
**CONCESSION AGREEMENT
FOR DELIVERY OF WATER AND WASTEWATER SERVICES
ON THE TERRITORY OF MUNICIPALITY OF SOFIA**

**AMENDED AND SUPPLEMENTED BY
THE FIRST SUPPLEMENTAL AGREEMENT DATED DECEMBER 15TH, 2000 (FSA),
THE SECOND AMENDMENT AGREEMENT, DATED MARCH, 19TH 2008 (SAA) AND
THE ANNEX TO THE SECOND AMENDMENT AGREEMENT, DATED OCTOBER 17TH,
2008 (ANNEX TO THE SAA)**

Table of Contents

1. <u>DEFINITIONS AND INTERPRETATION</u>	4
2. <u>GRANT OF CONCESSION</u>	26
3. <u>CONDITIONS PRECEDENT - Deleted (SAA)</u>	27
4. <u>EFFECTIVE DATE</u>	28
5. <u>GENERAL RIGHTS AND OBLIGATIONS</u>	28
6. <u>PERFORMANCE SECURITY</u>	30
7. <u>REQUIRED CONSENTS</u>	31
8. <u>RAW WATER SUPPLY</u>	31
9. <u>ASSETS</u>	33
10. <u>EXISTING PUBLIC ASSETS</u>	33
11. <u>NEW PUBLIC ASSETS</u>	35
12. <u>EXISTING PRIVATE ASSETS</u>	36
13. <u>NEW PRIVATE ASSETS</u>	36
14. <u>LAND</u>	36
15. <u>CONTRACTS</u>	41
16. <u>LEVELS OF SERVICE</u>	42
17. <u>OPERATIONS AND MAINTENANCE</u>	43
18. <u>SLUDGE OBLIGATIONS</u>	45
19. Amended to (SAA): <u>INVESTMENT PROGRAM AND CONSTRUCTION</u>	45
20. <u>HANDBACK REQUIREMENTS</u>	47
21. <u>PERFORMANCE REQUIREMENTS VARIATIONS</u>	49
22. Amended to (SAA): <u>PRICES</u>	50
23. <u>BILLING AND COLLECTION</u>	52
24. <u>PENALTIES</u>	53
25. <u>INTELLECTUAL PROPERTY</u>	52
26. <u>CHANGE IN CONTROL</u>	55
27. <u>ADMINISTRATION - Deleted (SAA)</u>	55
28. <u>EMERGENCIES</u>	55
29. <u>ENVIRONMENT</u>	56
30. <u>MONITORING OF PERFORMANCE</u>	56
31. <u>TAXATION</u>	61
32. <u>INDEMNITY</u>	61
33. <u>INSURANCE</u>	64
34. <u>REPRESENTATIONS AND WARRANTIES</u>	64
35. <u>FORCE MAJEURE</u>	67
36. <u>TERMINATION</u>	68
37. Amended to (SAA): <u>CONSEQUENCES OF TERMINATION</u>	72
38. Amended to (SAA): <u>HANDBACK OF OPERATIONS FOLLOWING TERMINATION UNDER CLAUSES 36.1 AND 36.2</u>	75
39. <u>ELIGIBLE EVENTS</u>	78
40. Amended to (SAA): <u>CONCESSION ACT</u>	78
41. <u>CORRUPT PRACTICES</u>	78
42. <u>DISPUTES RESOLUTION PROCEDURE</u>	79

43. MISCELLANEOUS.....79

44. **New (SAA): CONDITIONS PRECEDENT TO THIS SECOND AMENDMENT AGREEMENT**82

45. **New (SAA): REPRESENTATIONS AND WARRANTIES TO THIS SECOND AMENDMENT AGREEMENT**.....83

THIS SECOND AMENDMENT AGREEMENT TO THE CONCESSION AGREEMENT is made on March, 19th 2008

BETWEEN:

- (1) **THE MUNICIPALITY OF SOFIA** of 33 Moskovska Street, 1000 Sofia, Bulgaria and represented by Mr Boyko Borisov, the Mayor of Sofia as authorised by the Sofia Municipal Council (referred to in this Concession Agreement as "the Grantor"); and
- (2) **SOFIYSKA VODA AD** (with its registered seat in Sofia at 1 Business Park St., building 2A, Mladost 4 district, Bulgaria, company number 16172/99 and represented by Mr Leslie Anthony Bell, the Managing director (referred to in this Concession Agreement as "the Concessionaire"),

each a Party and together the Parties.

WHEREAS,

- A) **Amended to (SAA):** The Concession Agreement between the Parties has been effective since 6th of October 2000.
- B) **Amended to (SAA):** The Water and Sewerage Services Regulation Act (WSSRA) has been in force since 20th of January 2005 and the respective secondary legislation became effective in April 2006 giving the State Energy and Water Regulation Commission [SEWRC] the authority to set Prices, levels of investment and to determine Levels of Service.
- C) **Amended to (SAA):** The Parties have agreed, in good faith, to renegotiate and amend the Concession Agreement to ensure compliance with current legislation.
- D) **Amended to (SAA):** This Second Amendment Agreement to the Concession Agreement in relation to the supply of water and wastewater services for the Municipality of Sofia (Second Amendment Agreement) represents all agreements between the Parties for amendment of the Concession Agreement as it was signed on 23rd of December 1999 and subsequently amended by the First Supplementary Agreement dated 15th of December, 2000.
- E) **Deleted (SAA).**

NOW IT IS HEREBY AGREED by the Grantor and the Concessionaire as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Words and expressions in this Concession Agreement with an initial capital letter or letters shall have the meaning given to them in this Clause 1.1 whenever they are used in this Concession Agreement.

"Affiliate" has the meaning given to it in the Shareholders' Agreement;

"Affiliate Credit Agreement"	means a Credit Agreement between the Concessionaire and an Affiliate of the Concessionaire;
"Affiliate Credit Agreement Liabilities"	means the Credit Agreement Liabilities in respect of Affiliate Credit Agreements;
"Affiliate of the Concessionaire"	means: <ul style="list-style-type: none"> (a) any person other than a natural person (or, with reference to any particular transaction, any combination of persons other than natural persons participating together in such transaction) who (directly or indirectly) and whether individually or collectively) has a shareholding in the Concessionaire of at least 50% or who exercises managerial control over the Concessionaire; or (b) any person other than a natural person (or, with reference to any particular transaction any combination of persons other than natural persons participating together in such transaction) who (directly or indirectly) has managerial control over or who has a shareholding of at least 50% in any person covered by paragraph (a);
"Annual Reconciliation"	Deleted (SAA);
"Antecedent Liabilities"	Deleted (SAA);
"Antecedent Liability Fund"	Deleted (SAA);
New definition (SAA) "Annex"	means the attachments to this Concession Agreement, an integral part of this Agreement, specifying details relevant to the Project;
"Appointing Authority"	Deleted (SAA);
"Arbitral Tribunal"	Deleted (SAA);
"Arbitration"	Deleted (SAA);
"Assets"	means all fixed and unfixed property (including land and Rights In Respect of Land and the Public Assets and the Private Assets) and such assets in the course of

	construction which are used (or will be used) for the purposes of the Project;
"Assets List"	Amended to (SAA): means the Existing Public Assets identified in Annex 2;
"Authorised Parties"	Deleted (SAA);
"Beli Iskar Dam"	means the reservoir and dam identified as such in paragraph 2 of Annex 1;
"Bidco"	Amended to (SAA): means International Water (UK) Limited of 10 th Floor, New Zealand House, Haymarket, London, England and its permitted successors and assignees, which includes UU (Sofia) B.V., Amsterdam;
"Business Day"	means a day (other than a Saturday or a Sunday) which is not an official Bulgarian holiday;
New definition (SAA)"Business Plan"	means the document prepared by the Concessionaire within the time frames and procedures under the Bulgarian Law, and approved by the Competent Authority, which document includes the investment program, the Levels of Service, the Prices of the Services for the Regulatory Period and other elements, and is structured in compliance with the Law;
The Definition "Capital Costs" is amended to (SAA):	"Capital Expenditures" means any expenditures into acquiring, creation, increase of value, prolongation of the life or improvement of the functional purpose of the fixed tangible and/or intangible Assets, defined in accordance with IAS;
"Capital Investment Programme"	Deleted (SAA);
"CDRB"	Deleted (SAA);
"Change of Law"	means any change in, repeal, deletion from, amendment or addition to any applicable Law or Required Consent or the promulgation of any new Law or any change in the interpretation or application of any Law or Required Consent having effect in Bulgaria or any part of it and which is binding upon either of the Parties and

	occurring after the date of the Concession Agreement;
"Claims"	means any claim, demand, proceedings or liability;
"Competent Authority"	Amended to (SAA): means any court of competent jurisdiction and any local, national or supranational commission, agency, inspectorate, minister, ministry, official or public or statutory person (whether autonomous or not), but excluding the Grantor, whose authority is required for the carrying out of all or any part of the Concessionaire's obligations under this Concession Agreement (which shall for the avoidance of doubt include the approval of the Business Plan) or which has any authority or right in respect of the Project under the Law;
"Completion"	Deleted (SAA);
"Concession"	means the grant by the Grantor of the exclusive rights identified in Clause 2 pursuant to the terms of this Concession Agreement;
"Concessionaire Cash"	Deleted (SAA);
"Concession Agreement"	means this Concession Agreement, its amendments and its Annexes;
"Concession Area"	means the geographic and technical areas identified in Annex 1;
"Concession Monitoring Unit" (CMU)	Amended to (SAA): means the department of the Grantor and established by the Grantor for the purposes identified in Clause 30;
"Concession Term"	means subject to the earlier termination of this Concession Agreement, the period of 25 years commencing on the Effective Date;
"Concession Term Investment Plan"	means the plan together with the notes attached thereto as set out in Annex 5;
"Conditional Period"	Deleted (SAA);
"Contract Year"	Amended to (SAA): means each consecutive period of 12 months

commencing, in respect of the first 5 Contract Years, on the Effective Date and each anniversary thereafter. Contract Year 6 shall be extended until the end of the calendar year 2006 and from the 1st January, 2007 each Contract Year shall be equal in duration to a calendar year, with the exception of the last Contract Year which shall commence on the first calendar day of that year and end on the Termination Date;

"Cost of Senior Debt"

means the weighted average annual cost of capital associated with the Senior Credit Agreement Liabilities;

"CPI"

means the Consumer Price Index (broad basket) as amended from time to time published by the National Statistics Institute of Bulgaria on a monthly basis or any replacement or substitute index serving the same purpose (howsoever called);

"Credit Agreements"

means the agreements and instruments to be entered into by the Concessionaire relating to the financing of the Concessionaire's obligations under this Concession Agreement including any interest rate or exchange rate hedging agreements and/or related agreements or instruments entered into in relation to any such agreement or instrument;

"Credit Agreement Liabilities"

means all amounts due and outstanding under and/or required to repay the liabilities of the Concessionaire under a Credit Agreement including all amounts of principal, interest (including default interest), fees, prepayment penalties, costs or expenses (including any losses arising on, or costs or expenses incurred in, terminating or matching out any hedging agreements) as certified by the Lenders as actually outstanding at the Termination Date, such certification to be without prejudice to:

- (a) any right of the Grantor to dispute any amount payable by the Grantor in respect of any Credit Agreement Liabilities under this Concession Agreement and to refer any such Dispute to the Dispute

	Resolution Procedure for determination; and
	(b) the provisions of Clause 37.7;
"CSO"	Deleted (SAA);
"Currency Board"	Deleted (SAA);
"Customer"	means any person, business, legal or other entity within the Concession Area who from time to time during the Concession Term is a recipient of the Services provided by the Concessionaire and contemplated by this Concession Agreement;
"Deemed Grantor's Variation"	Deleted (SAA);
"Direct Agreement"	means an agreement to be entered by the Grantor and the Concessionaire and any relevant Lender setting out the rights and liabilities of the parties thereto following the occurrence of an Event of Default or any termination or potential termination of this Concession Agreement;
"Dispute"	means a dispute of whatever nature between the Grantor and the Concessionaire arising under, out of or in connection with this Concession Agreement (including any question of interpretation of this Concession Agreement) whether arising before or after the Effective Date or before or after the Termination Date;
"Disputes Resolution Procedure"	Amended to (SAA): means the procedure set out in Annex 15 to this Second Amendment Agreement;
New definition (SAA) "Draft Business Plan"	means the document to be prepared within the time frames and procedures in accordance with the Law as proposed by the Concessionaire to the Grantor for opinion, or submitted to the Competent Authority for approval;
"Drainage Area Study"	Amended to (SAA): means a mathematical model of those parts of the System comprising the sewerage system to be prepared by the Concessionaire and developed to the extent required for the

	Concessionaire to comply with its obligations in the Business Plan;
"Effective Date"	Amended to (SAA): is 6 th of October, 2000
"Eligible Events" means:	Amended to (SAA):
	<ul style="list-style-type: none"> a. a Grantor Default; or b. any change in the applicable legislation having a material adverse effect on the Concessionaire's ability to perform its obligations under this Concession Agreement or the Business Plan; or c. Deleted (SAA); d. a Raw Water Quality Event as defined in Clause 8.2.1.; e. Deleted (SAA); or f. Deleted (SAA);
"Emergency Event"	means an event which by its nature is temporary and abnormal and which causes or may cause a substantial disruption to the Services within the Concession Area;
"Emergency Response Plan"	Amended to (SAA): means the plan forming part of the Business Plan to be developed by the Concessionaire in accordance with Clause 28.1
"Employee Transfer Agreement"	Deleted (SAA);
"Environmental Audit"	Deleted (SAA);
"Environmental Hazard"	Deleted (SAA);
"Environmental Impact Assessment Study"	Deleted (SAA);
"Environmental Law"	means any Law which relates to the environment or human health or the health of animals or plants;
New definition (SAA)	"Environmental Management System" means a management system, which comprises the organizational structure, the planning activities, the responsibilities, the practices, procedures and resources for development,

	implementation, achievement, review and keeping the environmental policy;
"Equity Cashflows"	Deleted (SAA);
"Equity Compensation"	<p>Amended to (SAA): means at the Termination Date, the greater of either:</p> <p>(a) the discounted value of the Shareholders' Cashflows projected in the Financial Model, after allowance for any Price Adjustments made in accordance with this Concession Agreement prior to the Termination Date, for the first half of the period commencing on the Termination Date and ending on the Expiry Date and discounted (from the mid-point of the applicable semi-annual period, or part thereof, to the Termination Date) using the Return on Shareholders' Capital (as expressed as a semi-annual rate); or</p> <p>(b) Initial Equity,</p> <p>provided that if at the Termination Date, Initial Equity exceeds the discounted value of Shareholders' Cashflows projected in the Financial Model, after allowance for any Price Adjustments made in accordance with this Concession Agreement prior to the Termination Date, for the whole of the period commencing on the Termination Date and ending on the Expiry Date and discounted (from the mid-point of the applicable semi-annual period, or part thereof, to the Termination Date) using the Return on Shareholders' Capital as expressed as a semi-annual rate (referred to as "Full Term Equity"), "Equity Compensation" shall, in such circumstances be equal to the Full Term Equity;</p>
"Equity Investor"	means any shareholder in the Concessionaire;
"Event of Default"	Amended to (SAA): means an event which is, or will be (with the passage of time or the expiry of any applicable remedial period) or if determined by the Disputes Resolution Procedure, become one of the events specified in Clause 36.1 or Clause 36.2., or

	which is otherwise stated in this Concession Agreement to be an Event of Default;
"Excess Concessionaire Cash"	Deleted (SAA);
"Existing Assets"	means the Existing Public Assets and the Existing Private Assets;
"Existing Contracts"	Deleted (SAA);
"Existing Operator"	means Vodospredstavništvo i Kanalizatsia EA.D a company formed in accordance with the provisions of the Commerce Act (S.G. No: 48/18.06.1991);
"Existing Private Assets"	means the Private Assets of the Existing Operator identified in the Shareholders' Agreement;
"Existing Public Assets"	Amended to (SAA): means the existing Public Assets of the Grantor (as identified in Annex 2) which are located within the Concession Area as at the Effective Date;
"Expiry Date"	means the date which is 25 years from the Effective Date;
"EURIBOR"	means the rate for deposits in Euro designated as such and sponsored jointly by the European Banking Federation and ACI-The Financial Market Association (or any company established by the joint sponsors for purposes of compiling and publishing such rates) as reported by Reuters (or such other service as the Parties may agree) at or about 11.00 am on the applicable day;
"Financial Close"	Deleted (SAA);
"Financial Model"	Amended to (SAA): means the computer model or models set out in Annex 14 prepared by or on behalf of the Concessionaire and meeting IAS standards and used (amongst other things) to prepare the forecasts of the cashflows, balance sheets, operating statements and debt service payments and including the documentation of the assumptions underlying the inputs to such model or models;
"First Period"	Deleted (SAA);

"First Period Credit Agreements"	Deleted (SAA);
"Forecast Concessionaire Cash"	Deleted (SAA);
"Force Majeure Event"	<p>Amended to (SAA): means any act, event or circumstance (i) which is neither a Grantor Default, an Event of Default or an Eligible Event and (ii) which is beyond the reasonable control of the Party affected (and beyond the reasonable control of such Party's contractors or sub-contractors) and, (iii) which cannot be, or be caused to be, prevented, avoided or removed by the exercise of reasonable diligence by such Party (and in the case of the Concessionaire, by the exercise of Good Engineering and Operating Practices) including but not limited to:</p> <p>(a) an act of war (whether war is declared or not), civil war, hostilities, invasion, act of foreign enemies, terrorism or civil disorder; and/or</p> <p>(b) tempest, earthquake, or any other natural disaster of overwhelming proportions; and/or</p> <p>(c) ionising radiations, or contamination by radio-activity from any nuclear fuel, or from any nuclear waste from the combustion of nuclear fuel, radio-active toxic explosion or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;</p> <p>(d) pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds; and/or</p> <p>(e) strikes, lockouts or other industrial unrest in Bulgaria, save any such activities limited to the Concessionaire's employees, contractors, servants or agents or the employees, contractors, servants or agents of any Affiliate of the Concessionaire (which, for the avoidance of doubt, shall in any case exclude the Grantor where the Grantor is acting as a contractor or agent of the Concessionaire);</p>

which prevents a Party from complying with any of its obligations under this Concession Agreement;

"Forecast Concessionaire Cash"	Deleted (SAA);
"Good Engineering and Operating Practices"	means the standards, practices, methods and procedures conforming to Laws and that degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced contractor, engineer or operator, as the case may be, engaged in the European Union in the same type of undertaking under the same or similar circumstances;
"Grantor Consents"	Amended to (SAA): means the Required Consents to be obtained by the Grantor explicitly excluding the decisions on approval of the Business Plans;
"Grantor Default"	means any of the circumstances identified in Clause 36.2;
"Grantor Variation"	means a Variation proposed by the Grantor pursuant to Clause 21;
"Handback Account"	Deleted (SAA);
"Handback Amount"	Deleted (SAA);
"Handback Certificate"	Deleted (SAA);
"Handback Retention"	Deleted (SAA);
"Handback Schedule"	Deleted (SAA);
"Handback Works Programme"	Deleted (SAA);
"IAS"	means the International Accountancy Standards;
"Indexation Threshold"	Deleted (SAA);
"Initial Equity"	means the contributions to be made by the Existing Operator and Bidco to the Concessionaire (of whatsoever nature) for share capital in the Concessionaire following the subscriptions as required at Completion and disregarding any reduction in the share

	capital of the Concessionaire occurring following Completion;
"Initial Tariffs"	Deleted (SAA);
"Insolvency Event"	Deleted (SAA);
"Intellectual Property Rights"	means all rights in inventions, patents, copyrights, design rights, trade marks and trade names, service marks, trade secrets, know-how and other intellectual property rights (whether registered or unregistered) and all applications for any of them, anywhere in the world;
"Interest Rate"	means an interest rate per annum equal to <ul style="list-style-type: none"> (a) US\$ LIBOR plus 2% in respect of US\$ denominated amounts; or (b) the base lending rate at the relevant time of the Bulgarian National Bank plus 5% in respect of BGN denominated amounts; or (c) EURIBOR plus 2% in respect of Euro denominated amounts;
New definition (SAA) "Interim Price Adjustment Threshold"	means any changes in the Capital Expenditures and/or the Operating Expenditures arising as a consequence of the occurrence of any Eligible Event, Force-Majeure Event or other event giving grounds for a Price Adjustment within a Regulatory Period following the application of the most recent Prices approved by the Competent Authority, which exceed by 2% (in aggregate) of the relevant Concessionaire required revenues approved in the Business Plan;
New definition (SAA) "Investment"	means any expenditures of money or increase of the expenditures of money made by the Concessionaire, which presents an aggregate of the Capital Expenditures, made in compliance with the Law and the Business Plan;
"Interim Tariff Adjustment"	Deleted (SAA);
"Interim Tariff Adjustment Threshold"	Deleted (SAA);

"Kubratovo Waste Water Treatment Plant Upgrade Contract"	Deleted (SAA);
"Law"	means any applicable law, decree, resolution, ordinance, decision, regulation or directive (including any subordinate legislation) having effect within Bulgaria or any part of Bulgaria (whether emanating from a Competent Authority within Bulgaria or from any supra-national agency or community or union of which Bulgaria is or may become a member or a part) legally binding on any Party;
"Lender"	means any party with whom the Concessionaire enters into a Credit Agreement;
"Levels of Service"	Amended to (SAA): means the key performance indicators approved by the Competent Authority and set out in the Business Plan;
"Liability"	Amended to (SAA): means any Loss or Claim of whatsoever nature and howsoever arising, whether actual or contingent and whether incurred by or made against the Grantor or the Existing Operator, relating to the Services and/or the System, whether or not the cause of action giving rise to such Loss or Claim arose prior to or following the Effective Date;
"Loss"	means any loss, damage, fine, penalty, cost or expense;
"Metering Billing and Collection Policy"	Deleted (SAA);
"Minimum Capital Investment Requirement"	means a minimum capital investment by the Concessionaire in the first 15 Contract Years following the Effective Date of not less than US\$150,000,000 (expressed as a nominal amount) in the System;
"Month"	means a calendar month;
"Municipal Council"	means the Municipal Council of the Municipality of Sofia;

"Municipal Property Act"	Deleted (SAA);
"NEK"	means Nationalna Elektrisheska Kompania or any of its successors or any persons acquiring a material part of its assets or to whom a material part of its assets are otherwise transferred;
"NEK Assets"	means such of the infrastructure assets of NEK as are used for the purposes of supplying Raw Water to the System;
"NEK Assets Agreement"	Amended to (SAA): means any agreement entered into or to be entered into between the Concessionaire and NEK in respect of the use of such of the NEK Assets identified therein;
"Net Cashflow before Financing and Tax"	<p>Amended to (FSA): means cashflows from the operating activities of the Concessionaire in any semi-annual period less cashflow from investing activities of the Concessionaire in that semi-annual period calculated before financing and Tax but after:</p> <ul style="list-style-type: none"> (a) deducting the amount of any Tax increase borne by the Concessionaire as a result of a Qualifying Change of Law; and (b) deducting the amount of any increase (or adding the amount of any decrease) in financing costs (expressed in BGN) of the Concessionaire under any Senior Credit Agreement arising as a direct consequence of the occurrence of any depreciation (or appreciation) of the BGN relative to the Euro; <p>as shown in row 54, ratios sheet of the Financial Model.</p>
"Network Model"	Amended to (SAA): means a calibrated mathematical model of the water supply and distribution system prepared by the Concessionaire and developed to the extent required for the Concessionaire to comply with its obligations in the Business Plan;
"New Assets"	Amended to (SAA): means from the date upon which the same are acquired,

	constructed, installed or created, all New Public Assets and New Private Assets;
"New Public Assets"	Amended to (SAA): means all Public Assets acquired, constructed, installed or created by the Concessionaire or the Grantor or any third parties;
"New Private Assets"	means all Private Assets acquired, constructed, installed or created by the Concessionaire for the purposes of the Project;
The Definition "Operating Costs" is amended to (SAA):	"Operating Expenditures" means all costs and expenses, which are connected with the delivery of the Services, the maintenance and the operation of the Assets and are not spent for acquisition, creation, increase of the value, prolongation of the life or improvement of the operational fitness of the fixed tangible and/or intangible assets;
"Operational Events Database"	Deleted (SAA);
"Operations Plan"	Deleted (SAA);
"Outstanding Works"	Deleted (SAA);
"Performance Requirements"	Amended to (SAA): means the Levels of Service and the Capital Expenditures set out in the relevant Business Plan from time to time;
"Performance Security"	means a performance bond in the form set out in Annex 12 or such other form which is, at the Grantor's sole discretion, acceptable to the Grantor;
"Planned Interruptions"	Deleted (SAA);
"Potable Water"	Deleted (SAA);
"Priority Investments"	Deleted (SAA);
New definition (SAA) "Prices"	means the water supply prices and/or the sewerage and/or wastewater treatment and sludge disposal prices and/or connection and disconnection prices and any other relevant prices as identified in the Law, approved by

the Competent Authority and chargeable by the Concessionaire to the Customers;

New definition (SAA) "Price Adjustment" means an adjustment to the Prices in compliance with the Law within a Regulatory Period;

New definition (SAA) "Price Restriction" means:

(a) any decision, or act of a Competent Authority, which prevents or restricts in whole or in part the implementation of a Price Adjustment or requires a reduction in the Prices from those applicable immediately prior to the time when the decision or the act was issued;

or

(b) a decision of a Competent Authority that is issued on a date later than five [5] months after the date when the application for a Price Adjustment was filed before the Competent Authority, which delay results in a deficit in the Capital Expenditures and/or Operating Expenditures of the Concessionaire, and which deficit for the past period cannot be recovered by the new Prices;

or

(c) a decision of a Competent Authority, which approves the real Return on the Shareholders' Capital of being less than 17% or the recovery of economically feasible and justified expenditures for past periods paid or due to the Concessionaire;

New definition (SAA) "Price Revenues" means the revenues collected or to be collected for the Services provided to the Customers by the Concessionaire during the Concession Term;

"Private Assets" means all Assets other than the Public Assets;

"Project" means the project to be implemented by the Concessionaire in the Concession Area pursuant to the terms of this Concession Agreement including, without limitation, the delivery of the Services and the acquisition, designing, building and financing of New Assets for the repair, rehabilitation, upgrading, extension, operation and

	maintenance of the System for the Concession Area;
"Project IRR"	Amended to (SAA): means the annual rate, expressed as a percentage, which, when used as the discount rate (expressed as an equivalent semi-annual rate) to discount (from the mid-point of the applicable semi-annual period to the Effective Date) the Real Net Cashflows before Financing and Tax for each applicable semi-annual period would result in the aggregate of all such Real Net Cashflows so discounted to be equal to zero;
"Property Connections"	Deleted (SAA);
"Public Assets"	Amended to (SAA): means any assets which pursuant to the Law constitute “public property” and includes the Existing Public Assets and the New Public Assets which are declared tolerable and commissioned for operation;
"Qualifying Change of Law"	Deleted (SAA);
"Raw Water"	means water that has not been treated or processed;
"Raw Water Monitoring Points"	Amended to (SAA): means the points approved by the Competent Authority at which the supply of Raw Water to the System will be monitored;
"Raw Water Requirements"	Amended to (SAA): means the standards and thresholds (both in respect of quality and quantity) for the supply of Raw Water as set out in the Law and in Water Permit;
"Raw Water Quality Event"	Deleted (SAA);
"Raw Water Supply Arrangements"	Deleted (SAA);
"Real Net Cashflow before Financing and Tax"	Amended to (SAA): means the Net Cashflow before Financing and Tax in any relevant time period divided by CPIA/CPIB where CPIA is the average of the CPI last published prior to the beginning of that time period and the value of the CPI last published immediately prior to the expiry of the end of that time period and CPIB is the value of CPI as at the Effective Date;

New definition (SAA) “Regulatory Period” means for the purposes of this Concession Agreement the time period during which a Business Plan of the Concessionaire is effective. Under the effective Law and for the purposes of this Concession Agreement the Regulatory Periods are as follows: 2006-2008, 2009-2013, 2014-2018, 2019-2023, 2024 – 06.10.2025;

"Relevant Breach" **Deleted (SAA);**

"Relevant Event" **Deleted (SAA);**

"Relevant Utilities" **Amended to (SAA):** means any other entity providing utility services in the Concession Area;

