

# security-collateral-package

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## Security & Collateral Package – Sukuk Musharaka (Anchor Tranche)

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**Issuer:** Innov8 Program 2 Sukuk LLC (Delaware, to be formed as CP to first close) **Financing:** Sukuk Musharaka certificates (60M–125M anchor) **Drafted by:** Martin / Meridian **Status:** DRAFT v1 – term-sheet level; definitive docs by Issuer + CCT counsel **Date:** 2026-05-27 **Epic:** GH#3058 · **Workstream:** GH#3059 (Structuring & Legal)

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### 1. Purpose

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Collateral package, **revenue assignment mechanics**, and **intercreditor framework** for Sukuk Musharaka financing of Wells 16-20. Structuring outline for counsel – not a substitute for recorded assignments, UCC filings, or definitive intercreditor agreements.

**Companion documents:** `5-well-spv-term-sheet.md`, `sukuk-musharaka-structure-memo.md`, `legal-corporate-structure.md`.

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### 2. Collateral Summary

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Collateral class	Description	Perfection
Working interests	WI in Wells 16-20 (BLM + SITLA leases)	Recorded assignment, Apache/Navajo County, AZ
Revenue accounts	He + H <sub>2</sub> proceeds from Wells 16-20	Lockbox / pay-direct; UCC-1 on deposit accounts
Contract rights	Offtake (when executed), gathering dedicated to SPV wells	Assignment + consent
Equipment	Surface/downhole dedicated to Wells 16-20	UCC-1 fixtures (AZ)
Insurance proceeds	Control-of-well, BI, environmental	SPV loss payee; CCT as trustee beneficiary
Musharaka interest	Offshore SPV beneficial interest	Pledged in offshore security docs

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### 3. Well-Level Collateral

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**Assignor:** INNOV8 Gases Corporation (Wyoming) **Assignee:** Innov8 Program 2 Sukuk LLC (Delaware, to be formed as CP to first close)

Assignment conveys WI in Wells 16-20, preserves lease burdens (royalty, ORRI), keeps Gases Corp as Agent Operator under DOA Assumption and Joinder. **CP:** title opinion satisfactory to CCT.

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### 4. Revenue Assignment & Account Control

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Cash flows through segregated SPV accounts per `5-well-spv-term-sheet.md` §4. Sukuk holders receive first claim on distributable cash after taxes, royalties, operator opex, and reserve refresh.

Mechanism	Description
Pay-direct	Purchasers remit to SPV operating account at first production
Lockbox	Interim sweep if pay-direct unavailable pre-offtake
ACA	Bank acknowledges CCT/security agent control

**Language rule:** No offtakes executed yet — use **serious interest** / **execute at first production** only ( `facts.yaml` ).

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### 5. Intercreditor Framework

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Creditor	Expected priority on SPV assets
Sukuk holders (via CCT)	<b>First</b>
Program 2 senior lenders (if any)	Subordinate or blocked by ring-fence
Program 1 lenders (\$250M)	<b>No overlap</b> if ring-fence holds
Sponsor equity	Residual

**Ring-fence:** No cross-collateralization or cross-default to Program 2 Parent / Holdco ( `5-well-spv-term-sheet.md` §5). Counsel to confirm Program 2 OA and any RBL lack "all assets" / "future subsidiary" clauses.

**ICA outline (if parallel debt):** SPV collateral exclusively for Sukuk; payment blockage on default; Sukuk agent leads enforcement; junior standstill.

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## 6. Remedies on Default

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Suspend distributions; mandatory redemption per T&Cs; WI foreclosure per Arizona law; replacement operator with Sukuk consent. Enforcement proceeds per Musharaka loss-sharing — no penalty interest.

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## 7. Definitive Document Checklist

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1. Assignment of Oil & Gas Leases (recorded)
  2. Assignment of Production & Revenue
  3. UCC-1 (DE + AZ)
  4. Account Control Agreement
  5. Offtake pay-direct / acknowledgment letters
  6. Intercreditor Agreement (if needed)
  7. Offshore pledge over Musharaka interest
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## Martin Flag

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Anchor close must not fund without recorded WI assignment. Commingled Gases Corp revenue pre-pay-direct is operational risk. Model net revenue after ORRI/royalty. Block additional SPV liens without Sukuk consent.

**Human attorney review required** before institutional marketing or first close.