

MEMORANDUM
Of
UNDERSTANDING

Between

THE GOVERNMENT OF GEORGIA

“CALIK ENERJI SANAYI VE TICARET A.S.”

JSC “GEORGIAN STATE ELECTROSYSTEM”

JSC “GEORGIAN RUSSIAN ENERGO COMPANY”

LLC “ENERGOTRANS”

JSC “ELECTRICITY SYSTEM COMMERCIAL OPERATOR”

DATE: 11 OCTOBER, 2014

TBILISI, GEORGIA

The present Memorandum of Understanding (hereinafter the “MOU”) is signed on 11 October, 2014 by and between the following parties:

The Government of Georgia (hereinafter referred to as “GOG”) represented by the Minister of Energy of Georgia Mr. Kakha Kaladze;

“Calik Enerji Sanayi ve Ticaret A.S.” (hereinafter referred to as “Company”) represented by Chairman Ahmet Calik and Vice Chairman Osman Saim Dinc;

JSC “Georgian State Electrosystem” (hereinafter referred to as “GSE”) represented by Rehabilitation Manager/Chairman of Management Board, Mr. Sulkhan Zumburidze;

JSC “Georgian Russian Energo Company” (hereinafter referred to as “GREC”) represented by General Director, Mr. Romeo Mikautadze;

LLC “Energotrans” (hereinafter referred to as “ET”) represented by Director, Mr. Kakha Sekhniashvili;

JSC “Electricity System Commercial Operator” (hereinafter referred to as “ESCO”) represented by General Director, Mr. Vakhtang Ambokadze;

The parties sign the present MOU on follows:

DEFINITIONS

1. The following defined terms shall be used in the present MOU:
 - 1.1 **“Agreement”** means the Agreement that shall be signed by the parties for the purpose of starting the Construction Phase and is defined by the Annex 4 of the MOU.
 - 1.2 **“Applicable Law”** means all Georgian laws, ordinances, decisions, statutes, rules, regulations, orders, resolutions, specifications and decrees of any governmental authority having jurisdiction over the Parties, the Facilities or the Parties’ obligations under this MOU as the same may be modified, amended or repealed from time to time, including any requirements of or deriving from any permit obtained for the Facilities and/or any international treaties.
 - 1.3 **“Bank Guarantee”** means Preconstruction Security and/or Construction Security.

- 1.4 **"BOO"** means Build, Own, Operate, i.e. the exclusive right to design, construct, finance, own, implement, operate and maintain Facility for indefinite term.
- 1.5 **"Commencement of Operation"** shall mean the capability of the relevant Facility to generate electricity.
- 1.6 **"Construction Phase"** means, the time period starting from the date of execution of the Agreement until the actual date of Commencement of Operation of each Facility under which the Project Company is obliged to implement construction activities, but no later than the term of Construction Phase defined by the Annex 3 of the MOU unless otherwise provided herein or agreed by the Principal Parties.
- 1.7 **"Construction Security"** means bank guarantee provided by the Project Company for the purpose of securing the fulfillment of its obligations under Construction Phase.
- 1.8 **"Day/Days"** means any Gregorian calendar day(s).
- 1.9 **"Effective Date"** means the date of signing of the MOU.
- 1.10 **"Electricity (Power) Balance"** means the annual energy balance, approved by the relevant entity according to Applicable Law.
- 1.11 **"Facility"** means Alpana and Sadmeli HPP cascade as defined by the Annex 1 of the MOU.
- 1.12 **"Feasibility Study"** means the study/report to be prepared by the Company and/or Project Company for the Facility, which shall include (but not be limited to) all documents and/or data and/or information defined by the Annex 2 of the MOU and which confirms whether or not the Facility is technically, economically, financially and legally feasible, and can be completed within the time period set under this MOU.
- 1.13 **"Generation License"** means the document to be issued by the Georgian National Energy and Water Regulatory Commission ("GNERC") according to Applicable Law, that confirms the right of the Project Company for the generation of electricity of Facility, for indefinite time.
- 1.14 **"Guaranteed Power Purchase Agreement"** means the direct agreement(s) that shall be signed between the Project Company and ESCO in accordance with Article 19 of the MOU.