"Renewal Works" **Deleted (SAA);**

"Requested Assets" **Deleted (SAA);**

"Required Consents" **Amended to (SAA):** means all consents, licences, authorisations, prohibitions, approvals and permits of any Competent Authority which are necessary for the performance by the Concessionaire of its obligations under this Concession Agreement and/or which are necessary for the purposes of securing finance for the Project (including all consents, licences, authorisations, prohibitions, approvals and permits required by the Concessionaire's sub-agents, contractors and sub-contractors in connection with this Concession Agreement);

"Restoration" **Deleted (SAA);**

"Return on Equity" **Deleted (SAA)**

New definition (SAA) “Return on the Shareholders’ Capital” means the discount rate expressed as a percentage to discount the net Shareholders’ Cashflows and cash injections pursuant to the Affiliate Credit Agreement over the Concession Term, so discounted to be equal to zero. The Return on Shareholder’s Capital is reflected in the Financial Model;

"Rights" constitute

- (a) all contracts or agreements entered into regarding or ancillary to the Services and all rights and/or obligations arising from such contracts or agreements;
- (b) all claims against debtors arising as a consequence of the Services, whether actual or contingent and whether liquid or illiquid in nature;
- (c) all rights against or over any land or Rights in Respect of Land required for the provision of the Services, whether directly or indirectly and whether registered or unregistered and howsoever arising, whether contractually or by operation of Law; and
- (d) in relation to the Concessionaire those rights identified above which are in existence as at the Termination Date;

"Rights In Respect of Land"

means any right, over or in respect of or otherwise relating in any way to land whether temporary, irrevocable, or otherwise of whatever nature;

"Samokov and Borovets Supply Agreement"

Deleted (SAA);

"Scheduled Review"

Deleted (SAA);

"Security Interest"

Amended to (SAA): includes any mortgage, pledge, lien, charge, fiduciary transfer for security purposes, assignment for security purposes, grant of security, right over land, or other form of encumbrance or any security or preferential interest or power of attorney to sell, dispose of or encumber, or any other right of or arrangement with any creditor to have or to enable it to have its claims satisfied prior to other creditors with, or from the proceeds of any asset;

"Senior Credit Agreement"

means a Credit Agreement between the Concessionaire and a Senior Lender and any foreign exchange or interest rate hedging agreements entered into in relation to the Credit Agreements with Senior Lenders;

"Senior Credit Agreement Liabilities"	means the Credit Agreement Liabilities in respect of the Senior Credit Agreement;
"Senior Lender"	Amended to (SAA): means the European Bank for Reconstruction and Development and its co-financing institutions under the Senior Credit Agreement;
"Services"	means the water and wastewater services to be provided by the Concessionaire (including the operation and maintenance of the System) in accordance with and as contemplated by this Concession Agreement;
"Services Plan"	Deleted (SAA);
"Sewerage Property Connection"	Deleted (SAA);
"Shareholders' Agreement"	Amended to (SAA): means the agreement entered into and set out in Annex 13;
New definition (SAA) "Shareholders' Cashflows"	means the cashflows available in the relevant semi-annual period for distribution to Equity Investors and Affiliates of the Concessionaire after financing and Tax and reserve fund allocations required pursuant to the terms of any Credit Agreement,
"Sludge Site"	means the site for the purposes of the disposal of sludge by the Concessionaire or such other site or sites as the Grantor may reasonably propose to the Concessionaire;
"Sofia Urban Area"	means the area identified as such in Annex 1;
"Stability Report"	Deleted (SAA);
"State"	means the Republic of Bulgaria;
"Statutory Power"	means any power or authority exercisable by the Grantor which has been conferred on the Grantor by Law;
"Strategic Sewers"	Deleted (SAA);
"System"	Amended to (SAA): means the Public Assets, the subject of this Concession Agreement, which comprise the water and sewerage system within the Concession Area;
"Target Return on Capital"	Deleted (SAA)

"Tariff Adjustment Procedure"	Deleted (SAA);
"Tariff Indexation Formula"	Deleted (SAA);
"Tariff Restriction"	Deleted (SAA);
"Tariff Revenues"	Deleted (SAA);
"Tariffs"	Deleted (SAA);
"Tax"	means all amounts due and outstanding in that Contract Year as a result of any present or future tax, levy, impost, duty, charge, fee, deduction or withholding in the nature of tax whatever called whether imposed, levied, collected, withheld or assessed by a taxing authority pursuant to regulation having force of Law;
"Technical Plan"	Deleted (SAA);
"Termination Date"	means the date upon which either the Concession Term expires or the date on which this Concession Agreement is otherwise terminated;
"Third Party Liabilities"	Amended to (SAA): means as at the date of termination of this Concession Agreement, all sums reasonably incurred by the Concessionaire and which are due and owing by the Concessionaire to third party advisers, consultants, contractors or suppliers engaged or employed by the Concessionaire in relation to the Project including any liabilities or Losses arising as a result of the early termination of their engagements;
"Unplanned Interruptions"	Deleted (SAA);
"US\$LIBOR"	means the rate of the offered quotation for US\$ deposits as reported by Reuters (or such other service as the Parties may agree) at or about 11.00 am on the applicable day;
"Variation"	Amended to (SAA): means a variation, amendment or adjustment to any of the Performance Requirements set out in the Business Plan during a Regulatory Period;
"Water Supply and Distribution"	Deleted (SAA); and

System"

"Works"

means all construction, refurbishment, maintenance, restoration, rehabilitation and repair and other works to be carried out in the Concession Area by the Concessionaire pursuant to this Concession Agreement;

"Works Report"

Deleted (SAA). and

New definition (SAA) "Water Permit" means the permit specified in the Water Act (published in the State Gazette, issue 67/1999 and supplemented and amended from time to time).

1.2. Interpretation

1.2.1 Where the context requires, words importing the singular shall include the plural and vice versa.

1.2.2 Where the context requires, words importing persons shall include firms and corporations.

1.2.3 A reference in this Concession Agreement to any Clause, sub-clause, paragraph or Annex is, except where it is expressly stated to the contrary, a reference to such Clause, sub-clause, paragraph or Annex of this Concession Agreement.

1.2.4 Headings are for convenience of reference only and shall not be taken into account for the purposes of interpreting any provision of this Concession Agreement.

1.2.5 A reference to any agreement or document is to that agreement or document as amended, novated, supplemented, varied or replaced from time to time.

1.2.6 References to any legislation or any provision of any legislation shall include any modification or re-enactment of it, any legislative provision substituted for it and all regulations, statutory instruments, decisions, decrees and ordinances issued under it.

1.2.7 A person includes its successors and permitted assignees or transferees.

1.2.8 In the event of any conflict or inconsistency between any provision of this Concession Agreement (other than the Annexes) and any Annex, the provisions of this Concession Agreement (other than the Annexes) shall prevail over the relevant Annex.

1.2.9. Deleted (SAA)

1.2.10. Amended to (SAA): Either Party shall, promptly after becoming aware of any conflict arising as described in Clause 1.2.8, notify the other Party of any such conflict and the Concessionaire shall, without prejudice to the priorities of the relevant parts of this Concession Agreement as provided in Clause 1.2.8, and without cost to the Grantor thereafter comply with the reasonable directions of the Grantor in respect of any such conflict.

1.2.11. Amended to (FSA): A reference to “BGN” (or to “Bulgarian Leva”) or “US\$” or “Euro” (or to “euro”) is to the currency of Bulgaria, or the currency of the United States of America or the single currency of the member states of the European Union that have adopted a single currency in accordance with the Treaty of Rome of 25th March 1957 as amended by the Single European Act 1986 and the Maastricht Treaty of 7th February 1992 (which came into force on 1st November 1993, respectively).

1.2.12. The Annexes to this Concession Agreement are (save to the extent specified below) an integral part of this Concession Agreement and a reference to this Concession Agreement includes (save where expressly stated to the contrary) reference thereto.

1.2.13. All references to time of day shall be a reference to whatever time of day shall be in force in Bulgaria.

1.2.14. Any reference to a public organisation or representative shall be deemed to include a reference to any successor to such public organisation or representative or any organisation or entity or representative which has taken over the functions or responsibilities of such public organisation or representative.

1.2.15. References to “Parties” mean the parties to this Concession Agreement and references to a “Party” mean one of the parties to this Concession Agreement.

1.2.16. The words “include”, “including” and “in particular” shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any foregoing words.

1.2.17. Any reference to sums of money being “Indexed” are references to such sums which are to be adjusted annually so as to maintain their value in real terms. Such adjustment to be in accordance with the CPI (or where the term “Indexed” is applied to a currency other than BGN the reference to CPI shall be replaced by the most applicable index for the relevant currency which is equivalent to CPI) using a base date for adjustment purposes of the Effective Date or such other index as the Parties may from time to time agree.

1.2.18. References in this Concession Agreement to activities being undertaken "on a quarterly basis" or "on an annual basis" mean the relevant activity being undertaken at three Monthly or twelve Monthly intervals respectively.

1.2.19. Deleted (SAA)

1.3. Language

Save as otherwise agreed, all documents, notices, waivers and all other communications (written or otherwise) between the Parties in connection with this Concession Agreement or any matter incidental thereto shall be in Bulgarian and/or English to be followed, if given in one language only, by a translation in the other language as soon as reasonably practicable.

2. GRANT OF CONCESSION

2.1. Concession

The Grantor hereby grants to Concessionaire, who accepts such grant:

2.1.1. a specific right for use of the Public Assets; and

2.1.2. an exclusive permission to provide the Services within the Concession Area.

2.2 Duration

The grant of rights and permissions under Clause 2.1 is made for the duration of the Concession Term and is subject to the provisions set out in this Concession Agreement.

2.3 Collateral Rights

2.3.1. The Grantor, in granting this Concession, grants as an integral and inextricable part thereof, the right, obligation and authority to the Concessionaire to do all such things previously performed by the Grantor and the Existing Operator as may be reasonably necessary to give effect to its obligations under this Concession Agreement, which right, obligation and authority includes, the power to close streets, access properties, perform excavation or construction works, install or remove machinery, equipment or pipes and to interrupt or suspend the provision of the Services, whether in whole or in part, subject to the Concessionaire meeting its obligations under this Concession Agreement. The grant is subject only to compliance by the Concessionaire with the terms of this Agreement, any applicable Laws, Required Consents, or procedures and notification of the Competent Authorities, where appropriate. Save as expressly provided in this Concession Agreement, the Concessionaire will not have to seek and obtain the consent of the Grantor to perform any of the above actions. To the extent that the Grantor is not entitled to confer on the Concessionaire such powers without the prior issue of any Required Consent by the Grantor to the Concessionaire the Grantor hereby undertakes to grant such Required Consent, as soon as reasonably practicable following a request from the Concessionaire.

2.4. The heading and the text are amended to (SAA): Acknowledgement of Authority to Collect Prices for the Services delivered

The Parties acknowledge that the Concessionaire, pursuant to the terms and provisions of the Law is authorised to collect Prices for the provision of Services to Customers.

2.5. Exclusivity

Save as may be necessary as a consequence of any Emergency Event, Force Majeure Event or any breach by the Concessionaire of this Concession Agreement, the Grantor shall not enter into any agreements or arrangements of whatsoever nature, with third parties or do or omit to do any action which does or which may adversely affect the exclusive rights of the Concessionaire granted under this Concession Agreement.

3. CONDITIONS PRECEDENT - Deleted (SAA)

4. EFFECTIVE DATE

4.1. Amended to (SAA): The Effective Date of the Concession Agreement is 6th October, 2000.

4.2. Amended to (SAA): This Second Amendment Agreement shall become effective on satisfaction of the Condition Precedents set out in Clause 44, which clause becomes effective immediately upon signing of the Second Amendment Agreement.

4.3. Deleted (SAA)

4.4. Deleted (SAA)

5. GENERAL RIGHTS AND OBLIGATIONS

5.1. General Obligations of Grantor

Without prejudice to its other obligations under this Concession Agreement, and subject to the terms of this Concession Agreement, the Grantor is obliged during the Concession Term to:

5.1.1. grant to the Concessionaire the exclusive rights identified in Clause 2 and not, during the Concession Term to grant to any third party (or the Existing Operator) any of such exclusive rights;

5.1.2. grant, obtain, provide, renew or extend to the Concessionaire the Grantor Consents;

5.1.3. provide the Concessionaire with data and information held by the Grantor which is required for the purposes of the management, operation, development and financing of the Project and notify the Concessionaire of any changes or additions thereto and provide copies thereof to the Concessionaire as and when reasonably required;

5.1.4. provide the Concessionaire with such assistance as the Concessionaire may reasonably require in relation to the obtaining and renewal by the Concessionaire of the Required Consents (other than the Grantor's Consents);

5.1.5. Deleted (SAA)

5.1.6. comply with its obligations set out in Clause 8 in respect of the supply of Raw Water to the System;

5.1.7. generally co-operate with the Concessionaire in the interest of the proper implementation of the Project;

5.1.8. procure that the Existing Operator enters into the Shareholders' Agreement and to the extent within its power and control procure that the Existing Operator shall comply with all its obligations under the Shareholders' Agreement and under any other agreement entered into by the Existing Operator for the purposes of the Project; and

5.1.9. not without the prior written consent of the Concessionaire (such consent not to be unreasonably withheld or delayed) to sell or otherwise dispose of its shares in the

Existing Operator provided that it shall be reasonable for the Concessionaire to object to any proposed sale or disposal where any proposed sale or disposal of shares to a competitor of the Concessionaire or Bidco. If the Concessionaire has failed to respond to a request for its consent to any proposed sale or other disposal of such shares within 30 Business Days of the date of the relevant request, the Concessionaire shall be deemed to have consented to the sale or other disposal specified in the request] and

New clause 5.1.10 Liaise with the Concessionaire acting in good faith in the process of preparing the Draft Business Plan.

5.2. General Obligations of Concessionaire

Without prejudice to its other obligations under this Concession Agreement, and subject to the terms of this Concession Agreement, the Concessionaire is obliged during the Concession Term to:

5.2.1. Amended to (SAA): arrange all necessary funding for the Project in accordance with the provisions of the Business Plan;

5.2.2. undertake and provide the Services;

5.2.3. operate and maintain the Public Assets;

5.2.4. meet the Performance Requirements whilst acting in accordance with Good Operating and Engineering Practice;

5.2.5. comply with its obligations set out in Clause 8 in respect of the supply of Raw Water to the System;

5.2.6. obtain, renew or extend the Required Consents other than the Grantor Consents;

5.2.7. Amended to (SAA): deliver the Capital Expenditures obligations set out in the Business Plans in accordance with the terms thereof;

5.2.8. Amended to (SAA): propose for approval in the Draft Business Plan the necessary level of investment required to meet and achieve the Concession Term Investment Plan provided the Concessionaire shall have no liability under this Concession Agreement or otherwise if the Competent Authority does not approve the necessary level of investment required in order to meet and achieve the Minimum Capital Investment Requirement;

5.2.9. Amended to (SAA): develop the Drainage Area Study in accordance with the provisions of the Business Plan for the purposes of determining the operational capabilities and capacities of the Existing Public Assets and the priority requirements for the repair, rehabilitation and upgrading of such Existing Public Assets;

5.2.10. Amended to (SAA): develop the Network Model in accordance with the provisions of the Business Plan for the purposes of determining the operational capabilities and capacities of the Existing Public Assets and the priority requirements for the repair, rehabilitation and upgrading of such Existing Public Assets;

5.2.11. meter, bill and collect payment for the Services from Customers;

5.2.12. submit reports and information concerning the Project to the Grantor in accordance with Clause 30 and otherwise provide all information necessary for the purposes of monitoring the Concessionaire's performance under this Concession Agreement in relation to the Concessionaire's satisfaction of the Performance Requirements;

5.2.13. provide and renew the Performance Security in accordance with Clause 6;

5.2.14. generally co-operate with the Grantor in the interests of the proper implementation of the Project;

New clause 5.2.15. (SAA) liaise with the Grantor acting in good faith in the process of preparation of the Draft Business Plan before submitting it to the Grantor for opinion;

New clause 5.2.16. (SAA) prepare and submit the Draft Business Plan to the Grantor for its opinion; and

New clause 5.2.17. (SAA) prepare and submit for approval within the statutory under the Law time frames the Draft Business Plan to the Competent Authority;

New clause 5.2.18. (SAA) update the Asset Register of the Public Assets and annually submits to the Grantor a summary of the updated Asset Register;

New clause 5.2.19. (SAA) meet the requirements, connected to the protection of the environment, the protected zones and territories.

6. PERFORMANCE SECURITY

6.1. Provision

The Concessionaire shall prior to the Effective Date provide to the Grantor the Performance Security issued by a bank acceptable to the Grantor for an amount of US\$750,000. An "acceptable bank" for the purposes of this Clause 6.1 shall be a first class international bank the long-term debt of which is rated at least AA- by Standard and Poors or the equivalent rating of Moody's Investment Services. Without prejudice to Clause 6.2, such Performance Security shall remain valid and enforceable by the Grantor for a minimum period of 12 months.

6.2. Renewal

The Performance Security shall be renewed or replaced by the Concessionaire at such times as may be necessary to ensure that Performance Security meeting the requirements of Clause 6.1 is available to and enforceable by the Grantor at all times during the Concession Term.

6.3. Liquidation of Performance Security

Without prejudice to the Concessionaire's obligation to renew the Performance Security in accordance with Clause 6.2 and without prejudice to Clause 40.2.2, the Grantor may

call upon the Performance Security in accordance with its terms at any time following a material breach by the Concessionaire of any of its obligations under this Concession Agreement provided that prior to making any such call, the Grantor shall have given to the Concessionaire not less than 30 Business Days notice of the occurrence of any such material breach and during such 30 Business Days period the Concessionaire shall have failed to remedy or failed to take material steps to remedy the relevant breach to the reasonable satisfaction of the Grantor. Payment under the Performance Security may be made at the London correspondent bank of the Grantor's bank provided that where such payment is made, the Concessionaire shall pay upon demand to the Grantor all costs and fees incurred by reason of such payment and the transfer of any such funds to Bulgaria.

6.4. Repayment

If the Grantor makes a demand under the Performance Security and the Concessionaire believes such demand to be wrongful, the Concessionaire shall be entitled to refer the issue of whether any such call was wrongful to the Disputes Resolution Procedure in accordance with Clause 6.5. In the event that it is agreed by the Parties or finally determined under the Disputes Resolution Procedure that any such demand was wrongful, the Grantor undertakes to repay to the Concessionaire within 20 Business Days of such agreement such amount paid pursuant to the wrongful call under the Performance Security (together with interest thereon calculated at the Interest Rate from the date of payment of the relevant funds to the Grantor under the Performance Security to the date of repayment of such funds to the Concessionaire).

6.5. Disputes

If there is a Dispute between the Parties as to whether the Grantor is entitled pursuant to this Clause 6 to call upon the Performance Security or whether any such call was wrongful then either Party may, by notice to the other Party refer the Dispute to the Disputes Resolution Procedure no later than the expiry of the 30 Business Day period specified in Clause 6.3.

7. REQUIRED CONSENTS

7.1. Grantor Consents

Amended to (SAA): The Grantor shall obtain, renew or extend to the Concessionaire the Grantor's Consents which are required by the Concessionaire for the performance of its obligations under this Concession Agreement and/or the Business Plan.

7.2. Other Relevant Consents

7.2.1. The Concessionaire shall be responsible for obtaining all Required Consents (other than the Grantor's Consents).

7.2.2. Without prejudice to Clause 7.2.1 the Grantor shall use its reasonable endeavours to assist the Concessionaire in obtaining, renewing or extending any Required Consents.

8. RAW WATER SUPPLY

8.1. Supply Obligations

8.1.1. The Concessionaire shall throughout the Concession Term be responsible for procuring the supply of Raw Water to the System as necessary to meet the Raw Water Requirements.

8.1.2. Subject to Clause 8.1.4, the Grantor shall use its reasonable endeavours to assist the Concessionaire in procuring a supply of Raw Water to the System (to the extent that such supply is not provided for by any Law), including by means of:

- (a) from time to time, upon the reasonable request of the Concessionaire and subject to the Concessionaire providing the Grantor with such indemnities as the Grantor may reasonably require in respect of any costs which may be incurred, by enforcing any rights, remedies or powers available to the Grantor in respect of the supply of Raw Water to the System as may be reasonably necessary; and
- (b) generally providing such information, advice and assistance to the Concessionaire as the Concessionaire may reasonably request for the purposes of procuring the supply of Raw Water to the System.

8.1.3. The Concessionaire shall be entitled, in discharging its obligation set out in Clause 8.1.1, to negotiate, settle and execute such agreements or settle such arrangements for the supply of Raw Water to the System as it sees fit and shall be responsible for all payments due under such agreements or arrangements.

8.1.4. The Concessionaire shall when negotiating and settling any agreements or arrangements for the supply of Raw Water consult with the Grantor on a regular basis about the progress of the negotiation, settlement, execution and performance under any agreement or arrangements for the supply of Raw Water to the System and shall in negotiating, settling and executing any such agreements or arrangements have regard to the reasonable requirements of the Grantor. Within 10 Business Days of concluding any such agreements or arrangements the Concessionaire shall provide the Grantor with a certified copy of any written agreement and/or as description of the relevant arrangements.

8.1.5. Where the Concessionaire intends to enter any agreement for the supply of Raw Water to the System it shall ensure that any such agreements contain provisions allowing the assignment or transfer of any of the Concessionaire's rights and obligations under any such agreements to the Grantor upon the Termination Date.

8.1.6. Amended to (SAA): The Concessionaire shall be entitled to apply for a Price Adjustment in accordance with clause 22.4. and in accordance with the Law each time the costs incurred by it in procuring the supply of Raw Water to the System exceed the costs provided for this purpose in the Business Plan by an amount exceeding the Interim Price Adjustment Threshold.

8.2. Raw Water Requirements

8.2.1. Amended to (SAA): If at any time during the Concession Term the quality of the Raw Water at any Raw Water Monitoring Point is not in compliance with any of the Raw Water Requirements (insofar as they relate to the quality of Raw Water, such event

being referred to hereafter as a “Raw Water Quality Event”) then the Concessionaire shall notify the Grantor of the occurrence of the Raw Water Quality Event as soon as reasonably practicable. Save where any such failure arises as a consequence of any gross negligence or wilful misconduct of the Concessionaire, the Concessionaire shall be entitled to apply for a Price Adjustment in accordance with clause 22.4. in respect of any increased Capital Expenditures and/or Operating Expenditures and/ or decreased Price Revenues which are caused by the Raw Water Quality Event.

8.2.2. If the quantity of the Raw Water available to the Concessionaire at the Raw Water Monitoring Points does not comply with the Raw Water Requirements (insofar as they relate to the quantity of Raw Water) for a continuous period of 6 Months from the date such circumstances first arose (during which period the Parties shall meet and discuss alternatives for alleviating such circumstances) and such reduction in quantity causes a material disruption to the ability of the Concessionaire to meet the Performance Requirements, then, save where any such failure arises as a consequence of any act or default of the Concessionaire, such circumstances shall be deemed to constitute a Force Majeure Event and the provisions of Clause 35 shall apply.

9. ASSETS

9.1. Maintenance of Assets

The Concessionaire shall operate and maintain the Assets in each case in good working order and condition in accordance with Good Operating and Engineering Practice and in such a manner as to procure satisfaction of the Performance Requirements.

9.2. NEK Assets

9.2.1. The Grantor shall procure that the NEK Assets identified in the NEK Assets Agreement are made available for use by the Concessionaire subject to and in accordance with and for the duration of the NEK Asset Agreement.

9.2.2. Amended to (SAA): Upon and following the expiry of the fifth Contract Year following the Effective Date, the Grantor shall have no further obligation to make available for use by the Concessionaire any of the NEK Assets but shall use reasonable endeavours to assist the Concessionaire in procuring the right to use any of the NEK Assets as may be necessary for the performance of the Concessionaire's obligations under this Concession Agreement and the Business Plan.

9.2.3. Amended to (SAA): Without prejudice to Clause 9.2.2, if as a consequence of the non-availability of the NEK Assets at any point in the Concession Term following the expiry of the fifth Contract Year, it becomes necessary for the Concessionaire to implement alternative arrangements as a consequence of such non-availability, the Concessionaire shall be entitled, subject to providing the Grantor with all relevant details in respect of such alternative arrangements, to apply for a Price Adjustment under clause 22.4. to compensate it for the reasonably and properly incurred costs of implementing such alternative arrangements.

10. EXISTING PUBLIC ASSETS

10.1 Title

Title to all Existing Public Assets shall remain with the Grantor throughout the Concession Term.

10.2. Right of Use

Amended to (Annex to the SAA): Notwithstanding that title to the Existing Public Assets shall remain exclusively with the Grantor throughout the Concession Term, the Concessionaire shall have the exclusive and specific right to use the Existing Public Assets during the Concession Term and the Grantor undertakes neither to change their designation for public use nor to sell, lease, charge, assign, transfer, dispose of or create or permit to exist any Security Interest or waive or restrict any of its rights in respect of any Existing Public Assets in breach of any Law nor without, in any event, the consent of the Concessionaire which consent shall not be unreasonably withheld or delayed. This limitation is not applicable in respect of granting for temporary use to state or municipal bodies and organizations with predominant municipal ownership, which organizations provide public services. In these cases following a written request from the respective body or organization, an explicit written consent on part of the Concessionaire and the Grantor is required.

10.3. Handover to Concessionaire

10.3.1. Amended to (SAA): The Grantor has handed over the Existing Public Assets as listed in Annex 2 to the Concessionaire for use and operation in relation to the Project. The Existing Public Assets set out in the Assets List are specified and described in detail in the Assets Register prepared by the Concessionaire and submitted to the Grantor in October 2003.

New clause 10.3.2. (SAA) With respect to the Existing Public Assets in the Concession Area not handed over to the Concessionaire, for which there are no permits for use and operation or which have not been declared tolerable but, in each case, meet all the requirements for tolerable assets the Grantor agrees to obtain all documents required by Law as soon as reasonably practicable to enable the Concessionaire to use and operate such Existing Public Assets in a manner compliant with the Law. The Concessionaire shall be responsible for the operation and maintenance of such Existing Public Assets after they have been handed over to the Concessionaire in accordance with clause 10.3.3.

New clause 10.3.3. (SAA) Upon the Grantor obtaining the full set of documents required pursuant to clause 10.3.2, the Grantor shall hand over to the Concessionaire each Existing Public Asset declared as tolerable for operation and maintenance by way of a letter which shall include a list of the specific assets subject to the hand over and a list of the documents relating to them, to include sketches, design documents if available, plans and information about the value of such assets for accounting purposes. The Concessionaire shall become responsible for the operation of such Existing Public Assets to the extent required to meet its obligations in the Business Plan.

New clause 10.3.4. (SAA) Without prejudice to Clause 10.2, the Grantor shall have no right of possession or use of the Assets whilst they are the subjects of the Concession to the Concessionaire's advantage pursuant to this Concession Agreement.

10.4. No Transfer, Lease or Security Interests

Without prejudice to Clause 43.1.2:

10.4.1. the Concessionaire will not and will not purport to sell, transfer, assign or otherwise dispose of or create any Security Interest in or over any Existing Public Assets or any part thereof;

10.4.2. without limitation to Clause 10.4.1, the Concessionaire will not nor will it purport to create, permit or suffer to exist any Security Interest over all or any of the Existing Public Assets whether for the purposes of any Credit Agreement or otherwise;

10.4.3. Amended to (Annex to the SAA): without limitation to Clause 10.4.1, the Concessionaire will not nor will it purport to enter into any agreement, where under the terms of such agreement, the Existing Public Assets are or may be leased to or chartered or hired by a third party under any lease or otherwise. This limitation is not applicable in respect of granting for temporary use to state or municipal bodies and organizations with predominant municipal ownership, which organizations provide public services. In these cases following a written request from the respective body or organization, an explicit written consent on part of the Concessionaire and the Grantor is required.

10.4.4. the Concessionaire shall not do or purport to do or cause to be done any act or omission which may cause any of the Grantor's title in the Existing Public Assets to be cancelled, deemed void or otherwise vitiated in any way.

Any breach of Clause 10.4 shall represent an Event of Default entitling the Grantor to terminate this Concession Agreement in accordance with Clause 36.1 save where such breach has occurred as a consequence of the operation of Law or any act or omission of the Grantor (and not by the deliberate act or omission of the Concessionaire).

