

Week 4- 20th April 2023 Questions pertaining to RFP for the selection of transaction advisors

| Document Reference | Clause | Query | SRU Response | |
|---------------------------|--|---|---|--|
| Commercial Queries | | | | |
| 1 | RFP 2.1.2 | Conduct market research and surveys to identify and prepare a long list of potential investors, from appropriate sectors, i.e., industry peers, firms seeking horizontal or vertical integration, private equity etc. Prioritize investors with high-medium-low probability and indicate the road-show and bi-lateral meeting strategy and timelines | For identifying potential investors, we understand the term "market research and surveys" pertain to desktop research and basic experience of the Advisory. This is a global practise too. Also, as part of such transaction by Government or Government entities, press releases and advertisements are used to widely publicize the deal. We understand the scope does not include any primary surveys | Yes. At inception stage we are expecting a regionally broken down investor list, highlighting the reason for classification (high, medium, and low) probability. |
| 2 | RFP 2.2.3 | Prepare and gain the Client's approval for all necessary documents based on GoSL Procurement Guidelines including but not limited to the following: a. Expression of Interest (EOI) and Request for Proposal (RFP) necessary to obtain investor interest. b. Pre-qualification document and /or Evaluation Report based on the bidding criteria. c. Non-Disclosure Agreement (NDA), Memorandum of Understanding (MoU), Share Sale and Purchase Agreement. | In our experience with divestment/M&A transactions, the legal advisor is responsible for preparation of such documents while advisor's role is limited to providing inputs on the same. Please confirm if the same practice would be followed here and we would not be expected to prepare these documents. Further, 2.2.3 refers to liaising with legal advisor for closing transaction. We understand that the legal advisor would be drafting such documents to ensure closure. Unless legal aspect is part of scope for the Advisory. | All scope of work pertaining to 2.2.3 is the responsibility of the consultant. You may outsource certain specialized services and if the case, please specify as per attachment 04. |
| 3 | RFP 2.3.1 | Prepare / arrange / conduct as appropriate for / with the approval of the Client, the following: 2.3.1. The marketing strategy, including but not limited to the marketing budget, advertising materials and other marketing literature, both printed and digital media, to showcase to potential investors. | Please let us know whether cost of printing, advertising, travel costs related to meetings with investors etc. would be borne by the Client Further, we hope that cost for travel of transaction advisor would be factored in the marketing budget. If not, please let us know the number of locations the advisor is expected to travel so that appropriate budgeting can be done at our end | All marketing costs, including advertising material shall be borne by the Client. All expenses pertaining to the consultant related travel expenditures (travel, accommodation, meals and ancillary expenses) for road shows shall be factored in by the Consultant in the fees quoted. |
| 4 | RFP 2.2.1.b | Carry out comprehensive self side due diligence aimed at gaining a deep understanding of all areas of the entity including but not limited to its technical, financial, HR, taxation, legal, regulatory and environmental aspects. | As per our experience, technical, legal, environmental diligence will require specific agencies to undertake detailed due diligence. Please let us know if separate agencies would be appointed for the same Further, if these are to be included in scope of TA, please share detailed scope of work to be covered under each such diligence. Please also let us know the coverage period for the diligence. In our experience, 3 completed years plus the current year is reasonable | self side due diligence needs to be as comprehensive as a buy side due diligence, and should be sufficiently comprehensive to ensure that the buyer does not impose any conditionalities and warranties pertaining to the final transaction. |
| 5 | RFP 2.2.4 | Facilitate the buy-side due diligence process including but not limited to access to the data room by potential investors, communication between such potential investors and the Client, site visits and investor meetings, and provide potential investors with clarifications if required | Please confirm if Client would be bearing the cost of appointing data room agency, site visits and pre-bid meetings in case these are to be conducted physically. Please also confirm if data room would be virtual, physical or both | The Client is willing to bear the cost for the virtual data room. Consultants expenses on account of site visits, and pre-bid meeting should be included in the total fees quoted for each stage of deliverables. |
| 6 | RFP 2.6.2 | Negotiation- To select the successful bidder (bidder), on conclusion of negotiations with selected bidders. | We understand that our role would only be limited to assisting the Client in selection and final decision would be taken by the Client. Further, we understand that we would not be undertake management role on behalf of client. Please confirm the same | Correct |