- 1.15 **"Investment Costs"** means, by reference to the accounts and financial statements of the Company and/or Project Company at the date of termination of this MOU:
- 1.15.1 if such termination takes place during the Construction Phase of the Facility, all the costs related with the Project during the construction period, including but not limited to, all construction costs, insurance costs, development costs, consultancy costs, financial costs (including interest during construction, bank fees and commissions), expropriation costs and all other costs related with Project during the period of construction of the Facility; and
- 1.15.2 if such termination takes place after the completion of construction of the Facility, all the investments costs not recovered related with the Project until such termination date, including but not limited to, all construction costs, operating costs, insurance costs, development costs, consultancy costs, financial costs (including interest, bank fees and commissions), expropriation costs, the accrued interest on the outstanding balance of the loan provided by the Lenders until the termination date and all other costs related with the Project up to the date of termination of the Project.
- 1.16 **"Lenders"** means private or public finance institutions, corporations, funds, banks, accounts, office corporates etc. that provide debt or project financing to the Company and/or Project Company for the purpose of implementation of the Projects.
- 1.17 **"Ministry"** means the Ministry of Energy of Georgia.
- 1.18 **"New Transmission Line"** means the power transmission line connecting 500/400/220 kV Substation "Akhaltzikhe" to the substation "Tortum".
- 1.19 **"Parties"** means GOG, Company, Project Company (where applicable), GSE, GREC, ET and ESCO jointly.
- 1.20 **"Plant"** means Alpana hydro power plant and Sadmeli hydro power plant separately with the parameters defined by the annexes of the MOU.
- 1.21 **"Power Transmission Network"** means the power transmission lines and substations (including Akhaltzikhe – Borchka power transmission line located in Georgia and 500/400/220 kV Substation "Akhaltzikhe") necessary for transmission of electricity to the Turkish border, owned and operated by GSE, ET and/or GREC.

- 1.22 **"Preconstruction Phase"** means the time period starting on Effective Date of the MOU until the date of commencement of Construction Phase of the Project under which the Company and/or Project Company is obliged to implement preconstruction activities, but no later than the term of Preconstruction Phase defined by the Annex 3 of the MOU unless otherwise provided herein or agreed by the Principal Parties.
- 1.23 **"Preconstruction Security"** means the bank guarantee provided by the Company for the purpose of securing of fulfillment of Company's and/or Project Company's obligations in relation to relevant Facility, as applicable under Preconstruction Phase.
- 1.24 **"Principal Parties"** means the GOG and Company or Project Company where applicable.
- 1.25 **"Project"** means implementation of feasibility study, environmental and social impact assessment, construction and operation of the Facility defined by the Annex 1 of the MOU on BOO basis.
- 1.26 **"Project Company"** means the company to be established by the Company in accordance with the Applicable Law but in any case before Construction Phase.
- 1.27 **"Site"** means site where the Facility will be constructed and operated in accordance with the MOU.
- 1.28 **"State"** means State of Georgia.
- 1.29 **"Take-or-Pay Principle"** means the principle whereby, in accordance with the terms of the TDA:
- a) GSE, ET and GREC shall provide Project Company with necessary dispatch and transmission services and ET additionally with necessary capacity through its own portion of Akhaltsikhe-Borchka power transmission line to export electricity produced by each plant to the Turkish border for a period of 15 (Fifteen) years in respect of each Plant after the operation of each Plant and if ET, GSE and/or GREC does not provide the Project Company with necessary dispatch and transmission services and ET additionally with necessary capacity through its own portion of Akhaltsikhe-Borchka power transmission line to export electricity produced by each Plant to the Turkish border,

defaulting party according to the TDA shall reimburse the Project Company the full amount of the loss of profit which the Project Company incurs as a result of not being able to transmit to Turkey through the Power Transmission Network which will be calculated according to the terms of TDA; and

- b) the Project Company agrees to pay ET, GSE and GREC a specified amount for the services being provided by them to the Project Company in connection with the Power Transmission Network and if the Project Company utilizes such transmission services from ET, GSE and/or GREC in an amount less than such specified amount, the Project Company shall nevertheless pay such specified amount during the period specified in the TDA, except when the Project Company notifies ET, GSE and GREC according to the TDA about the capacity which shall not be used.

1.30 **"TDA"** means Transmission and Dispatch Agreement to be signed between the Project Company and GREC, GSE, ET which shall form a legal basis for ensuring transmission of the generated electricity by the relevant Facility for the export purposes through Power Transmission Network.

1.31 **"Technical Parameters of the Facility"** means the location, installed capacity and annual production of the relevant Facility as provided in Annex 1 of the MOU which may be amended subject to Article 29.2 of the MOU.