11. NEW PUBLIC ASSETS

11.1. Title and Use

Without prejudice to Clause 43.1.2:

11.1.1. Amended to (SAA): title to New Public Assets shall vest in the Grantor on the date that such New Public Assets are acquired or commissioned by the Concessionaire or the Grantor;

11.1.2. without prejudice to and notwithstanding the vesting of title to any New Public Asset in the Grantor pursuant to Clause 11.1.1, the Concessionaire shall at all times throughout the Concession Term be entitled to exclusively use any New Public Asset for the purposes of the Project;

11.1.3. Amended to (SAA): the Concessionaire shall not be entitled to receive any payment from the Grantor in respect of the acquisition, construction, installation or creation by the Concessionaire of any New Public Assets, nor will the Concessionaire be obliged to make any payments to the Grantor in respect of the granting of the specific

right to use over a New Public Asset funded by or created by the Grantor or any third parties.

11.2. No Transfer, Lease and Security Interests

Without prejudice to Clause 43.1.2 the Concessionaire undertakes that it:

11.2.1. shall not nor shall it purport to sell, transfer, assign or otherwise dispose of or create any Security Interest in or over any New Public Asset or any part thereof (whether in one or more related or unrelated transactions);

11.2.2. without limitation to Clause 11.2.1, it will not nor shall it purport to create, permit or suffer to exist any Security Interest over all or any of the New Public Assets whether for the purposes of any Credit Agreement or otherwise;

11.2.3. Amended to (Annex to the SAA): without limitation to Clause 11.2.1, it will not nor shall it purport to enter into any agreement, where under the terms of such agreement, the relevant New Public Asset is or may be leased to or chartered or hired by a third party under any lease or otherwise. This limitation is not applicable in respect of granting for temporary use to state or municipal bodies and organizations with predominant municipal ownership, which organizations provide public services. In these cases following a written request from the respective body or organization, an explicit written consent on part of the Concessionaire and the Grantor is required;

11.2.4. will not do or purport to do or cause to be done any act or omission which may cause any of the Grantor's title in the New Public Asset to be cancelled, deemed void or otherwise vitiated in any way; and

11.2.5. will ensure compliance with all Laws relating to or affecting the title of the Grantor in the New Public Assets.

Any breach of Clause 11.2 shall represent an Event of Default entitling the Grantor to terminate this Concession Agreement in accordance with Clause 36.1 save where such breach has occurred as a consequence of the operation of Law or any act or omission of the Grantor (and not by the deliberate act or omission of the Concessionaire).

New clause 11.3. (SAA) Handover of New Public Assets

11.3.1 Not later than 30 days from the date when a New Public Asset is set into operation, if the New Public Asset had not been funded by the Concessionaire, the Grantor shall hand over the New Public Asset to the Concessionaire for use and operation under procedure set out in clause 10.3.3 herein.

11.3.2 Not later than 30 days from the date when a New Public Asset is set into operation, if the New Public Asset has been funded by the Concessionaire, the Concessionaire shall hand over to the Grantor information on it by way of a letter which shall include details of the specific asset and associated as-built drawings design documents and information about the value of such assets for accounting purposes.

12. EXISTING PRIVATE ASSETS

12.1. The Grantor shall procure that the Existing Operator shall comply with and undertake all its obligations set out in the Shareholders' Agreement.

12.2. Deleted (SAA)

13. NEW PRIVATE ASSETS

13.1. Title

Title to New Private Assets shall vest in the Concessionaire.

14. LAND

14.1. Access to Land

The Grantor hereby authorises and shall procure that the Existing Operator shall take all such steps and shall authorise the Concessionaire to exercise the rights of the Grantor and the Existing Operator to:

14.1.1. enter such land and property (whether owned by the Grantor, the Existing Operator or by third parties as the case may be) and, to the extent such land and property is owned by the Grantor or the Existing Operator or the Grantor or the Existing Operator has the right to use such land and property, to use the said land and property at such times and as may be necessary for the Concessionaire to perform its obligations under, and any activities contemplated by this Concession Agreement and the Business Plans. The Grantor and the Existing Operator shall execute at the request of the Concessionaire all documents and all other necessary legal and other administrative formalities as may be reasonably necessary in order to effect this purpose;

14.1.2. carry out such Works and other activities as may be necessary to perform the Concessionaire's obligations under this Concession Agreement and the Business Plans on, under or over such land and property; and

14.1.3. serve any related notices on Customers and the owners or occupiers of such land and property,

provided that before so doing the Concessionaire shall obtain all Required Consents including all necessary approvals from third party land owners or occupiers and otherwise comply with all applicable Laws. The Grantor or the Existing Operator (as the case may be) shall assist the Concessionaire to obtain all such Required Consents.

14.2. Acquisition of Land

14.2.1. Subject to Clauses 14.2.2 and 14.4, the Concessionaire shall be solely responsible for the acquisition of land or any Rights In Respect of Land it requires for the performance of its obligations under and in accordance with this Concession Agreement and the Business Plans to the extent not forming part of the Assets subject to this Concession Agreement. Without prejudice to the foregoing the Grantor shall assist the Concessionaire to acquire such land or Rights In Respect of Land.

14.2.2. If and to the extent that any land or Rights In Respect of Land acquired by the Concessionaire would, upon or following its purchase, constitute Public Assets or is necessary for the support of Public Assets then such land or Rights In Respect of such Land shall be purchased in the name of the Grantor but at the cost and direction of the Concessionaire. The Concessionaire shall be responsible for making payment directly to third parties in respect of the cost of acquiring such land or Rights In Respect of Land and for negotiating the terms and conditions of such acquisition.

14.2.3. Amended to (SAA): Following the acquisition of any land or Rights In Respect of Land pursuant to Clauses 14.2.1 or 14.2.2, such land or Rights In Respect of Land shall become an Asset for the purposes of this Concession Agreement and the Business Plan and be subject to the terms of this Concession Agreement and the Business Plan.

14.3. No Transfer, Lease or Security Interests

14.3.1. Amended to (SAA): Without prejudice to Clause 43.1.2, neither the Grantor nor the Concessionaire may or purport to sell, transfer, assign or otherwise dispose of or create any Security Interest over any site, land or Rights In Respect of Land which are required by the Concessionaire to perform its obligations under this Concession Agreement and the Business Plan unless otherwise agreed in writing by the Parties save in respect of any site, land or Rights In Respect of Land constituting Private Assets.

14.3.2. Amended to (Annex to the SAA): Without limitation to Clause 14.3.1, neither the Grantor nor the Concessionaire may enter into any agreement, where under the terms of such agreement the site, land or Rights In Respect of Land which are required by the Concessionaire to perform its obligations under this Concession Agreement and the Business Plan and which constitute Public Assets may be leased to or chartered or hired by a third party under any lease or otherwise unless the terms of any such agreement have been subject to the prior written approval of the Grantor (which approval shall not be unreasonably withheld or delayed where the Concessionaire demonstrates to the reasonable satisfaction of the Grantor that the terms of and the entry into such agreement is necessary for the proper performance by the Concessionaire of its obligations under the Concession Agreement and the Business Plan). This limitation is not applicable in respect of granting for temporary use to state or municipal bodies and organizations with predominant municipal ownership, which organizations provide public services. In these cases following a written request from the respective body or organization, an explicit written consent on part of the Concessionaire and the Grantor is required.

14.3.3. Any breach of Clause 14.3 shall represent either an Event of Default or a Grantor Default (as the case may be) entitling:

(a) in the case of an Event of Default, the Grantor to terminate this Concession Agreement in accordance with Clause 36.1; or

(b) in the case of a Grantor Default, the Concessionaire to terminate this Concession Agreement in accordance with Clause 36.2,

save where the breach has occurred as a consequence of the operation of Law (and not by the deliberate act or omission of either the Concessionaire or the Grantor as the case may be).

14.4. Sludge Site

14.4.1. Amended to (SAA): The Concessionaire is solely responsible for the treatment of the sludge at the Kubratovo Waste Water Treatment Plant.

14.4.2. At any time throughout the Concession Term, the Concessionaire may by notice to the Grantor propose an alternative and/or additional site where it proposes to dispose of sludge. The Grantor shall consider the Concessionaire's proposal in relation to the proposed alternative and/or additional site and if:

(a) the whole of the proposed site is land within the ownership of the Grantor; and

(b) subject to the obtaining of any relevant consents the disposal of sludge at the proposed site would not contravene any Law or requirement of any Competent Authority,

the Grantor shall notify the Concessionaire within [40] Business Days following the receipt of the Concessionaire's notice pursuant to this Clause 14.4.2 as to:-

(c) whether it is prepared, in its absolute discretion, to permit the Concessionaire access to the proposed site for the purposes of the disposal of sludge; and

(d) the terms and conditions (if any) upon which the access, if granted, is provided to the Concessionaire, such terms and conditions to be within the Grantor's absolute discretion.

To the extent that the proposed alternative and/or further site is not land falling within (a) and (b) above, the Grantor shall assist the Concessionaire in obtaining access to such site for the purposes of the treatment and disposal of sludge.

14.4.3. Amended to (SAA): The Parties, together shall prepare a long-term strategy for the management of sludge from the Kubratovo Waste Water Treatment Plant.

14.4.4. Deleted (SAA)

14.4.5. Amended to (SAA): To the extent that the Concessionaire incurs any costs of acquiring and preparing any such site for the disposal of sludge (other than the Sludge Site) or incurs any Capital Expenditures and/or Operating Expenditures in implementing any alternative arrangements and such costs have been reasonably and properly incurred, the Concessionaire shall be entitled to apply for a Price Adjustment to compensate it for such costs in accordance with clause 22.4.

14.5. Exercise of Powers

14.5.1. If the Concessionaire believes that the exercise by the Grantor of any Statutory Power is essential to enable the Concessionaire to perform any obligation under this Concession Agreement and the Business Plans, the Concessionaire shall give notice to that effect to the Grantor.

14.5.2. Any notice given by the Concessionaire in accordance with Clause 14.5.1 shall:

- (a) clearly specify the action requested of the Grantor, the duty of the Concessionaire under this Concession Agreement and the Business Plans in respect of which such action is requested and the reasons why such action by the Grantor is required;
- (b) indicate the time by which the requested action is required; and
- (c) set out any recommendation by the Concessionaire in respect of the requested action.

14.5.3. Within 15 Business Days after receipt of a notice given in accordance with Clause 14.5.1 the Grantor shall acknowledge receipt of such notice and shall give its good faith estimate of the date on which it will response on the merits of the request, provided that no such estimate shall be binding on the Grantor.

14.5.4. The Grantor shall respond to the merits of the request contained in the notice given in accordance with Clause 14.5.1 as soon as reasonably practicable in the circumstances.

14.5.5. In responding to any request made in accordance with Clause 14.5.1, the Grantor shall in reaching any such decision, give consideration, inter alia, to the matters set out in Clause 14.5.6. The decision of the Grantor on the merits of the request shall not be subject to review under the Disputes Resolution Procedure.

14.5.6. The considerations referred to in Clause 14.5.5 are the following:

- (a) whether the Grantor has the power to take the action requested;
- (b) whether there is any alternative course available to the Concessionaire (and the cost of such alternative course) which would not require action by the Grantor;
- (c) the effect that the requested action would have on the interests of any third parties; and
- (d) whether the action requested would have any implications for the safety of any parties.

14.5.7. Amended to (SAA): Subject to Clause 14.5.8 if the Grantor refuses to take the action requested, then the Concessionaire shall be relieved from liability under this Concession Agreement and the Business Plan to the extent that by reason of such refusal the Concessionaire is not able to perform the obligations identified in the request contained in the notice given in accordance with Clause 14.5.1.

14.5.8. The Concessionaire shall be relieved of its liability in accordance with Clause 14.5.7 only if it has taken all reasonable steps necessary to mitigate the effects of the refusal of the Grantor to take the requested action.

14.5.9. If the failure to take any action requested in a notice given in accordance with Clause 14.5.1 renders impossible (and not merely more expensive) the

Concessionaire's performance of this Concession Agreement (as a whole) or has a fundamental effect on the rights or obligations of the Concessionaire under this Concession Agreement, then following:

- a) consultation for a period of not less than 120 days from the date of the Grantor's response under Clause 14.5.4 to reach a solution acceptable to both Parties; and
- b) (if applicable) such period as is reasonably necessary for the implementation of such solution,

the Concessionaire shall be entitled to terminate this Concession Agreement by notice to the Grantor and the provisions of Clause 36.3. shall apply.

14.5.10. Amended to (SAA): Without prejudice to the foregoing provisions of this Clause 14.5, nothing in this Clause 14.5 shall oblige or require the Grantor to exercise any Statutory Powers for the compulsory acquisition of land other than land required for public needs as identified in the Law.

15. CONTRACTS

15.1. Existing Contracts and Arrangements

15.1.1. The Grantor shall procure the assignment and/or transfer of the Existing Contracts to the Concessionaire as soon as reasonably practicable following the Effective Date, whereupon the Concessionaire shall become entitled to exercise all rights and, subject to Clause 15.1.4 be obliged to discharge all obligations arising under such of the Existing Contracts as have been assigned or otherwise transferred.

15.1.2. The Concessionaire shall perform such acts and execute all such documents as the Grantor may reasonably require in order to give effect to any assignment or other transfer of any Existing Contract in accordance with Clause 15.1.1 and the Parties agree that in selecting the manner in which any such assignment or transfer is to be effected they shall seek to minimise any actual or potential taxation liabilities of either Party which may arise as a consequence of such assignment or transfer to the extent reasonably possible.

15.1.3. Deleted (SAA)

15.1.4 The Concessionaire shall only be required to accept the assignment or transfer of any Existing Contract to the extent that the relevant Existing Contract was entered into by the Grantor or the Existing Operator in the normal course of business, on commercially arms-length terms and conditions and relates to or is connected with the supply or performance of the Services in accordance with Good Engineering and Operating Practice. Without prejudice to the foregoing the Concessionaire's liability for any Losses or Claims arising as a consequence of any breach of any Existing Contract assigned or transferred to it under this Clause 15 which occurred prior to such assignment or transfer and which was not caused or contributed to by any act or omission of the Concessionaire or any of its contractors or sub-contractors ("Relevant Breaches") shall be limited to US\$100,000 in aggregate. Save as aforesaid, the Concessionaire's liability arising out of or in connection with any Existing Contract assigned and/or otherwise transferred to it shall not be subject to any limitation or

restriction (other than as provided within the terms of the relevant Existing Contract) and the Grantor shall have no liability to the Concessionaire in respect thereof.

15.2. Customer Contracts - Deleted (SAA)

15.3. Other Liabilities

15.3.1. Save as expressly stated to the contrary in this Concession Agreement the Concessionaire shall assume and discharge all Liabilities and, with effect from the Effective Date, all Claims and Losses arising from or in connection with the failure to meet or comply with any of the Performance Requirements and/or any act or omission of the Concessionaire or any of its contractors or sub-contractors.

15.3.2. The Concessionaire shall, using its best endeavours and to the extent possible, procure the written consent of creditors to the assumption by it of the Liabilities and the release of the Grantor from any claims which such creditors may have against it. The Concessionaire shall notify the Grantor of all such consents received.

15.3.3. Deleted (SAA)

16. LEVELS OF SERVICE

16.1. General Obligation

Amended to (SAA): The Concessionaire shall subject to the terms of this Concession Agreement throughout the Concession Term provide the Services in accordance with the Law in order to procure the satisfaction of the Levels of Service.

16.2. Records and Reports

Amended to (SAA): In accordance with the Law, the Concessionaire shall maintain in good order complete and accurate records in reasonable detail of its activities relating to the implementation of and its compliance with the Levels of Service, which records shall be available for inspection by the Grantor at all reasonable times and upon reasonable notice.

16.3. Achievement of Levels of Service

Amended to (SAA): The Concessionaire will be solely responsible for determining the means and methods of achieving the Levels of Service set out in the Business Plan.

16.4. The heading is amended to (SAA): **Contract to Upgrade Kubratovo Waste Water Treatment Plant**

16.4.1 Amended to (SAA): Not later than 180 days prior to the anticipated date of completion of the contract to upgrade the Kubratovo Waste Water Treatment Plant, the Parties will meet to discuss in good faith the procedures for the mutual conduct of the tests on completion, operator training and hand-over of the operation of the plant to the Concessionaire.

16.4.2 Amended to (SAA): Subject to Clause 16.4.3, if as a consequence of any breach of the contract to upgrade the Kubratovo Waste Water Treatment Plant (either by the Grantor or by the Grantor's contractors or sub-contractors) the Concessionaire fails to meet the Performance Requirements, the Concessionaire shall be relieved from any liability (including, for the avoidance of doubt, any liability of the Concessionaire to pay any penalties) under this Concession Agreement which would, but for this Clause 16.4.2, otherwise arise as a consequence of such failure.

16.4.3 Amended to (SAA): The Concessionaire shall at all times following a breach of the contract to upgrade the Kubratovo Waste Water Treatment Plant act in accordance with Good Engineering and Operating Practices so as to avoid or minimise to the extent reasonably practicable the effects of any such breach.

16.4.4 Amended to (SAA): The Grantor shall use its best endeavours to procure that the contract to upgrade the Kubratovo Waste Water Treatment Plant requires the contractor to warrant and to ensure that the contractor requires principle sub-contractors to warrant the performance of their works in respect of which they are responsible (to the benefit of both the Grantor and the Concessionaire) in accordance with Good Engineering and Operating Practices.

New clause 16.4.5. (SAA) The upgrade and the operation of the Kubratovo Waste Water Treatment Plant are in accordance with the required by the Law permits.

17. OPERATIONS AND MAINTENANCE

17.1. Good Engineering and Operating Practice

The Concessionaire shall, at its cost and with effect from the Effective Date throughout the Concession Term operate and maintain the Existing Assets (or any part or replacement thereof) and the New Assets from the first date upon which such New Assets are available for use by the Concessionaire in accordance with Good Engineering and Operating Practice so as to procure achievement of the Performance Requirements.

17.2. Amended to (SAA): Business Plan

17.2.1. Amended to (SAA): The Business Plan shall be prepared, reviewed and updated by the Concessionaire throughout the Concession Term as required by the Laws and Good Engineering and Operating Practices.

17.2.2. Amended to (SAA): Not later than 6 months before the date determined by the Law for submission of the Draft Business Plan to the Competent Authority, the Grantor may present to the Concessionaire its suggestions for infrastructure rehabilitation and development projects and priorities, which it wishes to be included in the Draft Business Plan.

17.2.3. Amended to (SAA): Not later than 4 months before the date determined by the Law for submission of the Draft Business Plan to the Competent Authority, the Parties shall discuss the opportunities for accommodation of the suggestions made by the Grantor under Clause.17.2.2. within the Draft Business Plan. Such suggestions shall not be included in the Draft Business Plan if:

- a) the implementation of such suggestion would breach any Law;
- b) any of the Required Consents required by the Concessionaire cannot be obtained for any reasons outside reasonable control of the Parties;
- c) the suggestion is not technically feasible; or
- d) the Concessionaire's ability to meet the Performance Requirements applicable to the Draft Business Plan would be affected.

New clause 17.2.4. (SAA) Not later than 2 months before the date determined by the Law for submission of the Draft Business Plan to the Competent Authority, the Concessionaire shall submit to the Grantor for review and opinion the Draft Business Plan. The Grantor shall give its opinion on the Draft Business Plan within the period required by the Law.

New clause 17.2.5 (SAA) The Grantor is entitled at any time during a Regulatory Period, without prejudice to clauses 17.2.2 and 17.2.3, to request Variations to be carried out in accordance with the provisions of Clause 21.

17.3. Delivery of Services

The Concessionaire shall, at its cost, after the Effective Date and throughout the Concession Term:

17.3.1. plan, organise and carry out the operation and maintenance of the Assets so as to minimise any disruption to the Services and procure satisfaction of the Performance Requirements;

17.3.2. as soon as reasonably practicable, report to the Grantor on any matters (including, any operation and maintenance activities of the Concessionaire) which may have or are having a material impact on the Services;

17.3.3. Deleted (SAA)

17.3.4. co-ordinate the carrying out of any operation and maintenance activities with the activities of the Relevant Utilities so as to minimise disruption to the Services and the services of the Relevant Utilities within the Concession Area;

17.3.5. Deleted (SAA)

17.3.6. without prejudice to Clause 29.3, observe all applicable Laws (including health and safety laws) particularly in relation to hazardous locations and the handling of hazardous substances, including the location of chlorination installations, high voltage and crane equipment and pressure vessels and instrumentation and the method of storage of dangerous chemicals, and shall provide safety and first aid equipment all in accordance with the Performance Requirements and Good Operating and Engineering Practice; and

17.3.7. be responsible for the operation, maintenance, servicing and replacement of all water and sewerage pipes as appropriate, for which the operator of the System is

responsible under Law provided that such pipes and conduits are necessary for the purposes of the provision of the Services to Customers.

provided that the Concessionaire shall not be in breach of its relevant obligations under this Concession Agreement if such a failure was directly caused by any default, act or omission of the Grantor (or any third party for whom the Grantor is responsible).

17.4. Beli Iskar Dam

17.4.1. Without prejudice to any of the Concessionaire's other liabilities and obligations under this Concession Agreement, the Concessionaire shall be fully liable and responsible at its own cost and risk for all aspects of the operation and maintenance of the Beli Iskar Dam in accordance with and so as to meet the requirements of Clauses 17.1 and 17.2.

17.4.2. Deleted (SAA)

17.5. Co-operation and Co-ordination

At all times throughout the Concession Term the Concessionaire shall use its reasonable endeavours to co-ordinate its activities with those of the Grantor and any of its contractors, servants and agents and any other utilities providers:

17.5.1. in the interests of safety;

17.5.2. to minimise inconvenience to members of the public; and

17.5.3. in accordance with the requirements of Law.

17.6. Municipal Projects - Deleted (SAA)

18. SLUDGE OBLIGATIONS

18.1. General Obligations

The Concessionaire shall in accordance with the Levels of Service treat and dispose of all sludge arising from the treatment of wastewater or otherwise.

18.2. Performance of Sludge Obligations

Amended to (SAA): Without prejudice to any of the obligations of the Concessionaire under this Clause 18, the Concessionaire shall ensure, on a continuing basis, that at all times sludge required to be treated and disposed of by the Concessionaire in accordance with this Concession Agreement is treated and disposed of in accordance with the Levels of Service and all applicable Laws and Required Consents and that records are kept in accordance with the Levels of Service and all Laws and Required Consents relating to the treatment and disposal of sludge by the Concessionaire, and that such records are available to the Grantor at all reasonable times for inspection.

19. The heading is amended to (SAA): INVESTMENT PROGRAM AND CONSTRUCTION

19.1. Minimum Capital Investment Requirement - Deleted (SAA)

19.2. Drainage Area Study and Network Model - Deleted (SAA)

19.3. The heading is amended to (SAA): Forecast Concession Term Investment Plan

19.3.1. Amended to (SAA): The Concessionaire has prepared the Forecast Concession Term Investment Plan which is attached hereto as Attachment 1 and is an integral part of it. This Forecast Concession Term Investment Plan is an integral part of the application form under the ISPA program for the “Integrated Water Project - City of Sofia”, submitted before and approved by the European Commission and indicates the capital investments and projects the Concessionaire expects to undertake within the remainder of the Concession Term.

19.3.2. Amended to (SAA): The Grantor may at any time submit to the Concessionaire its proposals for amendments to the Forecast Concession Term Investment Plan in view of any adopted Sofia city master plans or any other strategy approved by the Municipal Council for the infrastructure development of the Concession Area. The Parties shall meet and seek in good faith to agree any amendments to the Forecast Concession Term Investment Plan within 2 months as of the date of the proposal for amendment.

New clause 19.3.3. (SAA) The Draft Business Plan prepared by the Concessionaire shall be based on the Forecast Concession Term Investment Plan insofar as this is allowed by the Competent Authority.

19.4. The heading is amended to (SAA): Implementation of the Forecast Concession Term Investment Plan and the Business Plan

Amended to (SAA): The Concessionaire shall, in accordance with the requirements of this Concession Agreement, be responsible for the design, construction completion, commissioning and testing of the Works and other activities necessary to implement the Business Plan in accordance with the terms therein.

19.5. Variations of Works - Deleted (SAA)

19.6. Design Requirements

Amended to (SAA): In executing any Works, the Concessionaire shall comply with the requirements of this Concession Agreement and the Business Plan and, without prejudice to the foregoing, observe the following:

19.6.1. design engineering must be prepared in accordance with Good Engineering and Operating Practice and the Law; and

19.6.2. the Concessionaire shall provide the Grantor with access to designs and design information and data at all reasonable times and locations.

19.6.3. Deleted (SAA)

19.7. Works Requirements

The Concessionaire shall comply with the following requirements when undertaking any Works:

19.7.1. any Required Consents (which are not Grantor Consents) required for the carrying out of the Works shall be obtained by the Concessionaire. Without prejudice to the foregoing, the Grantor shall provide such reasonable assistance to the Concessionaire for the obtaining of any such Required Consents as the Concessionaire may reasonably require and shall obtain any Grantor Consents necessary for the performance of the Works (if any) as are notified to it by the Concessionaire within a reasonable period having regard to the Concessionaire's proposed programme for the carrying out of the relevant works;

19.7.2. the Works shall be constructed at the Concessionaire's risk and expense in accordance with and upon completion shall comply with all relevant applicable Laws and Required Consents;

19.7.3. the Concessionaire shall be responsible for supervising the implementation of the construction of the Works; and

19.7.4. without prejudice to the Concessionaire's obligations under this Concession Agreement, on any termination of this Concession Agreement, the Concessionaire shall produce and provide to the Grantor as-built drawings of the completed Works no later than 3 months after the completion of the relevant Works.

19.8. Sub-Contracting and Procurement of Goods

Amended to (SAA): The Concessionaire shall implement and comply with the Public Procurement Act (published in the State Gazette, issue 28/2004 and supplemented and amended from time to time) for the procurement of all construction works and other services as defined in the Public Procurement Act. If the estimated value of any tender under the Public Procurement Act exceeds 500 000 BGN, the Concessionaire shall inform the Grantor for it and the Grantor may appoint its representative to be included in the tender committee as a member.

19.8.2 Deleted (SAA)

20. HANDBACK REQUIREMENTS

20.1. The heading is amended to (SAA): Handback

Amended to (SAA): The use and control of the Public Assets shall be handed back by the Concessionaire to the Grantor on the Expiry Date in a condition capable of permitting continued operation of the System so as to meet the Levels of Service identified in the Business Plan prevailing at that time.

Not later than 24 Months prior to the expected Expiry Date, the Parties shall agree on the way and procedure for handback of the Assets and the activity.

20.2. Inspection of Assets

Amended to (SAA): Not less than 48 Months and not more than 54 Months prior to the expected Expiry Date, the Concessionaire and the Grantor shall carry out a joint inspection of the Public Assets.

20.3. Handback Schedule

Amended to (SAA): After completion of the inspection under Clause 20.2, the Concessionaire shall include in the last Draft Business Plan prior to the Expiry Date a schedule (the "Handback Schedule") providing details of:

20.3.1. proposals as to the Works (the "Renewal Works") required to be carried out to ensure compliance by the Public Assets with the standards required under Clause 20.1;

20.3.2. proposals as to the Works (if any) required to achieve the Minimum Capital Investment Requirement (the "Outstanding Works");

20.3.3. proposals as to a programme for carrying out the Renewal Works and the Outstanding Works (the "Handback Works Programme"); and

20.3.4. the Concessionaire's estimate of the costs of carrying out the Renewal Works and the Outstanding Works (the "Handback Amount").

20.4. Grantor Objections - Deleted (SAA)

20.5. Disputes - Deleted (SAA)

20.6. Handback Account

20.6.1. Amended to (SAA): In the fifteenth Contract Year and subsequently until the end of the Concession Term, the Concessionaire shall pay 1 (one) per cent of its audited distributable profit into an interest bearing account in its name (the "Handback Account");

20.6.2. Amended to (SAA): The monies in the Handback Account may be used before the Expiry Date during the last Regulatory Period to pay for Works only. Such Works shall be identified in the Handback Schedule established in accordance with Clause 20.3 but not part of the last Business Plan.

New clause 20.6.3. (SAA) The Handback Account shall be transferred to the operator of the System on the Expiry Date by the Concessionaire on receipt of a handback certificate issued by the Grantor to the Concessionaire in a format to be agreed.

New clause 20.6.4. (SAA): The Concessionaire's obligations in respect of this Clause 20 shall be limited to the value of the Handback Account as at the Termination Date.