| 7 | RFP 2.7.3 | Liaise with the legal advisors appointed by the Client for the purpose of closing the transaction. | We understand transaction consultant has to appoint legal consultant for the legal part of scope of work of this tender. What is the role and scope of legal advisor appointed by client? | With reference to scope of work 2.7.3, in the event the Client needs to appoint a legal advisor for this part only towards financial closure, the consultant shall have to work with the appointed legal advisor. The role of the legal advisor pertaining to this area shall be limited to work pertaining to the final stage of transaction only. |
| 8 | RFP 2.7.4 | Support in negotiating and finalising Final Definitive Agreements including but not limited to MOU and / or Share Sale and Purchase Agreement. Ensure that all agreements reached between Bidder and the Client are incorporated into the relevant financial, commercial and legal documents. | As per minutes of the Pre-bid meeting held on 10 April, we understand that the Attorney General shall primarily be responsible for drafting the SPA. Please confirm who would be responsible for drafting other documents | No, as mentioned in the scope of work it is the responsibility of the Consultant to prepare such documents. However, the AG may get involved in approving such draft. |
| 9 | RFP 2.7.8 | Assist in issuance of the press release by the Client. | We understand that the cost of the press releases and other public notifications, if any, shall be borne by the client. | Correct |
| 10 | RFP 4.1 | Consultants with a proven track record as lead advisor in managing, advising and conducting sale transactions will be eligible for consideration. Those with experience in the following areas will be given preference: 4.1.1. Domain expertise in the entity's sector. 4.1.2. Divestiture of SOEs. 4.1.3. Cross border transactions | Section 4 of EOI states that "Prospective organization shall have following Qualifications and experience: Proven track record as lead advisor in managing, advising and conducting a minimum of five (05) self-side transactions over the last ten (10) years". Kindly confirm if this will apply as eligibility for RFP as in the RFP the number of years and transactions is not specified | Yes. |
| 11 | RFP 4.2 | Existing / proposed joint ventures may also be considered eligible subject to the lead entity being identified and meeting the eligibility criteria set out in 4.1 above. | We understand bidder can form a consortium where one of them would be the leader. Also that the lead entity would have to meet the eligibility criteria. Kindly confirm the same. | Yes |
| 12 | RFP 5.3 | Consultants are required to provide profiles of team members in order to demonstrate requisite skills and experience. Each individual on the team must be personally available as and when required. | In the RFP it has been specified that each individual on the team must be personally available as and when required. The client will appreciate that considering the nature of work, and the wide scope of work - a large team would need to be deployed and it may be a multi-functional, multi geographic team and therefore the presence of entire team at short notice may not be feasible. Further, in the recent past, especially since 2020 we have seen large transactions being successfully completed with minimal in-person meetings including divestments and even pre-IP0 advisory to Government of India. Govt. of India for Life Insurance Corporation of India was done in 2020-21 almost entirely over virtual meetings. Would a team structure where there is a small local presence in Colombo, ready availability of team on virtual meetings, and quarterly / planned visits for key milestones by key team members be acceptable as a structure? This will help reduce the cost as well as speed up the project delivery. | Not necessarily for each individual of the team to be present, but the team members assigned for this particular assignment must be available at all times based on the need, either remotely or physically. |
| 13 | RFP 8.1 | Consultants shall quote an all-inclusive fee (inclusive of reimbursable expenses, such as travel and accommodation expenses) based on a capped percentage of the transaction value. The consultants may request for progress payments based on the fulfillment of subsets of deliverables as per 3.1, 3.2, 3.3 as set out in section 3.0 above provided however that such payments shall be deducted at the point of the final settlement of fees. The final settlement of fees will be made on reaching Financial Closure. | 1. We understand that as part of the financial proposal, we need to indicate total fee as %age of transaction value. Such fee shall be paid on submission of each deliverable and achievement of financial closure, where the payment on each deliverable is to be specified in the financial proposal and the balance payment shall be on financial closure to meet the total fee as per %age specified. Kindly confirm. Additionally, as