PURPOSE AND SUBJECT OF THE MOU

2. The purpose of the MOU is the implementation of the Project by the Company and/or Project Company on BOO basis under the Applicable Law and the terms and conditions set out herein.
3. The Company is authorized to transfer its full or partial rights and/or obligations hereunder to any third party, subject to approval by the GOG. The GOG shall not unreasonably withhold such approval. For the avoidance of doubt, transfer of any rights and/or obligations between the Company and the Project Company shall not require GOG's express approval or consent which is deemed to have been given.
4. The Company will ensure that Project is implemented through the Project Company. For this purpose, the Company will ensure that within 10 (ten) days of the date of its establishment and registration in the public registry of the Ministry of Justice of the State, the Project Company takes on the liabilities and obligations set out in this MOU and shall deliver to GOG a document signed by the Company and the Project Company in the form set out in Annex 5 (*Deed of*

Adherence) of this MOU. After sending the Deed of Adherence and the Project Company provides the Construction Security in accordance with Article 13.1 of the MOU, the Company shall be released from any liability against the GOG, ESCO, ET, GSE and GREC as well as the GOG, ESCO, ET, GSE and GREC shall be released from any liability against the Company and the Project Company shall be solely liable for implementation of the Project.

PRECONSTRUCTION PHASE

5. Preconstruction Phase starts on the Effective Date of the MOU and ends on the date of commencement of Construction Phase.
6. The Company and/or Project Company within the Preconstruction Phase in accordance with the terms and conditions defined by the Annexes 1, 2 and 3 of the MOU is obliged to:
 - 6.1 Locate and determine the lands necessary and/or affected for the implementation of the Project;
 - 6.2 Without prejudice to Article 29.2 of the MOU, conduct the full Feasibility Study for the Facility according to the schedule defined by the Annex 2 (within the Technical Parameters of the Facility defined by the Annex 1 of the MOU) of the MOU, finalize the Feasibility Report for the Facility and present it to the Ministry;
 - 6.3 Finalize the environmental and social impact assessment report for the Facility, and present it to the Ministry of Environmental and Natural Resources Protection of Georgia and to the Ministry;
 - 6.4 Conduct the relevant public hearings defined by the Applicable Law for the Facility and present the results to the Ministry of Environmental and Natural Resources Protection of Georgia and to the Ministry;
 - 6.5 Without prejudice to Article 29.2 of the MOU, submit the proposal to the GOG on construction and operation of relevant Facility on BOO basis within the Technical Parameters of the Facility defined by the Annex 1 of the MOU.
7. In case the Company, as a result of implementing the obligations defined by Articles 6.1, 6.2, 6.3, 6.4 and 6.5 of the MOU decides to construct and operate the Facility on BOO basis, or decides to construct and operate the Facility with technical changes in accordance with Article 29.2 the Company shall present the GOG the proposal within the time frame defined by Annex 2 of the MOU, and it shall include the following:
 - 7.1 Company's decision on construction and operation of the Facility on BOO basis by the Project Company;
 - 7.2 Full technical parameters, including capacity and annual generation of the Facility;

- 7.3 Exact coordinates of allocation of the Facility and elevations of the river;
 - 7.4 Approximate investments required for implementation of the Facility;
 - 7.5 Feasibility Study of the Facility;
 - 7.6 Environmental and social impact assessment report (including the results of relevant public hearings defined by the Applicable Law).
8. If according to the results of the Feasibility Study and/or environmental and social impact assessment report, the construction and operation of the Facility is technically and/or economically unfeasible for the Company and/or Project Company, the Company shall have the right not to implement the Facility and shall deliver the notification of such decision to the GOG before submission of the proposal in accordance with Article 7 of the MOU.
9. The GOG within 3 (three) months after receiving the proposal of the Company shall discuss the issue of construction and operation of the Facility, and make a decision. This decision shall only be based on environmental and social impact assessment report and/or the results of relevant public hearings defined by the Applicable Law. If the decision of the GOG is positive, the Principal Parties shall sign the Agreement within the 1 (one) month following the date of notification of GOG's decision to the Company and/or Project Company. In case of GOG's negative decision the GOG shall return the remaining Preconstruction Security within 30 (thirty) days.
10. Preconstruction Security.
- 10.1 For the purpose of securing the fulfillment of obligations of the Company and/or Project Company under the Preconstruction Phase for the Facility including Feasibility Study and environmental and social impact assessment report, the Company has provided the GOG the Bank Guarantee in an amount of 1.118.000 (one million one hundred and eighteen thousand) US Dollars. The Preconstruction Security provided by the Company shall remain in force until the date falling 2 (two) months after the terms of Commencement of Construction Phase.
- 10.2 The GOG is entitled to redeem the above mentioned Preconstruction Security, claim and receive the full or partial amount under the bank guarantee in following cases and under the following conditions:
- a) If the Company and/or Project Company violates the relevant schedule defined by the Annex 2 of the MOU for more than 30 (thirty) days in total with respect to the Facility the GOG shall be entitled to redeem 50% (fifty percent) of the Preconstruction Security;
 - b) If the Company and/or Project Company violates the relevant schedule defined by the Annex 2 of the MOU for more than 60 (sixty) days in total the GOG shall be entitled to redeem the full amount of Preconstruction Security;

CONSTRUCTION PHASE

11. Construction Phase starts on the date of execution of the Agreement defined by the Annex 4 of the MOU and ends on the actual date of Commencement of Operation of the Facility.