20.7. Execution of Renewal Works and Outstanding Works - Deleted (SAA)

20.8. Further Joint Inspection – Deleted (SAA)

- 20.9. Issue of Handback Certificate – Deleted (SAA)
- 20.10. Grounds for Refusal - Deleted (SAA)
- 20.11. Outstanding Works - Deleted (SAA)
- 20.12. Concessionaire Objections - Deleted (SAA)
- 20.13. Disputes – Deleted (SAA)
- 20.14. Failure to Complete Works - Deleted (SAA)
- 20.15. Completion of Outstanding Works - Deleted (SAA)
- 20.16. Unused Balance in Handback Account - Deleted (SAA)
- 20.17. Other Handback Security – Deleted (SAA)

21. PERFORMANCE REQUIREMENTS VARIATIONS

21.1. Power and Authority

21.1.1. Amended to (SAA): The Grantor may by written notice to the Concessionaire propose Variations. The Grantor may not propose Variations which do not relate to the Services.

21.1.2. Deleted (SAA)

21.2. Concessionaire's Response

Amended to (SAA): As soon as practicable but not later than 40 Business Days after having received a written notice from the Grantor under Clause 21.1, the Concessionaire shall notify the Grantor:

21.2.1. Deleted (SAA)

21.2.2. Amended to (SAA): the estimated increase or reduction in Capital Expenditures and/or Operating Expenditures which would result if the proposed Variation were implemented; and

21.2.3. Amended to (SAA): whether it will be necessary to obtain any Required Consents for the purposes of implementation of the Variation and identifying such Required Consents; and

21.2.4. Amended to (FSA): whether there are reasonable grounds (having consulted with all relevant parties, including the Senior Lender), for the Concessionaire to believe that financing for the proposed Grantor Variation would not be forthcoming and (if possible) the adjustments that would, in the Concessionaire's reasonable opinion, be required to be made to the proposed Grantor Variation in order to obtain financing in respect thereof on reasonable terms and conditions; or

21.2.5. Amended to (SAA): whether the Concessionaire objects to the Variation on any of the grounds specified in Clause 21.3.,

and shall provide full supporting details. In the event that the Concessionaire fails to issue a notice in accordance with this Clause 21.2, the Concessionaire shall be deemed to have no objection to the proposed Variation and the Grantor may make its own estimate of any of the matters set out in Clauses 21.2.2 and 21.2.3 inclusive and such estimate shall, for the purposes of this Clause 21, be deemed to be the estimate of the Concessionaire.

21.3. Amended to (SAA): Grounds for Objection

Amended to (SAA): The Concessionaire may object to any proposed Grantor's Variation only on the grounds that:

21.3.1. the implementation of the Variation would breach any Law; or

21.3.2. any of the Required Consents identified by the Concessionaire in its response pursuant to Clause 21.2 may not be obtainable; or

21.3.3. the proposed Grantor's Variation is not technically feasible; or

21.3.4. the Concessionaire's ability to meet the Performance Requirements over the remainder of the Concession Term would be materially adversely prejudiced

21.4 Amended to (SAA): Parties to Agree

21.4.1. Amended to (SAA): If the Parties fail to agree on a Variation by expiry of the period specified in Clause 21.2., the Grantor may refer the Dispute to the Disputes Resolution Procedure for determination and such determination shall be final and binding on the Parties.

21.4.2. Amended to (SAA): If the Parties agree on the Variation, the Grantor shall assist the Concessionaire if it applies for a Price Adjustment and/or any other adjustments to the Business Plan.

21.5. Amended to (SAA): The Variation shall become effective after the coming into effect of the Price Adjustment.

21.6. Grounds for Objection – Deleted (SAA)

21.7. Interim Tariff Adjustment Threshold - Deleted (SAA)

21.8. Adjustment of Tariffs – Deleted (SAA)

21.9. Records – Deleted (SAA)

21.10. Concessionaire Proposals – Deleted (SAA)

22. The heading is amended to (SAA): PRICES

New clause is created (SAA): The proposed Prices for the Regulatory Periods are determined by the Concessionaire and submitted to the Competent Authority for approval in accordance with the Law. The Prices become effective following approval by the Competent Authority following the procedure provided in the Law.

22.1. Initial Tariffs - Deleted (SAA)

22.2. Scheduled Review - Deleted (SAA)

22.3. Annual Reconciliation - Deleted (SAA)

22.4. The heading is amended to (SAA): Price Adjustment

22.4.1. Amended to (SAA): If an Eligible Event, a Force-Majeure Event or other event (which means any event provided in the Law or this Concession Agreement resulting in an increase of the Capital Expenditures and/or Operating Expenditures or decrease of the Price Revenue of the Concessionaire in excess of the Interim Price Adjustment Threshold) occurs or arises in a Regulatory Period and such Eligible Event, Force Majeure Event or such other event will increase the Capital Expenditures and/or Operating Expenditures or will decrease the Price Revenue of the Concessionaire by an amount in excess of the Interim Price Adjustment Threshold, the Concessionaire shall be entitled to apply for a Price Adjustment.

22.4.2. Amended to (SAA): On each such occasion the Concessionaire notifies the Grantor of its intention to apply for a Price Adjustment the Grantor shall assist and use its best endeavours to procure such Price Adjustment is obtained by the Concessionaire by giving to the Concessionaire within 10 Business Days from receipt of the notification by the Concessionaire an opinion supporting the application for a Price Adjustment.

22.4.3. Amended to (SAA): The Concessionaire shall submit to the Competent Authority its application for Price Adjustment together with the relevant documentation.

22.4.4. - Deleted (SAA)

22.5. Tariff Indexation - Deleted (SAA)

22.6. No Other Adjustments - Deleted (SAA)

22.7. The heading is amended to (SAA): Price Restrictions

22.7.1. Amended to (SAA): If the Concessionaire does not obtain a Price Adjustment from the Competent Authority that fully covers the increased Capital Expenditures and/or Operating Expenditures or the decreased Price Revenue of the Concessionaire this shall constitute a Price Restriction.

22.7.2. Amended to (SAA): The Concessionaire may at any time notify in writing the Grantor of its belief that a Price Restriction has occurred. Following the service of any such notice, the Parties shall immediately meet and seek to agree how to avoid the consequences of the Price Restriction.

22.7.3. Amended to (SAA): If the Parties reach an agreement within 20 Business Days of any notice served that a Price Restriction has occurred, both Parties shall use their best endeavours to avoid the consequences of the Price Restriction including jointly applying to the Competent Authority for a Price Adjustment.

22.7.4. Amended to (SAA): If within 20 Business Days of any notice served, the Parties do not agree how to avoid the consequences of the Price Restriction or the efforts of both Parties to avoid the consequences of the Price Restriction are not successful, then the Concessionaire shall be entitled to terminate the Concession Agreement and the provisions of clause 36.3 shall apply.

22.7.5. Deleted (SAA)

22.7.6. Deleted (SAA)

22.8. Revenue Sharing Arrangements - Deleted (SAA)

23. BILLING AND COLLECTION

23.1. Amended to (SAA): The Concessionaire shall be responsible for the metering and billing of Customers, Price Revenue collection policy, connections and disconnections of Customers in accordance with the Law and the General Terms and Conditions for the Provision of Water and Wastewater Services to Customers approved by the Competent Authority (a document prepared, approved and published in compliance with the Law, in force as of September 1st, 2006) and supplemented and amended from time to time.

23.2 Metering, Billing and Collection Policy - Deleted (SAA)

23.3 Variations to Individual Billing Plans - Deleted (SAA)

23.4 Information for Customers - Deleted (SAA)

23.5 Powers Over Debt - Deleted (SAA)

23.6 Disconnections – Deleted (SAA)

23.7 Connection - Deleted (SAA)

24. PENALTIES

24.1. The heading is amended to (SAA): Penalties

24.1.1. Amended to (SAA): The Concessionaire shall be liable solely to the Competent Authority for any breach of the Performance Requirements. If the Concessionaire becomes liable for any penalties imposed by the Competent Authority arising from the use of Public Assets which have not been duly transferred for operation to the Concessionaire by the Grantor in accordance with the provisions of clauses 10 and 11 of this Concession Agreement, the Grantor shall reimburse the Concessionaire in full within 40 Business Days following the date the Concessionaire presents to the Grantor the payment document and the supporting documentation in respect of such penalty.

24.1.2. Amended to (SAA): Save as set out in clause 24.1.1 herein the Concessionaire shall be fully and solely liable for the payment of any penalties to the Customers in accordance with the provisions of the Law and the General Terms and Conditions for the Provision of Water and Wastewater Services to Customers.

24.1.3. Deleted (SAA)

24.1.4. Deleted (SAA)

24.2. Penalty for Late Payment

The Parties will pay interest on any principal sums payable under this Concession Agreement not paid on the date provided for payment under this Concession Agreement, over the period from the specified date for payment until the date of actual payment at a rate per annum equal to the Interest Rate.

24.3. No Further Liability

Amended to (SAA): Save as otherwise provided by Law and without prejudice to the rights of the Grantor on any termination of this Concession Agreement as a consequence of any Event of Default, the Concessionaire shall have no greater or other liability to the Grantor in respect of any failure to meet the Performance Requirements.

25. INTELLECTUAL PROPERTY

25.1. Intellectual Property Rights Vested in Grantor

All Intellectual Property Rights which may subsist in any design material of whatever nature or any other reports or information in relation to the Existing Public Assets which are within the ownership or control of the Grantor or the Existing Operator in relation to the Project shall (as between the Grantor and the Concessionaire) vest in the Grantor and the Grantor shall grant and shall procure that the Existing Operator shall grant (or in the event that any such right is vested in a third party, agrees to procure the grant to the Concessionaire, at no cost to the Concessionaire upon terms at least

equivalent to those enjoyed by the Existing Operator, of) a royalty-free non-exclusive licence to use (or to licence others to use) the same until the Termination Date to the extent required to enable it to operate the Concession at the Effective Date or to operate and maintain the Assets after the Effective Date.

25.2. Intellectual Property Rights

All Intellectual Property Rights which may subsist in any design material of whatever nature or any other reports or information prepared by the Concessionaire which are within its ownership or control in relation to the Project shall (as between the Grantor and the Concessionaire) vest in the Concessionaire and the Concessionaire hereby grants to the Grantor (or, in the event that any such right is vested in a third party, agrees to procure the grant to the Grantor, at no cost to the Grantor upon terms at least equivalent to those enjoyed by the Concessionaire, of) a perpetual royalty free non-exclusive licence to use (or to licence others to use) the same to the extent required to enable it to re-grant the Concession following the Termination Date or to own, operate, maintain and, if applicable, sell any of the Assets with the benefit of such licence after the Termination Date.

25.3. Restrictions on Use

25.3.1. Except as provided in Clause 43.3, drawings or information supplied by the Existing Operator constituting Private Assets shall not without the Existing Operator's consent be used, copied or communicated to a third party (other than the Concessionaire and the Concessionaire's employees, agents and consultants) by the Concessionaire otherwise than as strictly necessary for the purposes of, or otherwise permitted by, this Concession Agreement.

25.3.2. Except as provided in Clause 43.3, drawings or information supplied by the Concessionaire constituting Private Assets shall not without the Concessionaire's consent be used, copied or communicated to a third party (other than the CMU and the Grantor's employees and consultants) by the Grantor otherwise than as strictly necessary for the purposes of, or otherwise permitted by, this Concession Agreement.

25.4. Grantor Information

Drawings and information supplied by the Grantor and the CMU for the purposes of this Concession Agreement shall remain the property of the Grantor. Any such material shall not without the consent of the Grantor be used, copied or communicated to a third party by the Concessionaire otherwise than as strictly necessary for the purposes of, or otherwise permitted by, this Concession Agreement.

25.5. Effectiveness

Each Party agrees to do whatever may be necessary to give effect to or confirm the terms of the licences provided for by this Clause 25.

25.6. Survival

The provisions and obligations set out in this Clause 25 shall survive and remain in force upon and following the Termination Date.

26. CHANGE IN CONTROL

26.1. Change in Control Event of Default

Amended to (SAA): It shall be an Event of Default if at any time there shall be any change in control of the Concessionaire. without the prior written consent of the Grantor, which consent shall not be unreasonably withheld or delayed.

26.2. Amended to (SAA): For the purposes of this Clause 26, subject to Clause 26.3, there is a change in control of the Concessionaire whenever a shareholder of the Concessionaire ceases to qualify as such or a party who is not a shareholder of the Concessionaire on the Effective Date becomes a shareholder of the Concessionaire.

26.3. The replacement of a director on the board of directors of the Concessionaire (so that the number of directors on such board is unchanged) which in the case of the Concessionaire is effected pursuant to and in accordance with the Shareholders' Agreement shall not constitute a change in control of the Concessionaire for the purposes of this Clause 26.

26.4. Without prejudice to Clause 26.1 the Grantor shall within 30 Business Days following a request for the Grantor's consent and following receipt of all relevant information from the Concessionaire in relation to any proposed change in control respond to any such request by either providing or refusing its consent. Where the Grantor refuses to grant its consent to any such proposal, it shall at the same time as responding to the Concessionaire's request, provide in reasonable detail, written reasons for such refusal. Any failure by the Grantor to comply with this Clause 26.4 shall not, save as provided in Clause 26.5:

26.4.1. invalidate or otherwise affect any decision made by the Grantor in respect of any proposed change in control (whether within the 30 Business Day period provided in this Clause 26.4 or following the expiry of such period);

26.4.2. constitute a waiver of any of the Grantor's rights under this Concession Agreement;

26.4.3. Deleted (SAA)

26.4.4. Amended to (SAA): give rise to or form the basis of any Claim (including a Price Adjustment) in favour of the Concessionaire.

26.5. Deemed Consent

Amended to (SAA): If the Grantor fails to respond to a request issued by the Concessionaire pursuant to clause 26.4 within a 30 Business Days period, the Grantor shall be deemed to have consented to the change in control as set out in the relevant request from the Concessionaire.

27. ADMINISTRATION - Deleted (SAA)

28. EMERGENCIES

28.1. Emergency Response Plan

Amended to (SAA): The Concessionaire shall prepare and develop an Emergency Response Plan which plan shall form part of the Business Plan and which shall describe the procedures and practices to be implemented by the Concessionaire in the event of the occurrence of an Emergency Event during the Regulatory Period. Such procedures and practices shall comply with the Law and be in accordance with Good Engineering and Operating Practice.

28.2. Emergency Events

If at any time during the Concession Term an Emergency Event occurs then the Concessionaire shall immediately notify the Grantor of the occurrence of such Emergency Event and shall immediately implement any relevant procedures set out in the Emergency Response Plan. If the Concessionaire believes that the Emergency Response Plan is insufficient to deal with the particular circumstances of the Emergency Event it shall notify the Grantor immediately and the Parties shall meet to formulate a course of action to avert the effects of or alleviate the Emergency Event.

28.3. Costs and Expenses

Amended to (SAA): All costs and expenses incurred by the Concessionaire in implementing any Emergency Event response procedures shall be borne by the Concessionaire. The Concessionaire shall be entitled to apply for a Price Adjustment to recover such costs and expenses pursuant to clause 22.4.

28.4. Responsibility for Emergency Events

28.4.1. As soon as practicable after the Emergency Event has ceased or in any event 5 Business Days after the Concessionaire's notification of the occurrence of an Emergency Event pursuant to Clause 28.2 the Parties shall meet to discuss the cause of the Emergency Event.

28.4.2. Deleted (SAA)

28.5. Disputes - Deleted (SAA)

29. ENVIRONMENT

29.1. Environmental Audit - Deleted (SAA)

29.2. Environmental Management System

Amended to (SAA): The Concessionaire shall, to the extent required to ensure its compliance with the Law and the Business Plan, develop and implement an Environmental Management System. Such environmental management system shall cover all aspects of the Services and the design, construction, installation and commissioning of the New Assets sufficient to demonstrate that the Concessionaire will meet all its obligations under this Concession Agreement and the Business Plan.

29.3. Environmental Impact Assessment Study

Amended to (SAA): If required by Law and the Business Plan, the Concessionaire shall prepare and implement a strategic environmental assessment and/or the environmental impact assessment. If so required, the strategic environmental assessment and/or the environmental impact assessment shall be completed and submitted to the Grantor and all competent authorities by no later than the date required by Law.

If provided in the Law, the Concessionaire has to obtain all necessary for the activity permits, issued by the Competent Authority.

29.4. Safety

Throughout the Concession Term, the Concessionaire shall provide all measures necessary for the safety and security of the Assets and all persons working in on or around the Assets in accordance with all applicable Laws and Required Consents.

30. MONITORING OF PERFORMANCE

30.1. Concession Monitoring Unit

30.1.1. Amended to (SAA): The Concession Monitoring Unit (the "CMU") is established by the Grantor for the purposes of monitoring and ensuring compliance by the Concessionaire with the provisions of this Concession Agreement. All costs and expenses for the operation of CMU shall be to the Grantor's account. Those individuals acting as the CMU are employees of the Grantor.

30.1.2. The CMU and the Concessionaire shall endeavour to establish and maintain a good working relationship in order to facilitate the provision of the Services, in accordance with this Concession Agreement.

New clause 30.1.3. (SAA) The CMU shall review requests, complaints, proposals and signals in connection with the Project submitted to the Grantor. The CMU may require formal statement from the Concessionaire in respect of such request, complaint, proposal or signal and may undertake further investigation.

30.2. Co-operation by Concessionaire

30.2.1. Amended to (SAA): The Concessionaire shall co-operate with the CMU to facilitate the monitoring of the Concessionaire's performance under this Concession Agreement.

30.2.2. Amended to (SAA): The Concessionaire shall, without prejudice to the generality of Clauses 30.1 and 30.2 and subject always to the Concessionaire being given reasonable notice and to CMU complying with all health and safety requirements in force:

(a) co-operate with the CMU to ensure compliance with the provisions of this Concession Agreement;

(b) Amended to (SAA): prepare and submit to the CMU 3 times in the year a 4-month summarised report detailing the performance of the Concessionaire pursuant to

the Concession Agreement during such reporting period, which includes but is not limited to the following information:

1. summarised results for the subject of the concession;
- 2 performance under the Concession Agreement including insurances, securities, compliance with the Levels of Service set in the Business Plan and the actual levels of service, achieved for the relevant period, investments made in accordance the Business Plan;
- 3 investigations undertaken by the Concessionaire and/or any external experts;
- 4 made audits;
- 5 actions, taken by the Concessionaire in respect of problems that have arisen under that Concession Agreement.

The reports for the four-month period have to be presented by the Concessionaire by the end of the month following the expiry of the reporting period.

(c) Amended to (SAA): prepare and submit, within a maximum of 20 Business Days from the date of request other reports, data and information reasonably required by the CMU provided always that such data is required in connection with the provisions of this Concession Agreement. If it is not possible for the Concessionaire to submit the report, data or information within the above time period it must notify the CMU of the reasons for such non-compliance;

(d) Amended to (SAA): submit to the CMU a copy of all reports submitted by the Concessionaire to SEWRC;

(e) Deleted (SAA);

(f) Amended to (SAA): inform the CMU of facts or circumstances that could facilitate the fulfilment of its functions;

(g) Amended to (SAA): co-operate fully with the CMU in any investigations that CMU may carry out, whether regarding contractual defaults on the part of the Concessionaire or otherwise provided always that such investigations relate to matters governed by this Concession Agreement. The Concessionaire shall have no liability for any CMU costs incurred by the CMU in undertaking such investigations;

(h) Amended to (SAA): allow the CMU reasonable access to any plant and/or installation occupied or utilised by the Concessionaire;

(i) Amended to (SAA): allow the CMU reasonable access to any plant and/or installation in the process of construction or installation;

(j) Amended to (SAA): allow the CMU at its own cost to inspect, photograph or film installations and to inspect and make photocopies and to take extracts of any book or register maintained by the Concessionaire;

(k) Amended to (SAA): allow the CMU at its own cost to carry out inspections, measurements and/or tests in or in relation to any plants and/or installations;

(l) Amended to (SAA): allow the CMU at its own cost to bring to such plants and/or installations the personnel and equipment necessary to carry out such inspections, measurements or tests;

(m) Amended to (SAA): hand over to the CMU all documents and other correspondence relevant to the Project upon the Termination Date; and

(n) Amended to (SAA): subject to the limitations contained herein, do all such other things as may be reasonably required to give full effect to the above.

New clause 30.2.3. (SAA) If the Concessionaire does not submit the report under 30.2.2.(b) within the specified term, the Concessionaire is obliged to pay the Grantor a penalty amounting to 150 (one-hundred and fifty) BGN per day delay.

30.3. Co-Operation by the CMU

30.3.1. Amended to (SAA): The CMU shall co-operate with the Concessionaire in such manner as not to hinder the provision of the Services in accordance with the Concession Agreement and/or the Business Plan and shall exercise its overseeing and monitoring powers in a fair and reasonable manner.

30.3.2. Amended to (SAA): Without limitation to the generality of Clause 30.3.1, the CMU shall not, otherwise than as contemplated by this Concession Agreement, interfere in or obstruct the delivery of the Services to be provided by the Concessionaire pursuant to this Concession Agreement and/or the Business Plan.

New clause 30.3.3. (SAA) The CMU shall co-operate with the Concessionaire at inspections of construction sites and at discovery of damage to the Public Assets by third parties and shall, where required, sign protocols and instruction letters prepared by the Concessionaire and addressed to these third parties.

New clause 30.3.4. (Annex to the SAA) Within 30 days as of the expiry of the relevant fiscal year, but not later than 30th of June of the next year, the CMU and the Concessionaire shall meet and agree on the amount, in absolute value, of the due compensation under Article 2 of this Annex for the previous year.

New clause 30.4. (SAA) Compliance monitoring

30.4.1. The parties agree that the Grantor is entitled to monitor and evaluate the condition of the Public Assets that have been transferred to the Concessionaire for operation and maintenance, throughout the Concession Term.

30.4.2. In order to implement adequate monitoring over the condition of Public Asset, they shall be grouped in the following categories:

- 30.4.2.1.** Water Supply:
1. Pumping Facilities
 2. Chlorination Facilities
 3. Water Treatment Plants

- 4. Service Reservoirs
 - 5. Water Supply Mains and equipment / network
- 30.4.2.2.** Sewerage
- 1. Sewerage Network
 - 2. Overflows
 - 3. Siphons
 - 4. Wastewater Treatment Plants
- 30.4.2.3.** Others
- 1. Buildings
 - 2. Sanitary Restricted Areas

30.4.3. For each category above the following ranking of Public Asset condition shall apply:

- 1. Less than 2 years old and in good working condition
- 2. Good working condition
- 3. Average working condition
- 4. Poor working condition and likely to fail within 2 years
- 5. Very poor working condition and in need of immediate improvement

The condition assessments shall make reference to the most up to date version in force from time to time 'Sewerage Rehabilitation Manual' and, 'Water Mains Rehabilitation Manual' issued by the Water Research Centre in the UK, to define the actual condition grade.

The ranking structure set out above is not exhaustive and may be supplemented or amended by mutual consent of the Parties.

30.4.4. The condition assessment shall be undertaken by the Concessionaire in accordance with this clause 30.4 in accordance with an annual schedule agreed with the Grantor. The results of the assessments shall be registered in a database to be maintained by the Concessionaire, and the results of the assessments so performed shall be retained by the Concessionaire for a 10-year term after the assessment date but not later than Termination Date.

30.4.5. Representatives of the Grantor shall be entitled to attend each asset assessment after preliminary notification and/or perform a secondary/ control assessment of already assessed Public Assets. The Parties shall agree on the extent of such secondary/ control assessment.

30.4.6. The Concessionaire shall annually, but not later than 30th of September of each Contract Year, submit to the Grantor a report on the asset condition for the previous Contract Year, which shall include but is not limited to the following information:

- 1. The technical characteristics of the Public Assets as provided in the Asset Register.
- 2. Legal and administrative information relating to the Public Asset as provided in the Asset Register
- 3. Public Asset condition score and Public Asset condition survey data.

The annual report shall be submitted along with a draft survey plan – schedule for the Public Asset assessment over the subsequent calendar year. If the Concessionaire does not submit the report within the specified term, the Concessionaire is obliged to pay the Grantor a penalty amounting to 150 (one-hundred and fifty) BGN per day delay.

30.4.7. The information about the asset condition shall be used by the Concessionaire in the preparation of the Draft Business Plan and by the Grantor for the preparation of its statement on the Draft Business Plan and to propose Variation pursuant to Clause 21.

30.4.8. Where it is ascertained that a Public Asset should be scrapped or should be returned to the Grantor, the Concessionaire shall prepare a report to the Grantor where the reasons for writing-off and/or scrapping these Public Assets will be set out.

30.4.9. Within a three-month period from the date of the Concessionaire's report the Grantor shall submit an affirmative answer and/or justified refusal regarding the scrapping or return of the Public Assets. Where there is an agreement to scrap any Public Asset the existing scrapping procedures of the Municipality of Sofia shall be applied. Where the Grantor refuses to scrap or return any Public Assets, the Grantor will cooperate with the Concessionaire in its submissions to the Competent Authority for a Price Adjustment covering the additional costs for the maintenance and operation of the Public Assets not scrapped pursuant to this Clause 30.4.9.

30.4.10. In case of disagreement as to the condition of the Public Assets and/or the costs of any remedial works identified, the Parties shall meet and attempt to reach agreement. If within 20 Business days of the Dispute arising, the Parties have not reached a mutually acceptable agreement the matter shall be referred to the Dispute Resolution Procedure.

New clause 30.5. (SAA) Meetings

30.5.1. The Concessionaire shall attend all meetings convened (on reasonable notice) and at the invitation of the Grantor provided always that such meetings are required in connection with the Services set out in this Concession Agreement.

30.5.2. Each Party shall bear its own costs of attending any such meetings.

New clause 30.6. (SAA) Drainage Area Study and Network Model

The CMU has the right during the Concession Term and in all cases upon reasonable notice to inspect and take copies, at the expense of the Grantor, of the Drainage Area Study and the Network Model and all other records directly relevant thereto. In exercising its rights under this Clause, the Grantor agrees that:

(a) a representative of the Concessionaire shall be entitled to accompany the CMU; and

(b) the CMU will comply with the reasonable health and safety requirements of the Concessionaire and insofar as any such document or information is confidential, shall comply with the requirements of Clause 43.3.

31. TAXATION

Amended to (SAA): Except where anything to the contrary is expressly stated in this Concession Agreement the Concessionaire is subject to and shall be responsible for the payment of all taxes and duties of any kind for which it is responsible under Bulgarian Law. The Grantor shall reasonably assist the Concessionaire to obtain the benefit of any preferential treatment which is customarily available in accordance with the Law.

32. INDEMNITY

32.1. Concessionaire Indemnity

Save to the extent that the Concessionaire is expressly entitled to an indemnity from the Grantor under this Concession Agreement, and subject to Clause 32.5, the Concessionaire shall indemnify and keep indemnified the Grantor, his servants and agents in respect of any Claims or Losses of any person (including the Grantor) which may arise out of or in the course of or in connection with the performance or failure to perform any obligation under this Concession Agreement.

32.2. Conduct of Claims Subject to Concessionaire's Indemnities

32.2.1. If the Grantor receives any notice, demand, letter or other document concerning any Claim from which it appears that the Grantor is or may become entitled to indemnification from the Concessionaire under this Concession Agreement, the Grantor shall give notice in writing to the Concessionaire as soon as practicable.

32.2.2. On the giving of notice pursuant to Clause 32.2.1, the Concessionaire shall upon giving of notice to the Grantor become entitled to resist the Claim in the name of the Grantor at its own expense and shall have the conduct of the defence, dispute, compromise or appeal of the Claim and of any incidental negotiations, and the Grantor shall provide the Concessionaire with all reasonable co-operation and assistance for the purposes of considering and resisting such Claim and shall, subject to Clause 32.2.4 comply with the Concessionaire's reasonable proposals for resisting or settling the Claim.

32.2.3. With respect to any Claim the subject of Clause 32.2.2:

- (a) the Concessionaire shall keep the Grantor fully informed and consult with the Grantor about the conduct of the Claim; and
- (b) to the extent that the Grantor is not entitled to be indemnified by the Concessionaire for all of the liability arising out of the act or omission which is the subject of the Claim, no action shall be taken by the Concessionaire which shall increase the amount of any payment to be made by the Grantor in respect of that part of the Claim which is not covered by the indemnity from the Concessionaire.

32.2.4. The Grantor shall be free to pay or settle any Claim on such terms as it may, in its absolute discretion, think fit if:

- (a) within 20 Business Days of the notice from the Grantor under Clause 32.2.1 the Concessionaire fails to notify the Grantor of its intention to dispute the Claim; or
- (b) the Concessionaire fails to comply in any material respect with the requirements of Clause 32.2.3; or
- (c) notwithstanding the service of a notice by the Concessionaire pursuant to Clause 32.2.2, the Grantor becomes legally obliged to settle or pay any such Claim.