the transaction value is not known today, the total fee is only an estimate. kindly appropriate treatment in case total fee %age of transaction value comes out to be less than the fixed fee paid on submission of deliverables. For example - assuming fee %age quoted is 2% of which fee payable at deliverable stage was USD 2.5 million. In case final transaction value is only USD 100 million, the total fee should be USD 2 million i.e. less than fee already paid. In such case - there should not be any recovery from the TA. | 1. Correct, the Consultants shall quote an all-inclusive fee (this shall include all expenses of the consultants, such as travel and accommodation expenses) based on a capped percentage of the transaction value. The consultants may request for progress payments based on the fulfillment of subsets of deliverables (eg. 3.1, 3.2, 3.3 etc) as set out in section 3.0 above provided however that such payments shall be deducted at the point of the final settlement of fees. Payments will be made within a period of 60 days from the date of acceptance of invoice by the Client. 2. In the event, the total fee to be paid to the advisor (percentage of transaction value) is less than the total sum of the progress payments, there shall not be any recovery from the Consultant. |
| 14 | RFP 10.3 | Technical scoring criteria | May we suggest that for the Experience and qualifications, a objective scoring parameter may be defined | The procurement committee has identified an appropriate scoring parameters, which are confidential |
| 15 | Others | | Kindly consider providing 3 weeks time for submission after clarification and responses are issued | The deadline has been extended to 8th May 2023 for all EOI/RFP proposals |
| Unrelated Queries | | | | |
| 16 | RFP 2.2.1 | Carry out comprehensive self side due diligence aimed at gaining a deep understanding of all areas of the entity including but not limited to its technical, financial, HR, taxation, legal, regulatory and environmental aspects | Propose to add the following: <i>Services do not constitute the following: (a) audit, assurance / attest or any review in accordance with the generally accepted auditing or accounting standards or (b) legal advice or services."</i> | legal due diligence to be included as part of the scope. |
| 17 | RFP Attachment 09 - Conflict of Interest | In consideration of our application, we, [Name of the Consultant], being duly registered under the applicable laws of [relevant jurisdiction of incorporation] and having our registered office / principal place of business at [] hereby state that: 1. any and all business relationships with the entity have been disclosed in Table A; 2. any and all business / family relationships between any Personnel / Sub-Consultant of the TA, and a member, staff of the Client and/or Standing Cabinet Appointed Consultant Procurement Committee have been disclosed in Table B; | As per our understanding, pt 1 & 2 are limited to engagement team. Please confirm the same | Consultant, who is identified as the lead entity and other JV partners have to sign the "Conflict of Interest" Declaration |
| 18 | RFP Attachment 09 - Conflict of Interest | In consideration of our application, we, [Name of the Consultant], being duly registered under the applicable laws of [relevant jurisdiction of incorporation] and having our registered office / principal place of business at [] hereby state that: 3. any actual or potential conflict/s of interest which could objectively and reasonably be assessed as having an impact on the capacity of the Consultant to serve the best interest of the Client have been disclosed in Table C. | We would like to propose revised clause as follows: <i>"To the best of our knowledge and belief and in accordance with our internal conflict checks procedures, we are not aware of any conflict of interest for [firm name] to take the assignment under _____"</i> | No, our preference is to retain the existing clause |
| Valuation | | | | |
| 26 | RFP 2.2.2 - a | Propose the valuation methods appropriate for this transaction, and provide guidance in the form of case studies on valuation methods used for similar transactions. Prepare a preliminary peer comparison list. The proposed valuation methodologies will include Inter alia Discounted Cash Flow, Trade Comparables and Transaction Comparables, Sum of All Parts and Industry specific methodologies (Eg. Sales comparison methodology, Income Approach and Cost Approach Appraisals in the Real Estate Sector) | 1) Valuation method will be determined and adopted basis the current operating status for the investment / company, as appropriate and applicable. Kindly confirm. 2) In terms of case studies, we will not be able to disclose details regarding the name of the client of the valuation numbers. | 1. Valuation method adopted should be based on a selection of commonly accepted methodologies for the sector under consideration to provide for an indicative Enterprise Value of the entity. (Eg. In this case for Carwiliw, when valuing Hyatt we expect the consultant to carry the most appropriate methods such as, Breakdown Cost Approach, Trading comparables (although we do understand there could be limited relevance given that the Grand Hyatt Colombo is still in development stage, whilst the comparables are typically established operational hotel assets), Trading comparables and Discounted cash flow.) 2. We do understand you may not be able to share the name of the client, but we expect the Consultant to share with us the valuation methodologies used for such case studies. |
