuss preliminary terms.
January 27, 1988 -	Letter to Yankee Energy from product taker amending terms and conditions proposed by Yankee Energy.
April 20, 1988 -	Draft agreement mailed from Yankee Energy to product taker - Figure 3.
April 28, 1988 -	Meeting at Yankee Energy to discuss April 20th draft agreement.

FIGURE 3

Draft Off-Take Agreement

1. **PRODUCT:** The methanol will be chemical grade meeting specifications of (the purchaser) .

2. **VOLUME:** One hundred percent of the plant capacity currently estimated to be 1,050,000 metric tons per year. Plant completion is estimated to be in 1991.

3. **TERMS:** The initial term of agreement will be ten years from the date of first delivery of product or January 1, 1992, whichever first occurs. May extend the agreement for an additional ten years after expiration of the initial term.

4. **PRICE:** The purchase price (the Index Price) delivered to deep water terminals on the U.S. Gulf Coast and East Coast will be calculated by reference to an agreed benchmark which reflects the "U.S. Gulf Coast contract barge price" which will be determined by the averaging of two or more reported market price listings appearing in newsletters to be agreed upon such as Crocco's "Weekly Methanol Newsletter" and Chemical Data's "Monthly Petrochemical Analysis," or as otherwise agreed. The Index Price will also reflect a discount below the benchmark so ascertained. The purchase price for product sold outside the U.S. will be the selling price F.O.B. the Trindad plant less ___ percent. It is anticipated that prices will be adjusted quarterly or monthly. (The purchaser) will pay a "floor price" of $_____ per ton to cover certain of Yankee's costs. If such "floor price" payments exceed the Index Price (the purchaser) would pay Yankee for the product under the formula set forth above. Yankee will credit such excess, plus interest sufficient for (the purchaser) to recover cost of capital at market rates, to purchases of product occuring at such time and the Index Price once again exceeds the "floor price".

Date: April 20, 1988