32.2.5. If the Grantor makes any payment and/or incurs any expense in accordance with the provisions of Clause 32.2.4 above, the Grantor shall notify the Concessionaire as soon as reasonably practicable of the amount and nature of such payment and/or expense and the Concessionaire shall reimburse the Grantor in full within 20 Business Days following such notification.

New (FSA) 32.2A Subject to this Clause 32.2A, in any period of 36 Months, the Concessionaire's liability to the Grantor for any breach of this Concession Agreement (including the Concessionaire's liabilities to pay penalties to the Grantor under Clause 24.1) shall be limited in the aggregate to the sum of Euro 8,000,000 (Indexed) provided that such limit shall not apply to any liability of the Concessionaire:

32.2A.1. to indemnify the Grantor against any Claims or Losses of any third party (including, any penalties, fines or other sanctions imposed by Law) which arise due to the acts or omissions of the Concessionaire and which the Grantor is required to satisfy or discharge;

32.2A.2. in respect of which the Concessionaire is required to insure under this Concession Agreement; or

32.2A.3. attributable to the wilful default of the Concessionaire.

32.3. Grantor Indemnity

Amended to (SAA): Save to the extent that the Grantor is expressly entitled to an indemnity from the Concessionaire under this Concession Agreement, and subject to Clause 32.5, the Grantor shall indemnify and keep indemnified the Concessionaire, in respect of any liability of the Concessionaire for Losses or Claims in excess of US\$100,000 (in aggregate) arising as a consequence of a Relevant Breach of any existing contract assigned or transferred to it pursuant to Clause 15.1.

32.4. Conduct of Claims Subject to Grantor Indemnities

32.4.1. If the Concessionaire receives any notice, demand, letter or other document concerning any Claim from which it appears that the Concessionaire is or may become entitled to indemnification from the Grantor under this Concession Agreement, the Concessionaire shall give notice in writing to the Grantor as soon as practicable.

32.4.2. On the giving of notice pursuant to Clause 32.4.1, the Grantor shall upon giving notice to the Concessionaire become entitled to resist the Claim in the name of the Concessionaire at its own expense and shall have the conduct of the defence, dispute, compromise or appeal of the Claim and of any incidental negotiations,

and the Concessionaire shall provide the Grantor with all reasonable co-operation and assistance for the purposes of considering and resisting such Claim and shall, subject to Clause 32.4.4, comply with the Grantor's reasonable proposals for resisting or settling the Claim.

32.4.3. With respect to any Claim the subject of Clause 33.4.2:

(a) the Grantor shall keep the Concessionaire fully informed and consult with the Concessionaire about the conduct of the Claim; and

(b) to the extent that the Concessionaire is not entitled to be indemnified by the Grantor for all of the liability arising out of the act or omission which is the subject of the Claim, no action shall be taken by the Grantor which shall increase the amount of any payment to be made by the Concessionaire in respect of that part of the Claim which is not covered by the indemnity from the Grantor.

32.4.4. The Concessionaire shall be free to pay or settle any Claim on such terms as it may, in its absolute discretion, think fit if:

(a) within 20 Business Days of the notice from the Concessionaire under Clause 32.4.1 the Grantor fails to notify the Concessionaire of its intention to dispute the Claim; or

(b) the Grantor fails to comply in any material respect with the requirements of Clause 32.4.3; or

(c) notwithstanding the service of a notice by the Grantor pursuant to Clause 32.4.2, the Concessionaire becomes legally obliged to settle or pay any such Claim.

32.4.5. If the Concessionaire makes any payment and/or incurs any expense in accordance with the provisions of Clause 32.4.4 above, the Concessionaire shall notify the Grantor as soon as reasonably practicable of the amount and nature of such payment and/or expense and the Grantor shall reimburse the Concessionaire in full within 20 Business Days following such notification.

32.5. Mitigation and Consequential Losses

32.5.1. In all cases the Party claiming a right to indemnification in accordance with this Concession Agreement shall be under a duty to take reasonable measures to mitigate the Loss or Claim in respect of which indemnification is claimed.

32.5.2. Neither Party shall be liable to the other Party by way of indemnity or by reason of any breach of this Concession Agreement or of any statutory duty or under Law for any administrative or civil penalties or any consequential economic loss including use or other indirect or consequential loss that may be suffered by the other Party save where:

(a) **Amended to (SAA):** this Concession Agreement expressly provides for the recovery of any such Losses by either Party from the other; or

(b) **Amended to (SAA):** such Losses represent the Losses of a third party for which the Party seeking to recover the same under this Concession Agreement is liable and in

respect of which such Party is entitled to indemnification under this Concession Agreement; or

(c) Amended to (SAA): such Losses represent penalties, fines or other liabilities imposed on a Party by a Competent Authority and the Party suffering or incurring the same is entitled to be indemnified in respect of such Losses under the terms of this Concession Agreement.

33. INSURANCE

33.1. Insurances Required

The Concessionaire shall take out and maintain in full force and effect the insurances identified in paragraph 1 of Annex 11 with the limits of indemnity, on the terms and conditions and for the periods specified in Annex 11 and any other insurances required by Law. The Concessionaire shall comply with all of the provisions of Annex 11.

34. REPRESENTATIONS AND WARRANTIES

34.1. Representations and Warranties of the Concessionaire

The Concessionaire represents and warrants the following:

34.1.1. Corporate existence:

Amended to (SAA): The Concessionaire is a joint stock company validly established and existing under the Laws.

34.1.2. Due authorisation

At the date of this Concession Agreement the Concessionaire had in full force and effect all corporate authorisations, powers and approvals ("Approvals") necessary to enter into this Concession Agreement and necessary for it to perform its obligations under this Concession Agreement.

34.1.3. Compliance

The execution, delivery and performance of this Concession Agreement and the transactions under it do not:

- a) violate the articles of association of the Concessionaire or any Law, regulation, ordinance, judgment, court or official directive binding on it or any other document or agreement binding on the Concessionaire; or
- b) cause a limitation on its powers or the powers of its officers to be exceeded.

34.1.4. Power to perform:

The Concessionaire has power to enter into the Concession Agreement, and to carry out the transactions contemplated by this Concession Agreement and to carry on its business.

34.1.5. Obligations enforceable:

The obligations of the Concessionaire under this Concession Agreement are valid and binding and enforceable against it in accordance with their respective terms.

34.1.6. No immunity from suit:

At the date of this Concession Agreement and at the Effective Date, the Concessionaire does not have immunity from a court, jurisdiction or from legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or any other form).

34.1.7. No default:

As at the date of this Concession Agreement and at the Effective Date, the Concessionaire is not in default under any agreement to which it is a party which would be material to the performance of its obligations under this Concession Agreement.

34.1.8. Liabilities of payment:

At the date of this Concession Agreement, the Concessionaire has not incurred any material payment obligations or carried on any business or entered into any material document or agreement other than as contemplated by or which is consistent with this Concession Agreement.

34.1.9. Misrepresentation:

(a) The representations in this Concession Agreement, furnished to the Grantor by or on behalf of the Concessionaire are so far as the Concessionaire is aware true and complete in all material respects.

(b) The Concessionaire on or before the date of execution of this Concession Agreement has disclosed in writing to the Grantor all facts of which it is aware or should reasonably be aware of at the date hereof which materially adversely affect or may materially adversely affect the ability of the Concessionaire to perform its obligations under this Concession Agreement.

34.1.10. Litigation:

The Concessionaire warrants that at the date of this Concession Agreement and at the Effective Date there are no actions, suits, court or arbitration proceedings now pending or threatened against the Concessionaire which might materially affect the ability of the Concessionaire to meet or carry out its obligations under this Concession Agreement.

34.2. Representations and Warranties of the Grantor

The Grantor represents and warrants the following:

34.2.1. Due authorisation:

(a) The execution, delivery and performance of this Concession Agreement and the transactions under it do not violate any Law, regulation, judgment, court or official directive binding on the Grantor.

(b) At the date of this Concession Agreement the Grantor had in full force and effect all necessary authorisations in accordance with its constitutional bylaws ("Authorisations") necessary for it to enter into its obligations under this Concession Agreement.

34.2.2. Power to perform:

At the date of this Concession Agreement the Grantor had power to enter into the Concession Agreement and had in place all necessary Authorisations to carry out the transactions contemplated by this Concession Agreement and has been duly authorised by all necessary action on the part of Grantor.

34.2.3. Obligations enforceable:

The obligations of the Grantor under this Concession Agreement are valid and binding and enforceable against it in accordance with their respective terms.

34.2.4. Misrepresentation:

(a) The representations in this Concession Agreement furnished to the Concessionaire by or on behalf of the Grantor are so far as the Grantor is aware true and not misleading.

(b) The Grantor on or before the date of execution of this Concession Agreement has disclosed in writing to the Concessionaire all facts of which it is aware at the date of this Concession Agreement which materially adversely affect or may materially adversely affect the ability of the Grantor to perform its obligations under this Concession Agreement.

34.2.5. Litigation:

The Grantor warrants that, at the date of this Concession Agreement and at the Effective Date there are no actions, suits, court or arbitration proceedings now pending or threatened against the Grantor which might materially affect the ability of the Grantor to meet or carry out its obligations under this Concession Agreement.

34.2.6. No default:

As at the date of this Concession Agreement and at the Effective Date the Grantor is not in default under any agreement to which it is a party which would materially adversely affect its ability to perform its obligations under this Concession Agreement.

34.2.7. Land:

At the Effective Date either the Grantor or the Existing Operator holds title to land and Rights in Respect of Land as set out in the Asset List and that such land or Rights in

Respect of Land will be (subject to any necessary third party consent), capable of being used by the Concessionaire in accordance with Clause 14.

34.2.8. Concession:

Without prejudice to the other representations and warranties in this Clause 34.2, the Grantor is entitled to make available the Public Assets by way of Concession to the Concessionaire in accordance with Clause 2.1.

35. FORCE MAJEURE

35.1. No breach

No Party shall be in breach of an obligation under this Concession Agreement to the extent that it is prevented from performing such obligation by a Force Majeure Event. The time for performance of any obligation shall be extended by the period during which performance is prevented by the Force Majeure Event. This Clause 35.1 shall be without prejudice to any rights or obligations of either Party which may have accrued prior to the occurrence of the Force Majeure Event.

35.2. Notice of Force Majeure

A Party affected by a Force Majeure Event shall, as soon as practicable after it becomes aware of the Force Majeure Event, notify the other Party and provide such Party with reasonable proof of the occurrence, nature and extent of the Force Majeure Event and an estimate of its likely affects and duration. From time to time thereafter the affected Party will give further notice of the manner in which and the extent to which the performance of its obligations is prevented.

35.3. Consequences of Force Majeure

If the Parties agree or it is determined through the Disputes Resolution Procedure that a Force Majeure Event has prevented the Concessionaire from performing its obligations under this Concession Agreement the Concession Term shall to the extent permitted by Law, be extended by a period agreed between the Parties or determined under the Disputes Resolution Procedure equal to the period during which performance by the Concessionaire was prevented. For the purposes of this Clause 35.3 any such extensions to the Concessions Term may be agreed by the Parties at any time and retrospectively as well as prospectively.

35.4. Damage Due to Force Majeure

Amended to (SAA): In the event that Loss to the Public Assets is caused by a Force Majeure Event and if and to the extent that such Loss is not recoverable from the insurances maintained pursuant to Clause 33, the Concessionaire shall be entitled to apply for a Price Adjustment pursuant to clause 22.4. The Parties shall in every such Force Majeure Event meet and try to agree on other relief in order to minimize the negative consequences of the Force Majeure Event.

35.5. Right to Terminate

Where a Force Majeure Event has either alone or concurrently with other occurrences of Force Majeure Events:

35.5.1. Amended to (SAA): rendered financially or practicably impossible the performance of this Concession Agreement and/or the Business Plan for a period of time so as to have a fundamental affect on the rights or obligations of either of the Parties; or

35.5.2. Amended to (SAA): has prevented the performance of a material part of the obligations under this Concession Agreement and/or the Business Plan for a period longer than 180 days,

Amended to (SAA): then either Party by written notice to the other Party may terminate this Concession Agreement pursuant to Clause 36.3.4. This right may be exercised after consultations between the Parties of not less than 90 days after the occurrence of the Force Majeure Event or the expiry of the term under Cause 35.5.2.

35.6. Limit on liability

For the avoidance of doubt, save as expressly set out in this Clause 35 neither the Grantor nor the Concessionaire (nor their servants or agents) shall have any liability to the other in relation to any Loss or Claim which the other suffers or incurs as a result of any Force Majeure Event and, accordingly, as between the Parties any such Loss or Claim shall be borne by the Party initially suffering the same.

35.7. Conduct during a Force Majeure Event

Amended to (SAA): During any Force Majeure Event:

35.7.1. the Parties shall take all reasonable steps to avoid or mitigate the effects of the Force Majeure Event and to the extent practicable shall continue to perform any obligations under this Concession Agreement not prevented by the Force Majeure Event; and

35.7.2. the Parties shall consult with one another as soon as practicable concerning the effects of the Force Majeure Event upon the Project and the achievement of the Performance Requirements, and such requirements shall be equitably adjusted by the Parties to take into account such effects and the ability of the Concessionaire, its contractors and their sub-contractors to avoid or minimise the overall effects resulting from the Force Majeure Event.

35.8. Resumption of Performance

Amended to (SAA): The Parties shall resume performance of this Concession Agreement as soon as practicable after the circumstances causing the Force Majeure Event have ceased.

36. TERMINATION

36.1. Termination by Grantor

36.1.1. This Concession Agreement may, subject to Clause 36.4, be terminated by the Grantor in accordance with Clause 36.1.2 upon the occurrence of any of the following events:

(a) a breach by the Concessionaire (being a breach other than a breach constituting an Event of Default pursuant to Clauses 36.1.1(b) to (k) below) of any of its obligations and undertakings under this Concession Agreement which the Concessionaire has failed to remedy in accordance with Clause 36.1.2 and in any such case has a material adverse effect on the rights and liabilities of the Grantor or on the ability of the Grantor to comply with any Law;

(b) a breach by the Concessionaire of any of its representations and warranties given under Clause 34.1 or any of the representations and warranties under Clause 34.1 proves to be materially untrue or incorrect at the time it was given and in any such case such breach, untruthfulness or incorrectness has a materially adverse effect on the rights and liabilities of the Grantor or on the ability of the Grantor to comply with any applicable Law;

(c) Amended to (SAA): a second material breach of not meeting the annual key performance indicators of the WSS services defined with the view of achievement of the long-term levels of the key performance indicators as set in the Law and in the Business Plans on behalf of the Concessionaire, ascertained by an entered into force penal order of the Competent Authority and a motivated suggestion of the Competent Authority to the Grantor for termination of the Concession Agreement;

(d) the Concessionaire carries on any business other than as contemplated by or which is consistent with or ancillary to this Concession Agreement and the carrying on of such business has a material adverse effect on the rights and liabilities of the Grantor or on the ability of the Grantor to comply with any applicable Law;

(e) Amended to (SAA): effective decision of the competent court declaring the Concessionaire insolvent where the insolvency has arisen for reasons other than those set out in Clause 36.3.2.;

(f) failure to supply, renew or replace the Performance Security in accordance with Clause 6;

(g) Amended to (SAA): failure to complete 75% (by value) of the capital investments and projects set out in the Business Plan in any two consecutive Contract Years within one Regulatory Period provided the Concessionaire is allowed Prices to achieve the obligations set out in the Business Plan;

(h) a breach of Clause 26.1;

(i) a breach of Clause 10.4;

(j) a breach of Clause 11.2; or

(k) a breach of Clause 14.3 by the Concessionaire;

New letter (l) (SAA): the Concessionaire failing to pay any sum due to the Grantor herein (which sum is not in dispute) and such failure continues for 90 days after the Concessionaire has been notified by the Grantor that such sum has not been paid.

36.1.2. Amended to (SAA): If the Grantor becomes entitled to terminate this Concession Agreement under Clause 36.1, the Grantor shall, if it elects to terminate this Concession Agreement, give written notice of termination to the Concessionaire stating the nature and extent of the default. If the Event of Default is remediable and the default (being a remediable Event of Default) is not remedied within 60 days of the date of such notice, this Concession Agreement shall terminate at the end of the said 60 day period upon service of a second notice of termination by the Grantor on the Concessionaire. Where a remediable Event of Default is not reasonably capable of remedy or the consequences of a non-remediable Event of Default cannot be alleviated within the said period of 60 days, the Concessionaire shall take all reasonable steps to remedy or alleviate the consequences of the relevant Event of Default (as the case may be) to the greatest extent possible within the 60 day period and prior to the expiry of such period shall make proposals to the Grantor in relation to the completion of the remediation or alleviation of the consequences of the relevant Event of Default (as the case may be). In the event that the Grantor does not (acting reasonably) accept the Concessionaire's proposals for the remediation or alleviation of the consequences of the Event of Default or having accepted such proposals the Concessionaire fails to remedy or alleviate the consequences of the Event of Default in accordance therewith, the Grantor may forthwith terminate this Concession Agreement on written notice to the Concessionaire. Any Dispute between the Parties as to whether the Grantor is entitled to terminate this Concession Agreement pursuant to this Clause 36.1 may be referred by either Party by notice to the Dispute Resolution Procedure, and the termination of this Concession Agreement shall not take effect unless and until the relevant Dispute has been finally determined pursuant to the Dispute Resolution Procedure in favour of the Grantor.

36.2. Termination by the Concessionaire

36.2.1. This Concession Agreement may, subject to Clause 36.4, be terminated by the Concessionaire in accordance with Clause 36.2.2 upon the occurrence of any of the following events:

(a) Amended to (SAA): any breach by the Grantor of any of its material obligations under this Concession Agreement which has a material adverse effect upon the Concessionaire's rights under this Concession Agreement and/or the Business Plans or upon its ability to perform its obligations under this Concession Agreement and/or the Business Plan.

(b) Deleted (SAA)

(c) Amended to (SAA): the Grantor failing to pay any sum due to the Concessionaire hereunder (which sum is not in dispute) and such failure continues for 90 days after the Grantor has been notified in writing by the Concessionaire that such sum has not been paid; or

(d) a breach of Clause 14.3 by the Grantor; or

(e) Amended to (SAA): the Grantor expropriates or otherwise seizes the System or such part of the System, which lack would deprive the Concessionaire of its ability to perform under this Concession Agreement and/or the Business Plan or expropriates the Private Assets or a material part of the Private Assets otherwise than pursuant to this Concession Agreement.

36.2.2. Amended to (SAA): If the Concessionaire becomes entitled to terminate this Concession Agreement under Clause 36.2.1, the Concessionaire shall, if it elects to terminate this Concession Agreement, give written notice of termination to the Grantor stating the nature and extent of the default. If the Event of Default is remediable and the default (being a remediable Event of Default) is not remedied within 60 days of the date of such notice, this Concession Agreement shall terminate at the end of the said 60 day period upon service of a second notice of termination by the Concessionaire to the Grantor. Where a remediable Grantor Default is not reasonably capable of remedy or the consequences of a non-remediable Grantor Default cannot be alleviated within the said period of 60 days, the Grantor shall take all reasonable steps to remedy or alleviate the consequences of the relevant Grantor Default (as the case may be) to the greatest extent possible within the 60 day period and prior to the expiry of such period shall make proposals to the Concessionaire in relation to the completion of the remediation or alleviation of the relevant Grantor Default (as the case may be). In the event that the Concessionaire does not (acting reasonably) accept the Grantor's proposals for the remediation or alleviation of the consequences of the Grantor Default or having accepted such proposals the Grantor fails to remedy the Event of Default in accordance therewith, the Concessionaire may forthwith terminate this Concession Agreement on written notice to the Grantor. Any Dispute between the Parties as to whether the Concessionaire is entitled to terminate this Concession Agreement pursuant to this Clause 36.2 may be referred by either Party by notice to the Dispute Resolution Procedure, and the termination of this Concession Agreement shall not take effect unless and until the relevant Dispute has been finally determined by the Dispute Resolution Procedure in favour of the Concessionaire.

36.3. Non Default Termination

This Concession Agreement will terminate automatically:

36.3.1 upon the expiry of the Concession Term;

36.3.2. Amended to (SAA): effective decision of the competent court declaring the Concessionaire insolvent where the insolvency has arisen because of a decision of the Competent Authority rendering the Concessionaire unable to pay its creditors;

36.3.3. Amended to (SAA): upon the giving of a written notice of termination pursuant to Clause 14.5.9 or the State nationalizes, expropriates or otherwise seizes the System or any material part of the System or the Private Assets or a material part of the Private Assets and such nationalization, expropriation or seizure has a material adverse effect on the ability of the Concessionaire to perform its obligations under the Concession Agreement and/or the Business Plan

36.3.4. Amended to (SAA): upon the giving of a written notice of termination pursuant to Clause 22.7. (including Clauses 8.1.6., 8.2.1., 9.2.3., 14.4.5., 28.3. and 39.1) and Clause 35, and any Change of Law rendering this Concession or all or substantially

all of the Concessionaire's obligations under this Concession Agreement and/or the Business Plan illegal.

New clause 36.3.5. (SAA) Any Dispute between the Parties as to whether the Concessionaire is entitled to terminate this Concession Agreement pursuant to this Clauses 36.3.2, 36.3.3 and 36.3.4. may be referred by either Party to the Dispute Resolution Procedure. The termination of this Concession Agreement shall take effect after the relevant Dispute has been finally determined by the Dispute Resolution Procedure, as in the cases of Clause 22.7. the determination must be in favour of the Concessionaire.

36.4. Limitations

Amended to (SAA): Without prejudice to any of the Parties other rights, obligations and liabilities under this Concession Agreement, neither Party may exercise any right it may have pursuant to Clause 36.1 or Clause 36.2 to terminate this Concession Agreement where the circumstances entitling either Party to terminate arise solely as a consequence of any Force Majeure Event or Eligible Event and not as a consequence of any act or omission of the defaulting Party where such act or omission would not have been committed if the Force Majeure Event or Eligible Event had not occurred.

37. The heading is amended to (SAA): CONSEQUENCES OF TERMINATION

37.1. The heading is amended to (SAA): Consequences of termination under Clause 36.1

Amended to (SAA): If this Concession Agreement is terminated by the Grantor pursuant to Clause 36.1, the Grantor shall pay the due and outstanding amounts on the Senior Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the Senior Lender. The Grantor shall be entitled to call upon the Performance Security under Clause 6.

37.2. The heading is amended to (SAA): Consequences of termination under Clause 36.2

If this Concession Agreement is terminated by the Concessionaire pursuant to Clause 36.2, the Grantor shall, subject to Clause 37.7, pay to the Concessionaire:

- 37.2.1.** the Senior Credit Agreement Liabilities;
- 37.2.2.** the Affiliate Credit Agreement Liabilities;
- 37.2.3.** the Third Party Liabilities; and
- 37.2.4.** Equity Compensation.

37.3. The heading is amended to (SAA): Consequences of termination under Clause 36.3.2

Amended to (SAA): If this Concession Agreement is terminated by either Party pursuant to Clause 36.3.2., the Grantor shall pay the due and outstanding amounts on

the Senior Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the Senior Lender and shall pay the Affiliate Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the relevant Lender. After such payments are completed the Bidco shall transfer its shares in the Concessionaire to the Grantor for free together with all Rights, Liabilities and relations of the Concessionaire unless an agreement for deferment or reprieve of the obligations under the Senior Credit Agreement and under the Affiliate Credit Agreement is presented.

37.4 The heading is amended to (SAA): Consequences of termination under Clause 36.3.3

Amended to (SAA): If this Concession Agreement is terminated by either Party pursuant to Clause 36.3.3, the Grantor shall pay the due and outstanding amounts on the Senior Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the Senior Lender and shall pay the Affiliate Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the relevant Lender. After such payments are completed the Bidco shall transfer its shares in the Concessionaire to the Grantor for a sum equal to one half of the Equity Compensation applicable at the relevant Termination Date together with all Rights, Liabilities and relations of the Concessionaire unless an agreement for deferment or reprieve of the obligations under the Senior Credit Agreement and under the Affiliate Credit Agreement is presented.

37.5. The heading is amended to (SAA): Consequences of termination under Clause 36.3.4.

Amended to (SAA): If this Concession Agreement is terminated by either Party pursuant to Clause 36.3.4, the Grantor shall pay the due and outstanding amounts on the Senior Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the Senior Lender and shall pay the Affiliate Credit Agreement Liabilities to an account nominated by the Concessionaire after the upfront written consent of the relevant Lender. After such payments are completed the Bidco shall transfer its shares in the Concessionaire to the Grantor for a sum equivalent to the nominal value of those shares together with all Rights, Liabilities and relations of the Concessionaire unless an agreement for deferment or reprieve of the obligations under the Senior Credit Agreement and under the Affiliate Credit Agreement is presented.

37.6. The heading is amended to (SAA): Payment

37.6.1. The Concessionaire submits a statement in respect of sums due pursuant to this Clause 37 immediately after the date on which the termination of this Concession Agreement has become effective. Together with the Concessionaire's statement, the Concessionaire shall provide such evidence and documentation as the Grantor may reasonably require in order to substantiate the amount claimed in the Concessionaire's statement.

37.6.2. Subject to the receipt by the Grantor of such evidence and documentation, the Grantor shall pay any sum due pursuant to this Clause 37 within 45 Business Days after the later of the receipt by the Grantor of the Concessionaire's

statement or the receipt by the Grantor from the Concessionaire of all evidence reasonably required by the Grantor pursuant to this Clause 37.6.

37.6.3 Any sums payable pursuant to this Clause 37 shall be grossed up so that the amount received by the Concessionaire net of any taxes, withholdings or other deductions which arise solely by reason of the payment of compensation pursuant to this Clause 37 (and not in the ordinary course of the Concessionaire's business) is equal to the amount to which it would have received pursuant to this Clause 37.6 but for such taxes, withholdings or other deductions.

37.7. The heading is amended to (SAA): Exclusions

There shall be excluded from any amount payable pursuant to Clauses 37.1 to 37.5:

37.7.1. any liability of the Concessionaire not incurred in connection with its rights or obligations under this Concession Agreement;

37.7.2. any sums received pursuant to any Credit Agreement by the Concessionaire and subsequently applied for purposes other than the Project, such other purposes not to include the application of sums by way of the return of principal or capital or the payment of interest, dividends or distributions to the Lenders or otherwise pursuant to the Credit Agreements and being, in the case of such principal and/or capital, in reduction of amounts owing to Lenders thereunder;

37.7.3. all liabilities and obligations (other than in respect of principal sums lent by the Lenders under the Credit Agreements and interest thereon) of the Concessionaire arising as a result of a breach of a contract relating to the Project (except any breach of contract arising as a direct result of termination of this Concession Agreement which could not be avoided by the Concessionaire taking reasonable measures);

37.7.4. all liabilities and obligations of the Concessionaire under any Credit Agreement or any variation or amendment to any Credit Agreement which could increase the Grantor's liability to the Concessionaire on a termination of this Concession Agreement and which has not been approved in writing by the Grantor prior to the entry into such Credit Agreement by the Concessionaire or in the case of any variation or amendment to any Credit Agreement, prior to any such amendment being agreed or taking effect (in either case such approval shall not be unreasonably withheld or delayed);

37.7.5. any amounts properly payable under any of the Credit Agreements in respect of any demand under the Performance Security;

37.7.6. all Third Party Liabilities of the Concessionaire arising from or related to contractual arrangements entered into by the Concessionaire or any amendments or variations to any such contractual arrangements where such contractual arrangements and/or amendments or variations have not been approved in writing by the Grantor prior to the entry into of such contractual arrangements, or in the case of any variation or amendment to such contractual arrangements, prior to any such variation or amendment being agreed or taking effect (in either case such approval not to be unreasonably withheld or delayed) where (in respect of each individual agreement or where more than one contract is let to the same party, in aggregate) the amount of

compensation payable to the relevant third party on a termination exceeds or is reasonably likely to exceed US\$500,000 (Indexed);

37.7.7. amended to (FSA) to the extent not falling within the exclusion set out in Clause 37.7.6, all Third Party Liabilities of the Concessionaire arising from or related to contractual arrangements entered into by the Concessionaire or any amendments or variations to any such contractual arrangements where such contractual arrangements and/or amendments or variations have not been approved in writing by the Grantor prior to the entry into of such contractual arrangements, or in the case of any variation or amendment to such contractual arrangements, prior to any such variation or amendment being agreed or taking effect (in either case such approval not to be unreasonably withheld or delayed) where such contractual arrangements, amendments or variations have not been entered on commercial arms length terms or are not in accordance with Good Engineering and Operating Practice.