| 27 | | | We understand that the projections and all other information required to carry out valuation process will be provided by the client | Projections can be forecasted based on guidance provided by management team of the entity, but remains the responsibility of the consultant (i.e. we expect the consultant to ascertain the reasonableness of the projections) |
| 28 | EOI 6 | Each consortium or individual organization <i>may submit only one EOI</i> ." | Does this mean that the advisor (along with any firm we might choose to partner with) is allowed to respond to only one EOI and RFP (e.g., for SLIC), and not for the other 3 EOIs/RFPs? We intend responding to more than one EOI/RFP, with separate deal teams responsible for all aspects mentioned in the RFPs, with some common team members for relationship management and project management. | You may submit an EOI together with the RFP proposal for each of the 4 entities (SLIC, Carwiliw Holdings, Hotel Developers and LGL/GTL), along with separate deal teams as you mentioned. In all cases, please identify the lead entity, which shall be the firm responsible to the Client in carrying out this assignment. |
| 29 | RFP 7.6 | Proposals shall be signed by two Authorized Signatories who shall also initial all pages of the proposal. Proposals shall contain no interlineations, erasures or overwriting except as necessary to correct errors. Such corrections shall be initiated by the persons signing the proposal. | If the lead entity is a foreign firm, does all pages have to be signed by the foreign firm or can the local JV partner / organization sign on behalf of the foreign firm? | In the fulfillment of Clause 7.6 of the RFP, the lead entity must take full responsibility in carrying out the assignment, and thus should sign all pages of the RFP. This can be an e-signature. However, if the lead entity provides a letter stating that the local partner shall sign on behalf of the foreign entity, this would be acceptable as well. |
| 30 | RFP Attachments | Attachment Formats | Regarding the attachment formats, is it possible to copy and use the same formats in PowerPoint, or is mandatory to fill in the documents exactly in the pdf format itself? | Same format, in power point is fine. |

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| 31 | RFP Attachments | Appointment of external advisors | Does the Client plan to appoint any other advisors (e.g. legal, technical (e.g. actuarial), valuation) to work on the transaction? If so, will the Transaction Advisor have access to these additional advisors and their work product? | Client shall not appoint any additional advisors to work on the transaction. Instead, it is the responsibility of the Lead Entity to engage with a Joint venture partner or outsource services for specialized areas (Ex: Legal and tax) as you see fit. In all instances, the lead entity shall be identified and will be responsible to the Client in carrying out this assignment. |
| 32 | | | How will the Client be organized for this transaction (e.g. project management, approvals, etc.)? | The Client as well as the entity have internally setup a divestiture team to assist the transaction advisor with the assignment. This divestiture team will include appropriate skills and resources from both the Client and the entity and will coordinate with the Consultant on all areas pertaining to the successful closure of the transaction. Where relevant all approvals will be made by the Client. |
| 33 | | | <p>There is a potential party (Organization X) to our consortium who has currently seconded one of their local employees to SLIC.</p> <p>1. The employee is part of the local chapter of Organization X, which is a separate entity but has common ownership interest similar to Organization X</p> <p>2. Because of the secondment assignment Organization X doesn't foresee our consortium gaining an undue advantage as they will instigate firewalls between their local entity (to which the seconded employee is attached) and the entity that would be party to our consortium. Organization X has prior experience in undertaking such assignments with firewalls in their practice.</p> <p>3. In addition the employee is seconded for the purpose of providing staff support to SLIC and the employee does not generate any work product which is signed by the employee or Organization X</p> <p>Given the above, can you confirm that there is <u>NO conflict of interest</u> in having Organization X in our consortium.</p> | Based on the information provided, it is difficult for us to judge if a conflict of interest exists, however if you are confident that there is no conflict of interest that exists, please submit your proposal accordingly. Full disclosure will be appreciated so that a fair informed decision can be made. |