37.7A Amended to (FSA) There shall be deducted from any amounts payable pursuant to Clauses 37.1 to 37.5 an amount equal to the proceeds of any insurance in respect of the Project received by the Concessionaire, any Affiliate of the Concessionaire or any Lender at any time prior to the date upon which any payment is made by the Grantor to the Concessionaire pursuant to Clause 37 and which proceeds in any such case are or are to be applied in or towards payment or discharge of:

(a) any of the amounts, liabilities and other matters referred to in Clauses 37.1 to 37.5; or

(b) any of the other liabilities and obligations of the Concessionaire in relation to the Third Party Liabilities.

Provided that, in each such case, no deduction shall be made from the amount of the Senior Credit Agreement Liabilities to be paid otherwise under this Clause 37 save to the extent such insurance proceeds have been or will be irrevocably applied in or towards discharge thereof, provided that for the purposes of this Clause 37.7A “irrevocably” shall mean that the application of the proceeds in or towards discharge of the Senior Credit Agreement Liabilities is not subject to legal challenge by the liquidator or equivalent insolvency officer of the Concessionaire or any third party. The Concessionaire shall pay to the Grantor, or procure the payment to the Grantor of, any such proceeds of insurance received by the Concessionaire, any Affiliates of the Concessionaire or any Lender after the date on which any payment is made by the Grantor pursuant to Clause 37.6 and, without prejudice to any of the foregoing, the Concessionaire undertakes to pursue diligently any claim it may have under any of its insurances which may give rise to a deduction or a payment to the Grantor under this Clause 37.7A.

37.8. Satisfaction in Full

37.8.1. Amended to (SAA): Any payment made pursuant to this Clause 37 in respect of a termination of this Concession Agreement shall be in full satisfaction of the Concessionaire's Claim (if any) in respect of the circumstances leading to that termination and the Concessionaire shall be excluded from all other rights and remedies in respect thereof.

37.8.2. For the avoidance of doubt, in the event of a termination of this Concession Agreement by the Grantor pursuant to Clause 36.1, the Concessionaire shall be entitled only to the payment referred to in Clause 37.1 and shall not be entitled to compensation in respect of the value of the Works or any Asset or any other compensation or damages.

37.9. Survival of Obligations

The rights and obligations under this Clause 37 shall survive the termination of this Concession Agreement.

38. The heading is amended to (SAA): HANDBACK OF OPERATIONS FOLLOWING TERMINATION UNDER CLAUSES 36.1 AND 36.2

38.1. Transfer of Use

Amended to (SAA): Following any termination of this Concession Agreement before the Expiry Date pursuant to Clauses 36.1 and 36.2.:

38.1.1. Amended to (SAA): the Concessionaire shall transfer the full right of use, possession and control of the Public Assets to the Grantor. Such obligation shall include:

- (a) delivering to the Grantor all deeds, instruments, designs, plans, drawings, computer records and other documents containing or setting out or otherwise relating to the Project and the Public Assets;
- (b) giving to the Grantor physical possession and control of the Public Assets in good working condition, fair wear and tear excepted;
- (c) where the use of any of the Public Assets cannot be transferred to the Grantor without the satisfaction of any condition, the use of the Concessionaire's best endeavours to procure satisfaction of such condition;
- (d) where the implementation of the transfer of the use of any of the Public Assets to the Grantor cannot be fully accomplished upon the Termination Date due to any cause beyond the reasonable control of the Concessionaire (other than as a condition as referred to in Clause 38.1.1 (c) above) use of the Concessionaire's best endeavours to accomplish the transfer of use of Public Assets as soon as possible thereafter, in the meantime holding the same for the benefit of the Grantor;

38.1.1. the Concessionaire and the Grantor shall make arrangements for and shall co-ordinate the transfer of all employees of the Concessionaire employed at the Termination Date who accept such transfer to the Grantor or to such other party as the Grantor may direct;

38.1.2. all rights of the Concessionaire to the use of any Public Assets and to provide the Services and any rights of access of the Concessionaire to any of the Public Assets under this Concession Agreement shall cease forthwith; and

38.1.3. the Concessionaire shall transfer possession and title to the Grantor of such of the Private Assets within its ownership at the Termination Date as the Grantor may reasonably request (the "Requested Assets"). If termination of this Concession Agreement occurs as a consequence of a Grantor Default, a Force Majeure Event, a termination by the Concessionaire pursuant to Clause 14.5.9 or a termination by the Grantor pursuant to Clause 40 the transfer of the Requested Assets shall be made subject to and upon such reasonable terms as the Parties may agree. Save as aforesaid, the transfer of the Requested Assets to the Grantor shall be free of charge and, in any event of termination, the Concessionaire shall perform all acts necessary to give effect to this Clause 38.1.4. Subject to the Concessionaire using reasonable endeavours to mitigate the costs of transferring any Requested Assets to the Grantor in accordance with this Clause 38.1.4 and subject to the Concessionaire providing the Grantor with reasonable details of such costs, the Grantor shall reimburse to the Concessionaire 50% of any such costs incurred by the Concessionaire.

38.2. Transfer of Rights Upon Termination

38.2.1. The Concessionaire hereby undertakes to make over, assign and otherwise transfer all of its right, title and interest in and to the Rights to the Grantor (or its nominee), upon demand and with effect from the Termination Date.

38.2.2. The Concessionaire hereby undertakes to the Grantor to do all acts or things reasonably necessary and possible to procure that its obligations under Clause 38.2.1 are validly and effectively discharged. The Grantor shall, where reasonably required by the Concessionaire, assist the Concessionaire in the discharge of its obligations under this Clause 38.2 but without the obligation on the Grantor to incur any material costs and/or expenses.

38.2.3. Amended to (SAA): To the extent that the Rights transferred and assigned pursuant to this Clause 38.2, constitute debtors or accounts receivable in respect of Price Revenues the Grantor shall procure that all reasonable measures are taken to recover such debtors or accounts receivable and shall pay over to the Concessionaire all Price proceeds of such recovery, as soon as may be reasonably possible after receipt thereof.

38.2.4. Amended to (SAA): To the extent that the Rights transferred and assigned pursuant to this Clause 38.2 do not constitute debtors or accounts receivable in respect of Price Revenues, the Grantor shall not be obligated to pay any compensation to the Concessionaire whatsoever in respect of such assignment or transfer.

38.2.5. If following the Termination Date, the Concessionaire receives any sums or other payments in respect of Services not provided by it, the Concessionaire shall promptly following receipt of the same by the Concessionaire, pay any such sums to the Grantor

38.3. Licences and Warranties

Any licence for the use of any Intellectual Property Rights, product or equipment warranties or other rights or contracts in the name of the Concessionaire, if any, relating to the Project or any of the Public Assets or Requested Assets (including any Intellectual Property Rights, products, keys and other rights necessary to use any such Assets) shall be assigned or otherwise transferred to the Grantor on the date of handover of the

Public Assets and the Requested Assets by the Concessionaire to the Grantor pursuant to Clause 38.1. Where the Concessionaire is unable to grant a licence itself in accordance with this Clause 38.2 it shall procure the grant of a licence on terms at least equivalent to that which it obtained on its own behalf.

38.4. Co-Operation of Concessionaire

The Concessionaire shall fully co-operate with the Grantor prior to the termination of this Concession Agreement to ensure that:

38.4.1. all Assets continue to be operated and maintained by it in accordance with the Performance Requirements up to the Termination Date; and

38.4.2. the transfer of use of the Public Assets pursuant to Clause 38.1 does not impact adversely on the safety and security of persons and/or the continued provision of water and wastewater services to Customers.

38.5. Survival of Obligations

The obligations of the Concessionaire under this Clause 38 shall survive the termination of this Concession Agreement and shall remain enforceable against the Concessionaire notwithstanding such termination.

39. ELIGIBLE EVENTS

39.1. Occurrence of Eligible Events

Amended to (SAA): If at any time after the Effective Date an Eligible Event occurs which affects the Capital Expenditures and/or Operating Expenditures and/or Price Revenues of the Concessionaire under this Concession Agreement and/or the Business Plan, the Concessionaire shall be entitled to apply for a Price Adjustment pursuant to Clause 22.4.

39.2. Control of Costs

The Concessionaire shall use all reasonable endeavours to control and mitigate any increase or decrease in any Capital Expenditures and/or Operating Expenditures it incurs as a consequence of an Eligible Event.

39.3. Notification by Concessionaire

As soon as is reasonably practicable the Concessionaire shall notify the Grantor of any actual or prospective Eligible Event of which it becomes aware (or the Grantor may itself notify the Concessionaire without prejudice to the Concessionaire's obligation to notify the Grantor) which will or is reasonably likely to give rise to any increased Capital Expenditures and/or Operating Expenditures and the Concessionaire shall provide such information as the Grantor reasonably requires in relation to the Eligible Event and any proposed increase in such costs.

40. The heading is amended to (SAA): CONCESSION ACT

40.1. Unilateral Termination

Amended to (SAA): The Parties hereby agree that they shall only exercise their rights pursuant to Article 75, paragraph 1, point 1 of the Concession Act (the "Article"), as published in the State Gazette, issue 36/2006, following the giving to the other Party of not less than 3 Months' prior notice of its intention to exercise such rights.

40.2. Compensation

40.2.1. In the event that the Grantor exercises its right pursuant to the Article, it shall, following the termination of this Concession Agreement and subject to Clause 37.5, pay to the Concessionaire the Senior Credit Agreement Liabilities, the Affiliate Credit Liabilities, Third Party Liabilities and the Equity Compensation.

40.2.2. In the event that the Concessionaire exercises its rights pursuant to the Article, the Grantor may, immediately upon such exercise make a call upon the Performance Security for its full amount.

41. CORRUPT PRACTICES

Neither the Concessionaire nor any of its agents, contractors or sub-contractors of any tier or the employees of any of them shall:

41.1. offer or give or agree to give any person in the service of the Grantor, or any Competent Authority any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of this Concession Agreement or for showing or forbearing to show favour or disfavour in relation to this Concession Agreement; or

41.2. enter into this Concession Agreement or any other agreement with the Grantor in connection with which commission has been paid or agreed to be paid by it or on its behalf or to its knowledge, unless before such agreement is made particulars of any such commission and of the terms and conditions of any agreement for the payment thereof have been disclosed in writing to the Grantor.

42. DISPUTES RESOLUTION PROCEDURE

42.1. Amended to (SAA): All Disputes arising on or after the coming into effect of this Second Amendment Agreement shall be resolved in accordance with the Disputes Resolution Procedure set out in Annex 15 as amended by this Second Amendment Agreement.

New clause 42.2. (SAA) All disputes and claims caused by events prior to the coming into effect of the Second Amendment Agreement and not otherwise submitted under the procedure described in clauses 44.1.3. and 44.1.4. shall be resolved under the substantive provisions of the Concession Agreement effective at the time the events leading to such dispute(s) first arose.

New clause 42.3. (SAA) Within seven Business Days as of the date this Second Amendment Agreement becomes effective the Parties shall send a notice to the

Appointing Authority (as defined in Clause 44.1.4) for termination of the Concession Dispute Resolution Board and all agreements therein with a copy to the members of the Board.

43. MISCELLANEOUS

43.1. Assignment and Subcontracting

43.1.1. Subject to Clauses 43.1.2 and 43.1.3, the Concessionaire shall not assign, charge, pledge or otherwise transfer any of its rights or obligations under this Concession Agreement or create any Security Interest over any of them without the prior consent of the Grantor.

43.1.2. The Concessionaire shall be entitled to assign, charge, pledge or otherwise transfer any of its rights or obligations under this Concession Agreement for the purposes of securing the financing of its obligations hereunder to the Senior Lenders in accordance with the Senior Credit Agreements.

43.1.3. Amended to (SAA) The Concessionaire shall be and shall remain liable under this Concession Agreement for all obligations sub-contracted, transferred or delegated to any third party and for the acts, defaults, omissions or neglects of any sub-contractor, its agents, servants or other people employed by any of them.

43.2. Notices

43.2.1. Any notice or other document to be served under this Concession Agreement shall be in writing and may be delivered or sent by recorded delivery, post or facsimile transmission to the Party to be served at its address appearing in this Concession Agreement or at such other address as it may from time to time have notified to the other Party.

43.2.2. In the event that any Party fails to notify the other Party of a change of address, service of a notice at the last address notified to the other Party shall be deemed valid.

43.3. Confidentiality

43.3.1. No Party shall during the Concession Term or at any time after the Termination Date for any reason whatsoever disclose to any person whatsoever or otherwise make use of any confidential or secret information of which it has or may have during the course of this Concession Agreement become possessed relating to any other Party or any of its associated companies including confidential or secret information relating to the business, technical processes, designs or finances of any of the aforesaid or relating to know-how inventions or improvements or other matters connected with the products or services provided under this Concession Agreement.

43.3.2. Each Party shall take reasonable care to ensure that its personnel comply with the provisions of Clause 43.3.1 above.

43.3.3. This Clause shall not apply to:

- (a) information which is or becomes publicly available through no breach of this Concession Agreement;
- (b) information which any Party receives from any third party without accompanying confidential obligations to such third party, and where such third party is not in breach of an obligation to keep such information confidential;
- (c) information which is approved for release by written consent of the other Parties;
- (d) information which either Party is required to disclose as a matter of Law;
- (e) information relating to the award or quantum of any penalties for which the Concessionaire may become liable under the terms of this Concession Agreement;
- (f) information which the Grantor is required to disclose in the course of conducting its public and governmental functions; and
- (g) information which is disclosed by either Party to its directors, officers, employees, servants, sub-contractors, agents or professional advisers, Lenders and their advisors to the extent necessary to enable either Party to perform (or to cause to be performed) or to enforce any of its rights under this Concession Agreement and subject to such third parties being bound by confidentiality obligations in relation to such information similar to this Clause 43.3.

43.4. Performance of Obligations

In the performance of its obligations under this Concession Agreement the Concessionaire shall not and the Concessionaire shall use reasonable endeavours to procure that none of its contractors or sub-contractors shall not knowingly or intentionally perform or fail to perform any act which would or might reasonably be expected to sully or impugn the image or reputation of the Grantor.

43.5. Counterparts

43.5.1. This Concession Agreement is executed in three counterparts in the English language, each of which when so executed shall be an original. Following the execution of this Concession Agreement, the Grantor shall as soon as reasonably practicable arrange for a version of this Concession Agreement to be prepared in Bulgarian and delivered to the Concessionaire. The English language version of this Concession Agreement shall prevail over the Bulgarian language version in the event of any inconsistency, inaccuracy ambiguity or conflict.

New clause 43.5.2.: The Second Amendment Agreement to the Concession Agreement is executed in five counterparts in the English language and five counterparts in the Bulgarian language, each of which when so executed shall be an original – one in English and one in Bulgarian for each of the Parties, one in English and one in Bulgarian for the EBRD, one in English and one in Bulgarian for the Municipal Council and one in English and one in Bulgarian to be placed in the National Concession Register. The English language version of this Second Amendment Agreement to the Concession Agreement shall prevail over the Bulgarian language version in the event of any inconsistency, inaccuracy ambiguity or conflict.

43.6. Entire Agreement

Amended to (SAA) With effect from the date of signature and save as set out in clause 42 herein this Second Amendment Agreement shall supersede any previous agreements or understandings between the Parties in relation to the Concession and the Project for the avoidance of doubt including the Memoranda of Understanding dated October 2004 (and signed on 24 November, 2004) and 25 July, 2005 and the Final Protocol dated 14 July, 2006 and represents (in consolidation with the parts of the original Concession Agreement which were not amended through the Second Amendment Agreements and the First Supplemental Agreement) the entire agreement between the Parties in respect of the Concession and all matters referred to in this Concession Agreement.

43.7. Severability

If any part of this Concession Agreement becomes invalid or unenforceable, by operation of Law or otherwise, such part shall not affect the interpretation or validity of any other part of this Concession Agreement.

43.8. No Variation

No variation or amendment to this Concession Agreement shall have any force or be of any effect unless made in writing and signed by the Parties.

43.9. Waiver

If either Party waives any of its rights under this Concession Agreement, such waiver shall be deemed not to extend to any of its other rights under this Concession Agreement and shall be of no effect unless and until made in writing and signed by the waiving Party.

43.10. Waivers of Sovereign Immunity

To the extent that the Grantor may in any jurisdiction claim for itself, its assets or revenues any immunity from suit, execution, attachment or other legal process, the Grantor hereby agrees not to claim and hereby irrevocably waives any such immunity to the full extent permitted by the laws of any such jurisdiction.

43.11. Costs and Expenses - Deleted (SAA)

43.12. Double Recovery

Notwithstanding anything in this Concession Agreement, the Concessionaire shall not be entitled to recover payments from the Grantor or be entitled to any adjustments to the Prices or any other relief under this Concession Agreement more than once in respect of a single event or circumstance entitling the Concessionaire to any such relief under this Concession Agreement.

43.13. Governing Law

The Concession Agreement shall be governed by and construed in accordance with Bulgarian law.

New clause 43.14. (SAA) Annexes

In this Second Amendment Agreement Annexes 4, 6, 7, 8, 16, 17 and 18 of the Concession Agreement are revoked and Annexes 3 and 15 are amended as attached hereto.

44. New clause (SAA): CONDITIONS PRECEDENT TO THIS SECOND AMENDMENT AGREEMENT

44.1. Conditions Precedent

The provisions of the Second Amendment Agreement to the Concession Agreement are conditional upon satisfaction of the following conditions precedent (the “Conditions Precedent”):

44.1.1. Approval of the Second Amendment Agreement to the Concession Agreement by the Lenders, the Municipal Council and the majority shareholder of the Concessionaire;

44.1.2. Approval by the Competent Authority and entering into effect of the Business Plan and entering into force of the Prices approved in point III of the Decision № LI-053/23.04.2007, for the first Regulatory Period;

44.2. Time for Satisfaction

The Conditions Precedent shall be satisfied by the expiry of 4 Months after the date of signing of this Second Amendment Agreement to the Concession Agreement.

44.3. Extension of Time

If within the period referred to in Clause 44.2 the Conditions Precedent have not been satisfied in part or in full the Parties shall agree an extension of not more than 3(three) months. If on expiry of the extension of time or, if there is no agreement to an extension of time and any or all of the Conditions Precedent are not satisfied, the Second Amendment Agreement shall not come into effect unless the Parties agree in writing to waive all of the Conditions Precedent not otherwise satisfied.

45. New clause (SAA): REPRESENTATIONS AND WARRANTIES TO THIS SECOND AMENDMENT AGREEMENT

45.1. Representations and Warranties of the Concessionaire

The Concessionaire represents and warrants the following:

45.1.1. Due authorisation

At the date of this Second Amendment Agreement the Concessionaire had in full force and effect all corporate authorisations, powers and approvals ("Approvals") necessary to enter into this Second Amendment Agreement and necessary for it to perform its obligations under this Second Amendment Agreement.

45.1.2. Compliance

The execution, delivery and performance of this Second Amendment Agreement and the transactions under it do not:

- (a) violate the articles of association of the Concessionaire or any Law, regulation, ordinance, judgment, court or official directive binding on it or any other document or agreement binding on the Concessionaire; or
- (b) cause a limitation on its powers or the powers of its officers to be exceeded.

45.1.3. Power to perform:

The Concessionaire has power to enter into the Second Amendment Agreement, and to carry out the transactions contemplated by this Second Amendment Agreement and to carry on its business.

45.1.4 Obligations enforceable:

The obligations of the Concessionaire under this Second Amendment Agreement are valid and binding and enforceable against it in accordance with their respective terms.

45.2. Representations and Warranties of the Grantor

The Grantor represents and warrants the following:

45.2.1. Due authorisation:

(a) The execution, delivery and performance of this Second Amendment Agreement and the transactions under it do not violate any Law, regulation, judgment, court or official directive binding on the Grantor.

(b) At the date of this Second Amendment Agreement the Grantor had in full force and effect all necessary authorisations in accordance with its constitutional bylaws ("Authorisations") necessary for it to enter into its obligations under this Second Amendment Agreement including, without limitation, Resolution No. dated2008 of the Municipal Council.

45.2.2. Power to perform:

At the date of this Second Amendment Agreement the Grantor had power to enter into the Second Amendment Agreement and had in place all necessary Authorisations to carry out the transactions contemplated by this Second Amendment Agreement and has been duly authorised by all necessary action on the part of Grantor.

45.2.3. Obligations enforceable:

The obligations of the Grantor under this Second Amendment Agreement are valid and binding and enforceable against it in accordance with their respective terms.

This Second Amendment Agreement is signed by the authorised signatories of the Parties the date first above written.

Authorised signatory of
THE MUNICIPALITY OF SOFIA

Authorised signatory of
SOFIYSKA VODA AD

ANNEX 1

1. Geographical Boundaries

The Municipality of Sofia and Large Towns Act (SG, 66 of 25.06.1995, amended 80/1995) provides that there are 24 administrative districts within the administrative boundaries of the Sofia Municipality which includes the City of Sofia and 58 communities comprising of adjacent towns (3), villages (34) and living districts (21):

1. District SREDETZ
2. District KRASNO SELO
3. District VAZRAZHDANE
4. District OBORISHTE
5. District SERDIKA including: living district Benkovski
6. District PODUYANE
7. District SLATINA
8. District IZGREV
9. District LOZENETZ
10. District TRIADITSA
11. District KRASNA POLYANA
12. District ILINDEN
13. District NADEZHDA including: living district Ilientzi, living district Trebich
14. District ISKAR including: village Busmantzi
15. District MLADOST including: living district Gorubliane
16. District STUDENSTKI
17. District VITOSHA including: village Vladaya
Village Marhaevo
Living district Boyana
Living district Knyazhevo
Living district Dragalevtzi
Living district Simeonovo
18. District OVCHA KUPEL including: living district Gorna banya
Living district Suhodol
Village Malo Buchino
19. District LJULIN including: living district Filipovtzi
living district Republika
20. District VRABNITZA including: living district Obelya
Village Voluyak
21. District NOVI ISKAR including: town Novi Iskar
Village Mramor
Village Mirovyane

Village Zhiten
Village Dobroslavtzi
Village Balsha
Village Katina
Village Podgumer
Village Svetovrachane
Village Kubratovo
Village Negovan
Village Chepintzi
Village Lokorsko
Village Voinyagovtzi

22. District KREMIKOV TZI including: town Buhovo
village Zhelyava
village yana
village Gorni Bogrov
living district Chelopechene
living district Seslvtzi
living district Botunetz
living district Kremkovtzi
living district Vrazhdebna

23. District PANCHAREVO including: village German
Village Zheleznitza
Village Lozen
Village Kazhichene
Village Krivina
Village Dolni Passarel
Village Plana
Village Kokalyane
Village Pancharevo
Village Bistrizza

24. District BANKYA including: town Bankya
Village Klisura
Village Ivanyane
Living district Gradoman
Living district Mikhailovo
Living district Verdikal

A geographic map of the Sofia Municipality in scale 1: 50 000 as set out as item 15 in the List of Additional Commercial Information in the Data Room determining the boundaries of the 24 districts and the location of the adjacent towns and villages.

2. Sofia Municipality Urban Area

The Sofia Municipality Urban Area is set out in the Approval and Implementation of the General Urban Plan of Sofia Act (SG, 89 of 07.11.1961, as amended 29/1972 and 41/1998).

A Diagram describing the City of Sofia and the adjacent towns and villages urban area boundaries is set out as item 16 in the List of Additional Commercial Information in the Data Room.

A Diagram of the Beli Iskar Dam and Rila Water Main and the adjacent area is set out as item 17 in the List of Additional Commercial Information in the Data Room.

3. Technical Plans

Detailed technical plans of the existing water and sewerage network within the Sofia Urban Area are set out as items 19 and 20 in the List of Additional Commercial Information in the Data Room.

3.1 The technical plans of the existing Water Supply Network (item 19) include:

3.1.1 Water Mains (Scale 1:50000);

3.1.2 Adjacent territories (Scale 1:25000)

3.1.3 Water supply zones and operating regions (Scale 1:20000)

3.1.4 Existing condition of the water supply network (Scale 1:20000); and

3.1.5 Water supply network of the City (existing situation):

(a) Part 1 (Scale 1:10000)

(b) Part 2 (Scale 1:10000)

3.2 The technical plans of the existing Sewer Network (item 20) include:

3.2.1 Main sewers and sub-sewers. Operation regions. (Scale 1:20000);

3.2.2 Current condition of the Sewer Network (Scale 1:20000)

3.2.3 Sofia existing sewer network

(a) Part 1 (Scale 1:10000)

(b) Part 2 (Scale 1:10000)

3.2.4 Adjacent areas existing sewer network (Scale 1:25000)

4. Areas and Assets outside the Sofia Municipality Geographic and Urban Area forming part of Concession

A list of the Public Assets subject to the Concession and located outside the Sofia Municipality Geographic and Urban Area is set out as item 18 in the List of Additional Commercial Information in the Data Room.

ANNEX 2

List of Assets

Public Assets shall constitute:

1.1 all property constituting public assets, as provided for in the Municipal Property Act utilised by the Municipality and/or VIK in the provision of the Services to the Municipality of Sofia, prior to the Effective Date, which assets shall, without limiting the generality of the foregoing, include those items having the following nature:

- water outlets and their accessories;
- treatment plants with all systems and accessories, including: - pumping, decanting, filtering, reserves, storage, transport, measuring, energy, and warehouse and office systems;
- hoisting stations, including:- electro pumps, starters, command and control systems, measuring systems, and valves and their actuators;
- pressure pipes, including:- drainage valves, ventilation valves, and manoeuvring valves;
- trunk mains, pipes and their accessories;
- distribution networks and their accessories;
- property connections and their accessories;
- flow meters;
- reservoirs, dams and reservoirs attached to pumping stations and flow tanks and hoisting tanks;
- sewer and sewerage property connections;
- sewer and domestic collectors;
- sewer collectors;
- pressure pipes;
- pumping stations for sewerage, including:- electro pumps, starter and control panels, manoeuvring valves, and automatic command systems;
- sewerage treatment plant; and
- Raw Water treatment plants.

An indicative list of Existing Public Assets is set out in the list provided in the Data Room as updated from time to time.

1.2 all New Public Assets as defined in this Concession Agreement;

1.3 all modifications, replacements, refurbishments, upgrades, or alterations to any Public Assets after the Effective Date.

ANNEX 3

LEVELS OF SERVICE

1. The present Annex 3 determines:

1.1. the long-term levels of the quality parameters of the WSS services under in compliance with the Water and Sewerage Services Regulation Act (WSSRA);

1.2. the conditions and procedure for formation of annual target levels of the quality parameters of the WSS services;

1.3. the way of reporting the compliance with the annual target levels of quality parameters.

2. (1) The particular annual target levels of quality parameters of the WSS services are defined in each Concessionaire's Business Plan approved by the Competent Body;

(2) In each of the Concessionaire's Draft Business Plans the Parties shall determine the priority annual target levels of the quality parameters of the WSS services within the established long-term levels of the quality parameters of the WSS services.

(3) The Concessionaire is obliged to achieve the values of the annual target levels of quality parameters of the WSS services set up in Art 1.

3. The Competent Authority assesses the quality of the provided WSS services on the basis of the achieved levels of quality parameters.

4. Long-term levels of the quality parameters of the WSS services/

No	Parameters	Sub-parameters	Unit	Long-term level
1	2	3	4	5
1.	The level of coverage of the water supply services	a) The ratio between the number of population that use the water services provided by the WSS operator and the total number of population in the area serviced by the WSS operator	-	1
2.	Potable water quality	a) The ratio between the number of samples for quality of the potable water, which meet the legal requirements of physicochemical and radiological standards, and the total number of taken samples.	-	0,98
		b) The ratio between the number of samples for quality of the potable water, which meet the legal requirements of the micro-biological standards and the total number of taken samples	-	0,99

3.	Water supply continuity	a) The ratio between the number of population affected by interruptions of the water supply and the total number of the serviced population.	-	0,02
		b) The ratio between the planned interruptions of the water supply, reinstated within the planned time, and the total number of planned interruptions.	-	0,95
4.	Total water loss in the water supply systems	a) The ratio of the volume of unbilled water and the volume of water supplied at the inlet of the water system.	-	0,25 not treated 0,33 treated
		b) The average time for leaks localizing	hour	2
		c) The average time for leaks repairing	hour	4
5.	Failures in the water supply system	a) The ratio between the annual number of failures and the length of the impounding water mains	-	0,10
		b) The ratio between the annual number of failures and the length of the distribution mains	nos./km	0,20
		c) The ratio between the annual number of failures of water service connections and the total number of water service connections	-	0,05
		d) The ratio between the annual number of failures of pumping stations and the total number of pumping stations	-	1
6.	Pressure in the water supply system	a) The ratio between the number of service water connections where water is supplied with pressure lower than the legal standard, and the total number of water service connections serviced by the WSS Operators	-	0,01
		b) The ratio between the number of service water connections where water is supplied with pressure higher than the legal standard, and the total number of water service connections serviced by the WSS Operators	-	0,02
7.	Level of coverage of the sewerage services	the ratio between the population using sewerage services, and the total number of population	-	1

		residing in the region.		
8.	Wastewater quality	a) The ratio between the number of samples for wastewater quality that meet the requirements set in the discharge permit and the total number of samples	-	0,98
		b) The ratio between the annual volume of wastewater treated at WWTP and the total design capacity of the WWTP.	-	0,85
9.	Failures in the sewage system	a) The ratio between the annual number of failures and the number of the sewerage service connections	-	0,01
		b) The ratio between the annual number of failures and the length of the sewerage network	nos./km	0,01
10.	Sewage overflows into regulated properties owned by third persons	a) The ratio between the size of the regulated properties affected by sewage overflows and the total size of the area serviced by the WSS operator	-	0,005
11.	Operational efficiency parameters	a) The ratio between the number of employees of the WSS operator, who ensure the provision of the water supply services, and the total number of water service connections in the region serviced by the WSS operator	nos./WSC	0,001
		b) The ratio between the employees of the WSS operator, who ensure the provision of sewerage services, and the total number of the sewage service connections in the region serviced by the WSS operator.	nos./SSC	0,004
		c) The ratio between the annual number of labour incidents and the total number of the staff who ensure the provision of the WSS services	-	0,001
		d) The ratio between the number of installed meters at the water sources and the total number of water sources	-	1
		e) The ratio between the number of populated areas with the water metered at the inlet of the populated area and the total number of populated areas, serviced by the WSS operator.	-	1

f) The ratio between the number of installed bulk meters and the total number of water service connections.	-	1
g) The ratio between the annual number of meters, which have passed a subsequent inspection, and the total number of meters	-	0,2
h) The ratio between the annual number of employees of the WSS operator who have extended their qualifications and the total number of employees.	-	0,16
i) The ratio between the number of water pumping stations with local automated system and the total number of water pumping stations.	-	0,98
j) The ratio between the number of water supply systems with automated control systems (ACS) and the total number of water supply systems.	-	0,9
k) The ratio between the number of elements of the water supply system with ACS and the total number of elements of the water supply systems.	-	0,9
l) The ratio between the number of PWTP with ACS and the total number of PWTP	-	1
m) The ratio between the number of sewage pumping stations with local automated system and the total number of sewage pumping stations.	-	0,9
n) The ratio between the number of sewage systems with automated sewage control systems (ASCS) and the total number of sewage systems.	-	0,9
o) The ratio between the number of elements of the sewage systems with ASCS and the total number of sewage systems.	-	0,9
p) The ratio between the number of WWTP with ASCS and the total number of WWTP	-	0,9
q) The ratio between the number of hours with chlorine gassing and the total number of hours in a year.	-	0

12.	Financial efficiency parameters	<p>a) The ratio between the costs for the activities and the revenues from the activities.</p> <p>b) The ratio between the costs of wages and insurances and the costs of the activities</p> <p>c) The ratio between the costs of the activities and the volume of supplied water at the inlet of the water system, serviced by the WSS operator.</p> <p>d) The ratio between the costs of the activities and the billed water volumes</p> <p>e) The ratio between the annual amount of consumed electricity and the billed water volumes.</p> <p>f) The ratio between the electricity costs and the costs of the activities.</p> <p>g) The ratio between the uncollected revenues and the revenues from the activities for an year.</p>	-	0,1
13.	Term for reply to written complaints by customers	a) The term for reply to written complaints by customers is determined by the ratio between the number of received written complaints, replied within 14 days, and the total number of complaints.	-	0,99
14.	Term for connecting new customers to the WSS systems	<p>a) The ratio between the number of requests, fulfilled within the required term, and the total number of received requests for connection to the water system in the region serviced by the WSS operator.</p> <p>b) The ratio between the total number of requests, fulfilled in the required term, and the total number of received requests for connection to the sewage system in the region, serviced by the WSS operator.</p>	-	0,99
15.	Number of staff compared to the number of service customers	a) The ratio between the total number of staff ensuring the water supply services and the total number of customers serviced by the WSS operator in the respective region.	-	0,002

	6) The ratio between the total number of staff ensuring the sewerage services and the total number of customers serviced by the WSS operator in the respective region.	-	0,005

5. The parameters are identified as follows:

5.1. The level of coverage of water supply services is defined by the ratio between the population using the Concessionaire's water supply services and the total population living in the Concession region.

5.2. Potable water quality is defined by:

1. the ratio between the number of potable water quality samples compliant with the legislative requirements for physicochemical and radiological parameters, and the total number of samples taken.

2. the ratio between the number of potable water quality samples compliant with the legislative requirements for biological requirements, and the total number of samples taken.

where "Potable water quality" is defined by means of the physical, organoleptic, chemical, biological, and microbiological and radiological potable water parameters.

5.3. The continuity of the water supply is defined by:

1. the ratio between the number of population affected by interruptions of the water supply and the total number of the serviced population

2. Ratio between the planned interruptions of the water supply, reinstated within the planned time, and the total number of planned interruptions

where a "planned interruption" is an interruption of the water supply resulting for the implementation of a programme for improving the system's effectiveness.

5.4. Total water losses in the water supply system and terms for its reduction

1. The ratio of the volume of unbilled water and the volume of water supplied at the inlet of the water system.

2. The average time to locate leaks

3. The average time to repair leaks

where the "inlet of the water system" is the point defined by a facility or a measuring device, from which water intake or supply is provided for the system;

"Unbilled water" is the difference between the metered water volume at the inlet of the water system and the billed water volume.

"The average time to locate leaks" is the estimated average time from the moment of identifying the leak until the exact technical localization of the leak by the WSS operator's team; and

"The average time to repair leaks" is the estimated average time from the moment of the localization of the leak until the completion of repair works done by the WSS operator's team.

5.5. (1) Failures in the water supply system are defined by:

1. The ratio between the annual number of failures and the length of the impounding water mains

2. The ratio between the annual number of failures and the length of distribution mains

3. The ratio between the annual number of failures of water property connections and the total number of water property connections

4. The ratio between the annual number of failures of pumping stations and the total number of pumping stations

"Failures in the water supply system" is an interruption of the normal activity of the separate elements of the water supply system.

(2) The Concessionaire registers every failure and the time for its repair in a register for failures in the water-supply system.

5.6. Pressure in the water supply network is defined by:

1. The ratio between the number of water property connections where it was ascertained that the pressure of the supplied water is lower than the legal one and the total number of water property connections served by WSS operators.

2. The ratio between the number of water property connections where it was ascertained that the pressure of the supplied water is higher than the legal one and the total number of water property connections served by WSS operators.

5.7. The level of coverage of the sewerage services is defined by the ratio between the number of the population using sewerage services and the total number of the population, inhabiting the Concession region.

5.8. The quality of the wastewater is defined by:

1. The ratio between the number of samples for quality of treated wastewater that meet the requirements set in the discharge permit and the total number of samples

2. The ratio between the annual volume of wastewater treated at WWTP and the total design capacity of the WWTP,

where "quality of the wastewater" is defined by means of the physical, chemical, biological and microbiological parameters.

5.9. (1) Failures in the sewerage system are defined by:

1. The ratio between the annual number of failures and the number of sewer property connections

2. The ratio between the annual number of failures and the length of the sewage conduits,

where "Failures in the sewerage system" are defined as interruptions of the normal activity of the elements of the sewerage network".

(2) The Concessionaire registers every failure and the time for its repair in a register for failures in the sewerage system.

5.10. Floods in third party properties occasioned by the sewerage system, are defined by the ratio between the surface of the regulated land properties, affected by floods, caused by the sewage and the total surface of the Concession region.

"Floods in third party properties occasioned by the sewerage system" means floods in third party properties which have occurred when supplying water-supply services.

5.11. The operational efficiency parameters are defined by:

1. The ratio between the number of employees of the Concessionaire, who ensure the provision of the water supply services, and the total number of water property connections in the area serviced by the Concessionaire

2. The ratio between the employees of the Concessionaire, who ensure the provision of sewerage services, and the total number of sewage property connections in the area serviced by the Concessionaire

3. The ratio between the annual number of labour incidents and the total number of the staff who ensure the provision of the WSS services
4. The ratio between the number of installed meters at the water sources and the total number of water sources
5. The ratio between the number of the populated areas with the water metered at the inlet of the populated area and the total number of populated areas, serviced by the Concessionaire
6. The ratio between the number of installed bulk meters and the total number water property connections
7. The ratio between the annual number of meters, which have passed a subsequent inspection, and the total number of meters.
8. The ratio between the annual number of employees of the Concessionaire who have extended their qualifications and the total number of employees
9. The ratio between the number of the water pumping stations with local automated system and the total number of water pumping stations
10. The ratio between the number of the water supply systems with automated control systems (ACS) and the total number of water supply systems
11. The ratio between the number of the elements of the water supply system with ACS and the total number of elements
12. The ratio between the number of the PWTP with ACS and the total number of PWTP
13. The ratio between the number of the sewage pumping stations with local automated system and the total number of sewage pumping stations
14. The ratio between the number of the sewage systems with automated sewage control systems (ASCS) and the total number of sewage systems
15. The ratio between the number of the elements of the sewage systems with ASCS and the total number of sewage systems
16. The ratio between the number of the WWTP with ASCS and the total number of WWTP
17. The ratio between the number of the hours with chlorine gassing and the total number of hours in a year,

Where "operational efficiency parameters" are the parameters that give information about the normal technical functioning of the WSS systems and that allow a quantitative assessment.

5.12.: The Financial efficiency parameters are defined by:

1. The ratio between the costs for the activities and the revenues from the activities
2. The ratio between the costs of wages and insurances and the costs of the activities
3. The ratio between the costs of the activities and the volume of supplied water at the inlet of the water system, serviced by the Concessionaire;
4. The ratio between the costs of the activities and the billed water volumes.
5. The ratio between the annual amount of consumed electricity and the billed water volumes
6. The ratio between the electricity costs and the costs of the activities,
7. Where "financial efficiency parameters" are the parameters that give information about the financial state of the WSS operators and a quantitative assessment.

5.13. The time for a response to a written claim by users is defined by the ratio between the submitted written complaints, which have been answered within 14 days and the total number of complaints.

5.14. The term for connecting new customers to the WSS systems is up to 30 calendar days and is determined by:

1. the ratio between the number of requests, fulfilled within the required term, and the total number of received requests for connection to the water system in the Concession Area;
2. the ratio between the total number of requests, fulfilled in the required term, and the total number of received requests for connection to the sewerage system in the Concession Area.

5.15. The number of staff compared to the number of serviced customers is determined by:

1. the ratio between the total number of staff ensuring the water supply services and the total number of customers serviced by the Concessionaire in the Concession Area;
2. the ratio between the total number of staff ensuring the sewerage services and the total number of customers serviced by the Concessionaire in the Concession Area.

6. Condition for formation of the annual target levels of the quality parameters of the WSS services, in accordance with the specific circumstances, is the availability of information about the state of the values of the levels of the quality parameters reached by the Concessionaire, taking into consideration the external factors for comparison, as follows:

- 6.1. the territorial distribution of the water and sewerage systems in the Concession Area;
- 6.2. the quality of the soil in the Concession Area;
- 6.3. the existence of water resources in the Concession Area;
- 6.4. the way of taking raw water (by gravity or by pumping) which preconditions the expenditures on electricity;
- 6.5. the quality parameters of the raw water from the water sites;
- 6.6. the remoteness of the water sites from the urbanized areas;
- 6.7. the existence and remoteness from the urbanized areas of wastewater discharge points;
- 6.8. the category of the water site for discharge of wastewater;
- 6.9. the extent to which the water and sewerage networks are constructed.

7. The formation of the annual target levels of the quality parameters of the WSS services, in accordance with the specific circumstances of the activities of the Concessionaire, shall be done as follows:

- 7.1. determination and assessment of the achieved levels of the quality parameters;
- 7.2. review and approval by the Competent Authority of the annual target levels of the quality parameters developed in the business plan.

8. The annual target levels, set in the business plans of the Concessionaire, depend on the investment programmes and the terms for achieving the long-term levels under the different parameters, as they are approved by the Competent Authority.

9. The Competent Authority exerts control over the implementation of levels of the quality parameters of the WSS services and of the costs incurred for their implementation by the Concessionaire through:

9.1. making inspections of the reports on the execution of the business plans of the Concessionaire;

9.2. making regular inspections on site;

9.3. Making extraordinary inspections with regard to signals and complaints submitted to the Commission.

10.1. The Concessionaire shall submit to the Commission the results of the execution of the achieved annual target levels of the quality parameters of the WSS services in the annual reports on the implementation of control and assessment of the achieved parameters, set in the business plans.

10.2. The Competent Authority may require from the Concessionaire current results of the execution of the achieved annual target levels of quality parameters of the WSS services for current control and assessment of the achievement of the parameters, set in the business plans.

10.3. The Competent Authority may require from the Concessionaire, within a term it fixes, current information and documents related to the execution of the business plans in their section for the quality of the provided WSS services.

11. For the reporting of the execution of the annual target levels of the quality parameters, the Concessionaire shall submit an annual report to the Competent Authority.

12. The individual evaluation of the achieved levels of the quality parameters of the WSS services is determined by a generalized quotient for assessment of the quality of the WSS services on the grounds of a comparison between the achieved levels of the quality parameters of the WSS services, included in the annual report of the Concessionaire, and the corresponding annual target and long-term levels of the quality parameters of the WSS services under clause 4.

13. The generalized quotient Q_{ios} for evaluation of the quality parameters of the WSS services of the Concessionaire is determined as the sum of the individual quality parameters, multiplied by the respective weight parameter according to the following formula:

n

$Q_{ios} = \sum_{i=1}^n X_i \cdot Q_i$, where:

i=1

n is the serial number of the parameter of the level of the WSS services, n = 1 to 15 in accordance with Appendix No 1;

\hat{Q}_i - the relative parameter of the weight of the respective parameter, determined after a period of analysis of accumulated statistical data;

Qi - the quotient of the achieved level of services for the different parameters, determined as ratios between the achieved and the long-term values of the parameters.

14. The Competent Authority shall compare and assess the achieved annual levels of the quality parameters with the annual target and long-term levels of the quality parameters, taking into consideration the authenticity and reliability of the data submitted by the Concessionaire.

15. The Concessionaire shall maintain registers of the annual reports that contain the achieved levels of the quality parameters of the WSS services for a term of keeping the data of 10 years from the date of submitting the information to the Competent Authority.

16. The Competent Authority shall provide public access for the customers to the information about the main parameters, approved as part of the business plans of the Concessionaire.

17. Instructions for the structure of the reports on the execution of the annual target levels of the quality parameters shall be given by the Competent Authority.

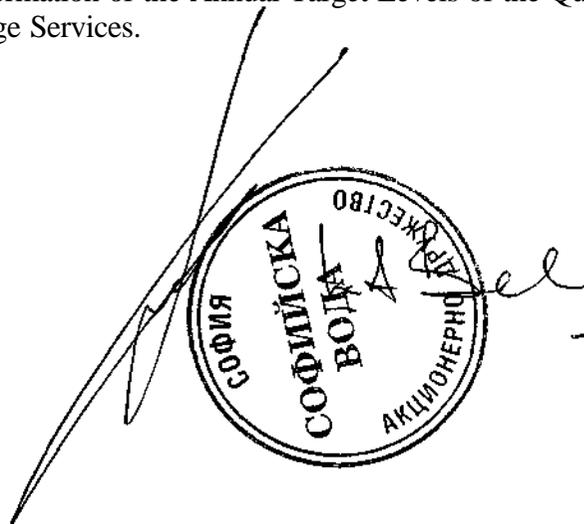
18.1. The metering devices (flowmeters) through which water loss is established shall meet the requirements of the Metering Act and the legislative acts on its application.

18.2. The maximum admissible error of the devices for metering water with flow rate in the pipeline more than 0,3 m/sec under pressure is +/- 2%, and for devices in non-pressure mode it is +/- 5%.

18.3. The metering devices for diameters of over \varnothing 150 mm shall be electronic, which will allow for archiving the metered water volumes and the situations in which the precision of metering changes with unsanctioned interference, switching off the data transmitters, change in the parameters of the metering devices and stopping their power supply.

18.4 The metering devices are put at the inlet and outlet of the water systems at the points where water loss is determined.

19. The determined in this annex long-term levels of the quality parameters of the WSS services, provided by the Concessionaire, shall be amended at approval of new target levels of quality parameters by the Competent Authority set out in the Ordinance on the Long-Term Levels, the Conditions and Procedure For Formation of the Annual Target Levels of the Quality Parameters of the Water Supply and Sewerage Services.



8

Annex 5

Sofia - Water and Wastewater Concession

Investment Proposal

Local Costs in US\$

Year of the concession

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total First 15 Years
Inflation Indices																
BGL Inflation	1.073	1.111	1.150	1.190	1.232	1.275	1.320	1.366	1.414	1.463	1.514	1.567	1.622	1.679	1.738	
Euro Inflation	1.030	1.042	1.054	1.067	1.080	1.093	1.106	1.119	1.133	1.146	1.160	1.174	1.188	1.202	1.217	
BGL/US\$ Exchange Rate	1.881	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	1.845	
Description of Category																
Water Treatment	122 002	439 533	300 700	344 829	399 544	218 729	255 650	177 388	169 435	172 975	185 039	221 997	225 706	214 572	220 194	3 668 293
Water Supply and Distribution	167 340	1 619 430	1 689 971	577 624	901 024	592 881	1 412 901	1 796 114	1 772 836	1 920 210	1 711 664	1 392 331	1 621 761	1 541 760	1 724 984	20 442 831
Sewerage	3 919 724	4 506 653	4 588 262	4 528 363	3 249 166	2 571 543	500 937	347 584	1 384 790	1 413 720	1 512 322	1 814 372	1 844 692	2 899 627	2 975 598	38 057 353
Wastewater Treatment and Disposal	48 636	430 049	50 981	58 462	67 739	87 196	101 915	70 715	67 545	68 958	73 766	88 499	89 978	85 539	87 780	1 477 758
House Connections and Block Meters	2 548 163	2 193 540	2 647 539	1 745 367	1 185 199	807 656	794 589	2 367 015	2 260 902	2 308 135	2 051 686	911 019	926 242	880 551	903 622	24 531 225
Customer Billing and Other Interface	3 824 925	2 993 440	1 347 964	396 356	298 510	339 917	397 295	275 670	263 312	268 813	287 561	344 995	350 760	333 457	342 194	12 065 169
Total by Year	10 630 790	12 182 645	10 625 417	7 651 001	6 101 182	4 617 922	3 463 287	5 034 486	5 918 820	6 152 811	5 822 038	4 773 213	5 059 139	5 955 506	6 254 372	100 242 629

Foreign Costs in US\$

Description of Category

Water Treatment	218 987	268 805	114 294	115 665	117 053	59 229	59 940	60 659	61 387	62 124	62 869	63 623	64 387	65 160	65 941	1 460 123
Water Supply and Distribution	159 040	866 221	743 864	214 628	202 569	89 308	377 420	381 949	412 422	471 617	360 969	231 472	285 350	288 774	414 231	5 499 834
Sewerage	496 280	1 024 634	1 106 649	928 792	959 837	642 042	158 840	225 045	184 161	187 862	190 116	192 397	194 706	325 798	329 707	7 146 866
Wastewater Treatment and Disposal	21 899	1 067 269	22 859	23 133	23 411	23 692	23 976	24 264	24 555	24 849	25 148	25 449	25 755	26 064	26 377	1 408 700
House Connections and Block Meters	725 278	2 083 715	2 207 584	928 234	756 498	434 865	118 081	513 402	519 563	525 798	441 969	165 609	167 598	169 607	171 642	9 929 443
Customer Billing and Other Interface	4 984 501	4 397 689	2 472 071	1 656 836	1 284 039	1 228 408	1 243 149	1 258 067	1 273 164	1 344 353	1 303 903	1 255 927	1 270 998	1 286 250	1 361 032	27 620 387
Total by Year	6 605 985	9 708 333	6 667 321	3 867 288	3 343 407	2 477 544	1 981 406	2 463 386	2 475 252	2 616 603	2 384 974	1 934 477	2 008 794	2 161 653	2 368 930	53 065 353

First Period Capital Investment Programme Concession Term Investment Proposal Total First 15 Years

Description of Category

Water Treatment	1 464 321	3 664 095	5 128 416
Water Supply and Distribution	5 245 866	20 696 799	25 942 665
Sewerage	15 642 202	29 562 017	45 204 219
Wastewater Treatment and Disposal	1 641 693	1 244 765	2 886 458
House Connections and Block Meters	12 405 819	22 054 849	34 460 668
Customer Billing and Other Interface	20 020 590	19 664 966	39 685 556
Total	56 420 491	96 887 491	153 307 982

CUMULATIVE FIGURES

Description of Category

Water Treatment	340 989	708 338	414 994	460 494	516 597	277 958	315 590	238 047	230 822	235 099	247 908	285 620	290 093	279 732	286 135	5 128 416
Water Supply and Distribution	326 380	2 485 651	2 433 835	792 252	1 103 593	682 189	1 790 321	2 178 063	2 185 258	2 391 827	2 072 633	1 623 803	1 907 111	1 830 534	2 139 215	25 942 665
Sewerage	4 416 004	5 531 287	5 694 911	5 457 155	4 209 003	3 213 585	659 777	572 629	1 568 951	1 601 582	1 702 438	2 006 769	2 039 398	3 225 425	3 305 305	45 204 219
Wastewater Treatment and Disposal	70 535	1 497 318	73 840	81 595	91 150	110 888	125 891	94 979	92 100	93 807	98 914	113 948	115 733	111 603	114 157	2 886 458
House Connections and Block Meters	3 273 441	4 277 255	4 855 123	2 673 601	1 941 697	1 242 521	912 670	2 880 417	2 780 465	2 833 933	2 493 655	1 076 628	1 093 840	1 050 158	1 075 264	34 460 668
Customer Billing and Other Interface	8 809 426	7 391 129	3 820 035	2 053 192	1 582 549	1 568 325	1 640 444	1 533 737	1 536 476	1 613 166	1 591 464	1 600 922	1 621 758	1 619 707	1 703 226	39 685 556
Total End of Year	17 236 775	21 890 978	17 292 738	11 518 289	9 444 589	7 095 466	5 444 693	7 497 872	8 394 072	8 769 414	8 207 012	6 707 690	7 067 933	8 117 159	8 623 302	153 307 982

Description of Category

First 3 Years

Water Treatment	1 464 321
Water Supply and Distribution	5 245 866
Sewerage	15 642 202
Wastewater Treatment and Disposal	1 641 693
House Connections and Block Meters	12 405 819
Customer Billing and Other Interface	20 020 590

Description of Category

Years 4-15

Water Treatment	3 664 095
Water Supply and Distribution	20 696 799
Sewerage	29 562 017
Wastewater Treatment and Disposal	1 244 765
House Connections and Block Meters	22 054 849
Customer Billing and Other Interface	19 664 966

ANNEX 9

Principles of Direct Agreement

1. The Parties to the Direct Agreement shall be the Grantor, the Concessionaire and the Lenders/agent of the Lenders ("the Agent").
2. The purpose of the Direct Agreement is to facilitate financing of the Project.
3. The Grantor will provide the Agent with any written notice of termination and a remedy and cure period.
4. The Parties acknowledge that no substitution of the Concessionaire by a third party entity is permitted under applicable Bulgarian law.
5. The Agent may exercise security over the shares of BidCo in the Concessionaire Company. However, no change in ownership of the Concessionaire to be permitted save where the Agent shows to the reasonable satisfaction of the Municipality:
 - (i) legal capacity, power and authority of the Proposed Substitute to procure the performance of the Concessionaire's obligations;
 - (ii) the financial and technical competence of the Proposed Substitute.
6. The Direct Agreement shall comply with Bulgarian law and be subject to the Dispute Resolution Procedure set out in the Concession Agreement.
7. Subject to applicable Bulgarian law, the Parties shall have regard to the principles normally included in direct agreements between Municipalities and multi-lateral lending organisations.

ANNEX 10

Raw Water Requirements

Raw Water Quality

The quality of Raw Water supplied to the System, either at source or at the water treatment works inlets, shall not significantly deviate from the historic values relating to the quality of Raw Water as set out in data made available within the Concession Information Memorandum. In the event that the Concessionaire believes that a significant deviation from such historic values has occurred, it shall prior to being permitted any relief pursuant to Clause 8.2 prove to the reasonable satisfaction of the Grantor that such deviation has resulted in an increase in the Concessionaire's Capital and/or Operating Costs which could not reasonably have been avoided or prevented by the Concessionaire by the exercise of Good Engineering and Operating Practice.

Raw Water Quantity

The quantity requirements for Raw Water to the System are set out in the following table.

Period (Contract Years (inclusive))	Quantity* (Million m3 / Contract Year)
Contract Years 1 to 3	271
Contract Years 4 to 5	258
Contract Years 6 to 10	258
Contract Years 11 to 15	251
Contract Years 16 to 20	236
Contract Years 21 to 25	234

*Note:

1. The quantities specified in the above table shall be subject to review and (if required) amendment by the Parties following the granting of the Required Consent issued pursuant to the Water Act (S.G. No.67/07.27.1999) specifically referred to in the definition of "Required Consent" set out in Clause 1. Due regard shall be given to meeting system demand.

2. Not less than 50% of the Contract Year volume as shown in the above table shall be available to the System over any 6 month period within the same Contract Year.

ANNEX 11

Insurance

1. The Concessionaire shall, subject to the terms of this Annex 11 below, take out and maintain in full force and effect throughout the Concession Term with insurers reasonably acceptable to and on terms approved by the Grantor (which approval shall not be unreasonably withheld or delayed) the following insurances (on the basis of standard market terms, conditions and exclusions) (the “Insurances”):
 - (a) on behalf of the Grantor, material damage (construction all risks and property all risks or equivalent) insurance covering “all risks” of physical loss or damage including machinery breakdown and terrorism up to the sum equivalent to 30% (or such other sum as the Parties may agree) of the full reinstatement value of the Public Assets entrusted, occupied or used in connection with the Services including anywhere in or around the System and serving sites and including materials and such other things in transit (other than by sea or air), temporarily stored or placed at or adjacent to any Works which are for incorporation in the System and which are located anywhere in the Territory of the Grantor;
 - (b) insurance for loss of revenue (business interruption insurance) of the Concessionaire, including cover for the risks insured against pursuant to paragraph 1(a) above;
 - (c) insurance with an indemnity to principal clause so that the Grantor will be treated as if it was also the insured in respect of liability arising out of the performance and subject to the terms of the Concession Agreement by the Concessionaire covering liabilities to third parties (including general liability for death, personal injury and loss of or damage to property) incurred by the Concessionaire or the Grantor. Such insurance shall include insurance in respect of public and product liability to cover legal liability for unexpected and fortuitous injury (including nervous shock) to third parties or loss or damage to third party property arising out of activities in connection with this Project, up to a limit of US\$5,000,000 for any occurrence in respect of public liability and US\$5,000,000 in the aggregate as regards product liability. This insurance shall be extended to cover any liability of the Concessionaire for consequential losses (to the extent that this coverage is available in the insurance market in relation to this Project) up to a maximum aggregate liability of US\$1,000,000 (included in the above

limits).

- (d) employers liability insurance to the extent required by Law;
 - (e) comprehensive motor vehicle insurance as required by Law covering those commercial and private vehicles used by the Concessionaire in the performance of its obligations under this Concession Agreement;
 - (f) personal accident insurance.
2. The limits of indemnities and deductibles applicable to the policies taken out by the Concessionaire pursuant to this Annex 11 shall be maintained throughout the Concession Term unless otherwise agreed in writing between the Parties.
 3. The Insurances under paragraphs 1(a), 1(c) and 1(f) shall be taken out in the names of the Concessionaire and the Grantor.
 4. The proceeds of any Insurances (other than any proceeds of any Insurances in respect of third party claims which shall be paid directly to the relevant third party) shall be paid into an account nominated by the Concessionaire for this purpose and shall be applied as appropriate either towards the reinstatement or replacement of all property damaged or to the satisfaction of the liabilities or reimbursement of the financial Losses in respect of which they were received.
 5. Any excess or deductibles under the Insurances shall be the responsibility of the Concessionaire except where the damage or liability which is covered by the relevant insurance has been caused by the Grantor or its subcontractors, agents or employees in which case the Grantor shall reimburse the Concessionaire an amount equal to any excess or deductible save that in relation to any claim made where the acts of both Parties (or their subcontractors) have caused such a claim to arise then each shall bear that proportion of the deductible attributable to their act or omission. In the absence of agreement within 10 Business Days following the relevant claim, the proportions shall be determined pursuant to the Disputes Resolution Procedure.
 6. The Concessionaire shall pay all premiums and costs in respect of the Insurances taken out and maintained under this Annex 11 (including brokers' fees and that part of the premiums attributable to insurance premium tax or any such similar tax) and shall be responsible for pursuing and processing all claims under any of the Insurances together with the costs associated therewith.
 7. As part of each Annual Reconciliation the Grantor and the Concessionaire shall meet to consider (each acting reasonably) the necessity or desirability of

effecting alternative arrangements to the existing programme of Insurances. Such consideration shall have regard to the most cost effective method by which to place or procure the Insurances.

8. If at any time during the Concession Term any of the Insurances or parts thereof are not available or cease to be available in the market at commercially reasonable rates the Concessionaire shall notify the Grantor forthwith of such unavailability and shall provide relevant supporting documentation. Such notice shall contain proposals as to what the Concessionaire considers reasonable and appropriate to mitigate, manage and control the relevant risks. Upon being so informed, the Parties shall meet within 7 days to discuss and consult fully and properly with a view to agreeing whether such insurance or parts thereof have ceased to be so available at commercially reasonable rates and if so to agree an alternative arrangement having due and proper regard to the proposals of the Concessionaire and to the advice and/or recommendations of such qualified, experienced and independent insurance advisers and other experts relevant to, or other parties with an interest in the matter being considered such agreements to be in writing. In reaching such alternative arrangements, the Parties shall consider the following (which is not an exhaustive list):

- (i) changes to Asset lives or to regimes;
- (ii) different treatments depending on Asset type and/or geographical location; and
- (iii) changes to requirements of security and/or safety.

Until such alternative arrangement is agreed, the Concessionaire shall use its reasonable endeavours to ensure that the relevant Insurances (which are the subject of notice under this paragraph 8) remain in force (which shall if necessary include extending the existing policy) and the other provisions of this Annex 11 shall continue to apply, except those provisions which relate to the insurances continuing to be available in the market at commercially reasonable rates. If, despite the Concessionaire using its reasonable endeavours, the Insurances or parts thereof (being the subject of notice under this paragraph 8) are unable to be maintained in force while an alternative arrangement is being agreed between the Parties, the provisions of paragraph 9 shall apply.

- 9.1 The provisions of this paragraph 9 shall apply only following the notification by the Concessionaire to the Grantor of any of the Insurances in accordance with paragraph 8 until the Parties have reached agreement under paragraph 8 as to an alternative arrangement in respect of the Insurances which have ceased to be available in the market at commercially reasonable rates. If the Parties fail to agree such alternative arrangements within 20 Business Days of the notice under

paragraph 8 being given, then either Party may refer the Dispute to the Disputes Resolution Procedure.

- 9.2 If the Concessionaire using its reasonable endeavours under paragraph 8 is unable to ensure that the Insurances, which are the subject of notice, remain in force and the Parties have, at that time, not agreed an alternative arrangement then the Grantor shall at its absolute discretion, on expiry of the relevant insurance policy, either pay the premium for the relevant insurance (notwithstanding that it has ceased to be available in the market at commercially reasonable rates), or shall, without prejudice to the allocation of risk under this Concession Agreement, from the date of expiry of that insurance policy accept and condone the lack of all or part of the Insurances.
- 9.3 Subject to paragraph 6 above, where the Grantor pays the premium for the relevant insurance under this paragraph 9, the Concessionaire shall pay such proportion of that premium which constitutes a commercially reasonable rate of premium and shall remain liable in accordance with paragraph 5 to bear the deductible applicable to that policy, up to an amount equal to the deductible applicable to the relevant policy in force immediately prior to the service of the notice under paragraph 8.
- 9.4 The Grantor may make alternative proposals in respect of the underwriting of future costs relating to the relevant insurance, subject to the Concessionaire's prior written approval, which approval shall not be unreasonably withheld.
10. For the purposes of paragraphs 6, 7, 8 and 9 an insurance shall "be available in the market at commercially reasonable rates" if it is generally available from insurers of repute at a premium which (disregarding any costs attributable to the Concessionaire's poor claims record or any breach by the Concessionaire of this Concession Agreement) is less than 10 per cent of the cover purchased and the insurance provides for a deductible below 10 per cent of the same cover.
11. Prior to the Effective Date, the Concessionaire shall produce to the Grantor evidence that all relevant Insurances will be in force at the Effective Date and the quantum of the premium payments for each of the Insurances. Following the Effective Date, the Concessionaire shall allow the Grantor to inspect at all reasonable times, cover notes or renewal certificates in respect of or copies of all relevant policies along with evidence of payment of the premiums payable thereunder. Thereafter throughout the Concession Term the Concessionaire shall allow the Grantor to inspect at all reasonable times any notices of amendment to the policies, cover notes or renewal certificates in respect of or copies of any new policies effected in addition to or in replacement of the policies held at the Effective Date and evidence of payment and the quantum of the premiums payable thereunder.

12. Subject to paragraphs 8,9 and 10 of this Annex 11, if the Concessionaire shall in breach of this Concession Agreement fail to insure or to procure insurance in accordance with this Concession Agreement then the Grantor may (but without any obligation to do so and without prejudice to any other right or remedy of the Grantor in respect of such failure) itself effect and maintain such insurance and all premiums and other monies paid by the Grantor for such purpose shall be repaid by the Concessionaire to the Grantor on demand with interest thereon calculated at the Interest Rate.
13. Subject to paragraphs 8, 9 and 10, the Concessionaire shall do, or procure that is done, everything necessary to maintain the policy or policies required by this Annex 11 in full force and effect and shall not do, allow to be done, or fail to do any act or thing whereby such policy or policies may be made void or voidable or whereby payment thereunder is or may be restricted or otherwise reduced below payment in full.
14. In respect of the Insurances the Grantor shall (but, except as otherwise provided in this Annex 11, without the obligation to incur any material costs or expenses) provide the Concessionaire with all assistance reasonably requested in order to enable the Concessionaire to fulfil its obligations under this Annex 11 including, without limitation, information and access to premises for inspection by the Concessionaire and/or its insurers, where appropriate.
15. The Concessionaire shall notify the Grantor as soon as reasonably practicable in writing of any anticipated or actual event or circumstances which may lead or has led to the policies or any of them lapsing or being terminated or the cover under any of them being reduced or modified.
16. Each Party shall inform the other promptly in writing of (i) any matter which might reasonably be considered likely to affect the decision of the insurers to grant or to continue any insurance, (ii) any event which might have a material effect on any insurance policy and (iii) the occurrence of any event against which the Concessionaire shall have insured which may result in a claim in excess of US\$100,000 (or equivalent).
17. If either Party intends to bring a claim under the Insurances, it will notify the other Party as soon as reasonably practicable after it decides that such a claim shall be made. The Parties shall thereafter consult to consider what action may properly be taken in respect of the claim.
18. If the insurers dispute any claim in excess of US\$50,000 made under the insurance taken out pursuant to paragraphs 1(a), 1(c) or 1(f) the Parties shall consult with each other to consider what action may properly be taken in respect of the dispute.

19. No Party shall fail to take any reasonable action or (insofar as it is reasonably within its power) permit anything to occur in relation to it which would entitle any insurer to pay any claim under the Insurances.
20. The Insurances under paragraphs 1(a), 1(b), 1(c), and 1(f) shall include a waiver by the insurers of their subrogation rights against the Grantor, its officers, representatives and employees, except in cases of fraud and shall include a non-vitiating provision.
21. Neither failure to comply nor full compliance with the insurance provisions of this Annex, shall limit or relieve the Concessionaire and the Grantor of any of their obligations under this Concession Agreement.

ANNEX 12

Form of Performance Security

THIS PERFORMANCE SECURITY is issued on [] 199[] by [] whose registered office is at [] (the "Bank") in favour of the Municipality of Sofia, whose main offices are situated at 3 Paris Street, 1000 Sofia, Bulgaria (the "Municipality")

WHEREAS:-

- (A) By a Concession Agreement dated [] between the Municipality (1) and [] (the "Concessionaire") (2), the Municipality has granted a concession to the Concessionaire for the provision of water and wastewater services to the Municipality of Sofia (the "Concession Agreement" as the same may have been, or may from time to time be, supplemented, varied, amended or novated).
- (B) It is a term of the Concession Agreement that a bank acceptable to the Municipality (as "acceptable" is defined in Clause 6 of the Concession Agreement) should enter into this Performance Security.

NOW IT IS HEREBY AGREED as follows:-

1. Definitions

1.1 In this Performance Security the following expressions have the following meanings:-

"Business Day": a day (other than a Saturday or a Sunday) which is not an official Bulgarian holiday;

"Expiry Date": the date falling on (and including) the first anniversary of the date of this Performance Security, or if such date is not a Business Day, the next Business Day following such date or, if earlier, either:

- (a) the date of issue of the Handback Certificate in accordance with the terms of the Concession Agreement; or
- (b) if the Concession Agreement is terminated prior to the date falling twenty-five years after the Effective Date (as defined in the Concession Agreement) the date on which the Concessionaire's obligations and liabilities under Clause 38 of the Concession Agreement have been satisfied and discharged in full; and

"Handback Certificate": the certificate issued by the Municipality in accordance with the Concession Agreement following the handback to the Municipality of the assets subject to the concession.

5. Delays, Amendments etc.

The obligations of the Bank under this Performance Security shall not be affected by any delay or omission by the Municipality in exercising its rights under this Performance Security or any amendment or alteration of the terms of the Concession Agreement or any agreements or documents referred to therein or to the extent or nature of the works to be carried out thereunder, or any other indulgence or concession to the Concessionaire or any forbearance, forgiveness or any other thing omitted or neglected to be done under the Concession Agreement or any agreements or documents referred to therein, or any other Performance Security, security or guarantee now or hereafter held by the Municipality for all or any part of the obligations of the Concessionaire under the Concession Agreement or the release or waiver of any such Performance Security, security or guarantee.

6. Governing Law

This Performance Security shall be governed by and interpreted in accordance with Bulgarian law.

7. ICC Uniform Rules

This Performance Security is issued subject to the Uniform Rules for Demand Guarantees, ICC Publication No.458 save that Article 20 thereof is hereby expressly excluded.

IN WITNESS of which this Performance Security has been duly executed by the Bank on the day and year first above written.

Authorised signatory of Bank

ANNEX 15

Dispute Resolution Procedure

All and any Disputes arising out of or in connection with the Concession Agreement shall be fully and finally resolved in accordance with this Dispute Resolution Procedure.

1. Appointing Authority

- 1.1 With this Annex 15, the Parties hereby appoint the Board of the International Arbitral Centre of the Austrian Federal Economic Chamber in Vienna to act as the Appointing Authority who shall have full capacity to act in accordance with this Dispute Resolution Procedure and the Conciliation Rules of the International Arbitration Centre at the Austrian Federal Economic Chamber, in Vienna ("Vienna Rules") and in respect to Arbitration.
- 1.2 The engagement of the Appointing Authority, as defined herein, shall not be limited in term and shall survive Termination of the Concession Agreement until the earlier of 5 years from the Termination Date of the Concession Agreement or the settlement of all disagreements between the Parties.

2. Intervention by Independent Mediator

- 2.1. The Parties agree to submit any unresolved dispute arising out of or in relation to the Concession Agreement (the "Dispute") for conciliation and proposals for settlement ("Intervention") to an independent expert appointed to conduct the Intervention ("Independent Mediator"). The Parties hereby agree to participate in a conciliation procedure according to the Vienna Rules. Submission of the Dispute to the Independent Mediator under this Dispute Resolution Procedure is a condition precedent to the referral of any Dispute to Arbitration. Arbitration may begin after the expiry of the time frames for the issue of the final decision of the Independent Mediator ("the Independent Mediator Decision") or dissatisfaction of any of the Parties with the Independent Mediator Decision in accordance with this Dispute Resolution Procedure and the Vienna Rules.

3. Selection of the Independent Mediator

- 3.1 The Parties hereby appoint the Board of the International Arbitral Centre of the Austrian Federal Economic Chamber in Vienna as the Appointing Authority for the Independent Mediator. The Appointing Authority shall have full authority to accept or reject candidates for Independent Mediator proposed by each Party and shall select and appoint an Independent Mediator within thirty (30) days from the receipt of a notification by either Party.
- 3.2 The Independent Mediator shall be impartial and independent, shall be a citizen with permanent residency in any country of the European Union and shall not be of Bulgarian or British nationality. The Independent Mediator must not have been involved or be presently involved, directly or indirectly, in the management or

administration of activities under the Concession Agreement, and must not have had any prior involvement in the works or facilities falling under the Concession Agreement that could compromise their ability to impartially review Disputes.

- 3.3 Each Independent Mediator, so selected under Art.3.1, shall within ten (10) Business Days as of the date of his/her appointment by the Appointing Authority send a written notice to both Parties that he/she has accepted the appointment as an Independent Mediator. The Independent Mediator shall be deemed to be appointed 5 days from the date of such notice ("the Commencement Date").
- 3.4 Either Party may propose at any time to the Appointing Authority that the Independent Mediator be removed for gross dereliction of duty or for conflicts of interest. If a Party wishes to dismiss the Independent Mediator for gross dereliction of duty or for conflicts of interest it shall notify the Appointing Authority and the other Party in writing. The Appointing Authority alone shall investigate and decide whether the Independent Mediator should be removed, and if so, shall notify the Independent Mediator and the Parties in writing, within thirty (30) Business Days after receiving the Party's notification, that his mandate is terminated immediately. The Appointing Authority shall, in the same period, notify the Parties of the alternate Independent Mediator.
- 3.5 In the event that the Independent Mediator is replaced under Art. 3.4., the replacement shall be appointed solely by the Appointing Authority. The appointment of a replacement Independent Mediator shall be completed within ten (10) Business Days. The alternate Independent Mediator to the maximum extent possible shall resume consideration of the Dispute from the point at which the previous Independent Mediator was removed.

4. Liability

- 4.1 Neither the Appointing Authority nor the Independent Mediator shall be liable to any Party or to any person for any act or omission arising out of or in connection with their service under this Dispute Resolution Procedure save for conscious and deliberate wrongdoing or gross dereliction of their duties.
- 4.2 The Parties expressly acknowledge that the Independent Mediator is acting with the aim to facilitate the resolution of Disputes. Accordingly, it is agreed and acknowledged that, to the fullest extent permitted by Law, the Independent Mediator shall be excluded from liability for any actions or decisions associated with any consideration, hearing, recommendation or advisory proposal relating to resolution of Disputes referred to the Independent Mediator, save for conscious and deliberate wrongdoing.
- 4.3 The Independent Mediator shall be held harmless from any personal or professional liability arising from or related to Disputes referred to the Independent Mediator under this Dispute Resolution Procedure.

5. Proceedings and Independent Mediator Findings

- 5.1. If a Dispute remains unresolved by way of consultations or negotiations between the Parties then either Party ("the Claimant") may submit to the Appointing Authority a written request referring a Dispute to an Independent Mediator for Intervention with a copy to the other Party ("the Respondent"). The request shall expressly state that it is "Reference of a Dispute for Intervention by the Independent Mediator". Such a request by the Claimant shall be accompanied by the Claimant's written certification containing details about the factual and legal grounds of the request and all remedies sought, together with documents or another proof of every element of each Claim as part of the Dispute and must be signed by an authorized representative of the Claimant.
- 5.2. Within twenty (20) Business Days of receipt of a notification of a Dispute by the Appointing Authority's Secretariat, the Respondent shall present to the Appointing Authority and the Claimant (i) the response to the contention of the Claimant ("the Response") and (ii) any counterclaims the Respondent has which shall be related to the Dispute ("the Counterclaim"). The Response shall include a detailed statement setting forth each factual and legal defense to the Claim, together with all documents that support the Response. Any Counterclaim shall set forth the factual and legal bases for the Counterclaim and all remedies sought, together with all documents that support the Counterclaim. Such Response and Counterclaim shall be signed by an authorized representative of the Respondent.
- 5.3. Within twenty (20) Business Days after receipt of a Counterclaim, the Claimant shall submit to the Independent Mediator and to the Respondent a detailed statement setting forth each factual and legal defense to the Counterclaim ("the Counterclaim Response"), together with all documents that support the Counterclaim Response.
- 5.4. If the Respondent fails to submit in its Response a Counterclaim within the time frames set above, such Counterclaim shall not be considered in this Dispute.
- 5.5. On receipt of the Counterclaim Response within the time frames under Art. 5.4., the Independent Mediator shall within ten (10) Business Days notify the Parties in writing of the time to be allowed for determining the Dispute and the date of completion of the Intervention (the "Completion Date"). The time so notified shall be binding on the Parties. The Independent Mediator may extend the Completion Date so notified by no more than ten (10) Business Days by giving the Parties notice in writing provided the time between the Commencement Date and the Completion date shall not exceed one hundred and fifty (150) Business Days, unless otherwise agreed in writing between the Parties.
- 5.6. To the extent practicable, Intervention shall be conducted in Sofia and shall take the form as decided by the Independent Mediator.
- 5.7. The Independent Mediator may require a Party to produce or to exchange documents with the other Party or to produce witnesses in advance of any hearing, or to provide direct testimony by signed statements as part of the Intervention. A Party's failure to comply with the Independent Mediator's requirements may be considered by the Independent Mediator in making the Independent Mediator Decision.



- 5.8. Copies of all submissions by any Party to the Independent Mediator shall be simultaneously submitted to the other Party.
- 5.9. The Independent Mediator shall have the authority to conduct the Intervention in the manner he deems most appropriate, consistent with this Dispute Resolution Procedure and the Vienna Rules. The Independent Mediator shall make the full and final decision on all issues relating to this Dispute Resolution Procedure.
- 5.10. All documents and verbal statements by any Party related to the Dispute shall be submitted following the order, way, and degree of detail that the Independent Mediator deems most effective and proving.
- 5.11. The Independent Mediator shall have the right to stop Intervention if at the same time there is another unsettled Dispute between the Parties, the resolution of which is essential to the resolution of the Dispute on which such Independent Mediator is considering. The Independent Mediator shall resume the hearing of the Intervention within 10 (ten) Business Days from the receipt of a notification by one of the Parties of the final settlement of the other Dispute.
- 5.12. The Independent Mediator may proceed with his deliberations and issue the final Independent Mediator Decision in the absence of any Party's representative, which, after due notice, fails to participate in any meetings or other proceedings or fails to obtain a postponement. The failure of a Party to appear is not a ground for the Independent Mediator to make conclusions or automatically decide against that Party.
- 5.13. The Independent Mediator is not required to guide the Parties or point out their omissions and the Parties shall rely solely on their own initiative in the Intervention and abide by the time frames applicable.
- 5.14. In making the Independent Mediator Decision, the Independent Mediator shall give due consideration to, but is not bound by, all relevant new and past explanations of reasoning, and opinions issued by the Parties and/or the experts appointed, as well as the past explanations and reasoning of any Independent Mediator since the date of execution of the Concession Agreement.
- 5.15. All Independent Mediator's deliberations prior to the issue of the Independent Mediator Decision shall be private and confidential.
- 5.16. Within twenty (20) Business Days after the Completion Date, the Independent Mediator shall issue a draft of the Independent Mediator Decision to the Parties, indicating its reasoning. Within ten (10) Business Days after receipt of the draft Independent Mediator Decision, each Party shall notify the Independent Mediator in writing of any deliberations or other factual errors or omissions in the draft Independent Mediator Decision, subject to the requirements of Art. 5.18 of this Dispute Resolution Procedure. Within 10 (ten) Business Days after receipt of the Parties' written responses to the draft Independent Mediator Decision, the Independent Mediator shall accept or reject any contentions of the Parties, make such changes in the draft Independent Mediator Decision as he deems appropriate, and shall forward the final Independent Mediator Decision to the Parties.

- 5.17. The Independent Mediator shall consider the following in making the Independent Mediator Decision:
- (a) the facts and circumstances described by the Parties;
 - (b) evidence of such facts brought to his attention by the Parties, collected by himself under his own initiative or made legally available to him otherwise before the Completion Date.
- 5.18. The Independent Mediator shall base the Independent Mediator Decision on the terms of the Concession Agreement, the Bulgarian substantive Law, the Independent Mediator's own knowledge, and where appropriate Good Engineering and Operating Practices. The Independent Mediator's Decision is not an arbitral decision. Every Independent Mediator Decision shall be limited to the described facts and the requirements expressed by the Parties relating to the Dispute, and shall be submitted in writing. The Independent Mediator Decision shall be a recommendation and shall not bind the Parties save as provided in Art. 5.22. The Independent Mediator Decision shall be announced in writing to the Parties.
- 5.19. If a Party is dissatisfied with the Independent Mediator Decision, such Party shall notify the other Party in writing of its dissatisfaction (at the same time sending a copy of such notice to the Independent Mediator). Such notice of dissatisfaction must identify that part of the Independent Mediator Decision with which the Party is dissatisfied and must give reasons for the dissatisfaction.
- 5.20. The challenge to the Independent Mediator Decision may not be based on facts or evidence which had not been put forward for consideration by the Independent Mediator. However, it can be based on new evidence which was inexistent or was not known to the Party until the Completion Date. The Independent Mediator shall have sole authority to accept or reject such challenge.
- 5.21. Such notice of dissatisfaction shall be effective only if notification is issued within twenty (20) Business Days after the Independent Mediator Decision is notified to the Party, and shall be considered to be the beginning of Arbitration on the Dispute.
- 5.22. If the Independent Mediator Decision has not been disputed by any of the Parties under Art. 5.21., the Independent Mediator Decision, or its undisputed part, shall be taken as an agreement between the Parties (excluding the Independent Mediator's explanation of his reasoning) and shall become fully binding on the Parties unless the Parties agree otherwise in writing. Such Dispute shall not be put forward for resolution by Arbitration unless the Parties agree otherwise in writing.
- 5.23. Each Party has the right to disclose the Independent Mediator Decision (including the justification of the arguments) to any other person.
- 5.24. The Independent Mediator Decision, together with all disclosed facts and circumstances, gathered or presented to the Independent Mediator as evidence during the Intervention shall be allowed as evidence in any subsequent Arbitration on the same matter.

5.25. All timeframes under this Dispute Resolution Procedure for Independent Mediator Intervention may be prolonged only with the written approval of both Parties and the Appointing Authority.

6. **Costs**

6.1. The funding of the Independent Mediator shall be according to the Vienna Rules.

6.2. Any failure to pay a sum required under the Vienna Rules shall constitute an Event of Default under the Concession Agreement.

7. **Recourse to Arbitration**

7.1 Any Dispute may be submitted by any of the Parties for final resolution by arbitration, in accordance with the United Nations Commission on International Trade Law ("UNCITRAL") Rules in force at the time arbitral proceedings are commenced, provided that:

7.1.1 The Dispute has been referred to the Independent Mediator for Intervention under this Dispute Resolution Procedure and a Party has given notice of its dissatisfaction with the Independent Mediator Decision within the time frames required by this Dispute Resolution Procedure or

7.1.2 the Independent Mediator has not issued to the Parties the Independent Mediator Decision within the time frames required by this Dispute Resolution Procedure, or

7.1.3. the Parties agree in writing to refer the Dispute to Arbitration.

7.2 The Arbitration shall be carried out in accordance with the UNCITRAL Rules and the following provisions:

a. The Appointing Authority for the Arbitration shall be the Board of the International Arbitral Centre of the Austrian Federal Economic Chamber in Vienna and shall have all the powers specified for the Appointing Authority under the UNCITRAL Rules.

b. The Administering Authority for the Arbitration shall be the Court of Arbitration at the Bulgarian Chamber of Commerce and Industry.

c. The number of arbitrators shall be three. Insofar as permitted by the Law, and subject to the application of Art.3.2. above, no person shall be precluded from acting as an arbitrator, unless otherwise agreed in writing by the Parties.

d. The place of Arbitration shall be Sofia, Bulgaria.

e. The applicable substantive law shall be the Bulgarian Law.

f. The language used in the arbitral proceedings shall be English, unless the Parties otherwise agree in writing.

- g. All and any decisions of the arbitrators shall be made in accordance with the UNCITRAL Rules and in writing and shall be final and binding on the Parties ("the Arbitral Decision"). The Parties expressly exclude all and any rights of appeal from the Arbitral Decision, to the extent that such exclusion may be validly made.
 - h. The Parties on their behalf and on behalf of their advisers agree to keep confidential to the information, facts, arguments and proofs that have become known to them during or because of the Arbitration, save to the extent that such documents or information are in the public domain or their disclosure is required by a law or is reasonably necessary to protect or pursue a legal right or interests of any of the Parties.
- 7.3 The Arbitral Tribunal shall have the power to resolve the Dispute, and may review or revise any Independent Mediator Decision or findings of the Independent Mediator to the extent they have not become binding to the Parties under Art. 5.23. hereof. No agreements reached under Art. 5.23 which are binding on the Parties shall be subject to review or consideration by the Arbitral Tribunal.
- 7.4 The Parties agree that they will not request any new remedies or in any other way amend the nature of the Dispute as it was referred to the Independent Mediator in the Intervention, if such Intervention has been applied for that Dispute.
- 7.5 The funding of the Arbitral Tribunal shall be according to the UNCITRAL Rules.
- 7.6 Any failure to pay a sum required under the UNCITRAL Rules shall be considered to be an Event of Default under the Concession Agreement.

8. Notifications

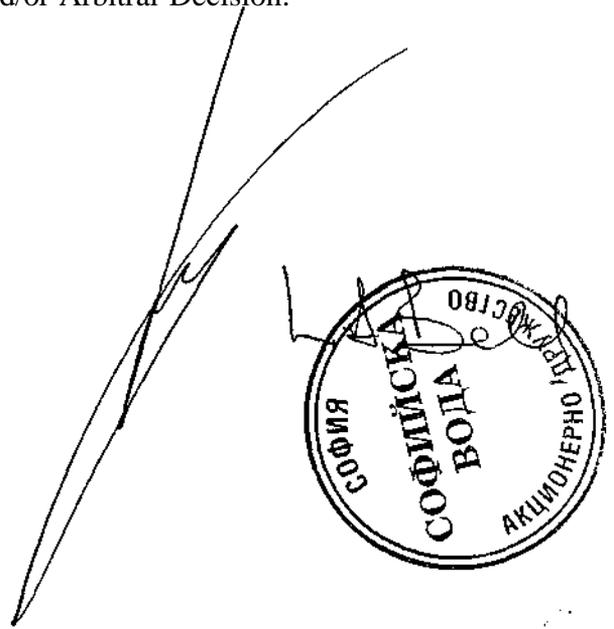
- 8.1. Any notification under this Dispute Resolution Procedure shall be sent in a way guaranteeing its receipt, to the addresses of the Parties, as follows:
- (a) The Municipality of Sofia: No 33 Moskovska Street, Sofia, Bulgaria;
 - (b) Sofiyska Voda AD: Mladost 4 Residential Area; 1, Business Park Street, Building 2A, Sofia, Bulgaria
- 8.2. Each Party shall notify the Appointing Authority, the Independent Mediator and the other Party of any change in its address within 30 days of the change becoming effective. If a Party fails to notify its change in address, then any notification delivered to the address on record herein shall be a deemed notice duly received by that Party.

9. Survival of Obligations

- 9.1. The obligations of the Parties under this Dispute Resolution Procedure shall survive the termination of this Concession Agreement and shall remain enforceable for the Parties notwithstanding such termination, until the earlier of 5 years from the Termination Date or the final settlement of all unsettled Disputes among the Parties.

10. Binding of Obligations

10.1. Any Independent Mediator Decision undisputed within the timeframes under Art. 5 hereof or any Arbitral Decision under Art. 6 shall be binding on the Parties. The Parties may not begin new proceedings in respect of the subject matter of any such binding Independent Mediator Decision and/or Arbitral Decision.



A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "СОФИЯ" (Sofia) on the left, "СОФИЙСКА" (Sofia) in the center, "ВОДА" (Water) on the right, and "АКЦИОНЕРНО ДРУЖЕСТВО" (Joint-stock company) at the bottom.