12. The Project Company within the Construction Phase is obliged to:

12.1 Obtain the relevant rights for the lands necessary and/or affected for the implementation of the Project;

12.2 Commence construction works based on construction permit of the relevant Facility according to the Applicable Law within the time frame defined by the Annex 3 of the MOU.

12.3 Without prejudice to 29.2 of the MOU, construct the Facility according to the Technical Parameters of the Facility defined by the Annex 1 of the MOU and ensure Commencement of Operation of the Facility within the time frame defined by the Annex 3 of the MOU.

12.4 Ensure necessary funds for effective implementation of the Project. In case all permits are obtained for the implementation of the relevant Project but the financial closing cannot be achieved on such time then the Parties shall agree on an equitable extension of time provided that such extension of time shall be minimum 3 (three) months.

12.5 Ensure the construction in accordance with the security and environmental and other standards defined by the Applicable Law;

12.6 Ensure, at its own expenses, the full and free access of the representatives of GOG, Ministry, Ministry of Environmental and Natural Resources and Environmental Protection of Georgia and/or any entitled GOG entity for the purpose of monitoring the construction process.

12.7 If requested ensure the quality and security monitoring of the construction materials at its own expense.

13. Construction Security.

13.1 For the purpose of securing the Construction Phase namely the terms of commencement of construction works based on construction permit and Commencement of Operation of the Facility defined by the Annex 3 of the MOU, the Project Company shall within 10 (ten) days after signing the Agreement provide the GOG with Construction Security in an amount of 50.000 USD /MW of the Facility if the installed capacity is more than 100 MW or 100.000 USD /MW of the Facility if the installed capacity is 100 MW or less than 100 MW. Construction Security provided by the Project Company shall remain in force until the date falling 5 (five) months after the terms of Commencement of Operation of the Facility as defined by the Annex 3 of the MOU. The Construction Security submitted by the Project Company shall be issued by any bank licensed by State or the OECD member countries. Once the Construction Security is provided by the Project Company, the Preconstruction Security shall be duly returned to the Company within 30 (thirty) days.

- 13.2 The violation by the Project Company of the term of commencement of construction works based on Construction Permit defined by the Annex 3 of the MOU shall cause the penalization of the Project Company, in an amount of 0,5% (zero point five percent) of the Construction Security, for each delayed day. Herewith the imposed fine shall be paid by the Project Company within 15 (fifteen) days from receiving the request from Ministry. In case fine is paid by the Project Company, the respective Construction Security shall be reduced in accordance with the amount paid by the Project Company.
- 13.3 The violation by the Project Company of the term of Commencement of Operation defined by the Annex 3 of the MOU shall cause the penalization of the Project Company, in an amount of 0,5% (zero point five percent) of the Construction Security, for each delayed day. Herewith the imposed fine shall be paid by the Project Company within 15 (fifteen) days from receiving the request from Ministry. In case fine is paid by the Project Company, the Construction Security shall be reduced in accordance with the amount paid by the Project Company.
- 13.4 If the implementation progress of the Project is at least 60% (sixty percent) of total investments defined by the feasibility study at the time the fine has reached 50% (fifty percent) of the Construction Security, then the Principal Parties shall agree on an equitable extension of time and the date of Commencement of Operation shall be updated accordingly.
- 13.5 The GOG is entitled to redeem the Construction Security, claim and receive the full or partial amount under such Construction Security in following cases and under following conditions:
- a) If the Project Company refuses to pay the fine imposed on it according to Article 13.2 and 13.3 of the MOU, the GOG shall be entitled to redeem an amount equal to the unpaid fine from the Construction Security.
 - b) If GOG terminates the MOU according to Article 22 of the MOU the GOG shall be entitled to redeem in a full amount of the Construction Security.

GENERAL CONDITIONS

14. For the first 10 (ten) years of operation, beginning from the date of Commencement of Operation of the Facility (the "Initial Operation Period"), the 20% (twenty percent) of factual annual power generation of the Facility shall be sold during the winter months of each year, being the months of January, February, March, October, November and December (the "Winter Months") shall be exclusively sold to ESCO. Annual projected amount of electricity that should be generated by the Facility, shall be reflected in the Electricity (Power) Balance in accordance with the Applicable Law of the respective year or other similar document. If, the production of electricity in first Winter Months of Initial Operation Period is less than 20% (twenty percent) of annual projected amount of electricity (according the Electricity (Power) Balance valid as of January, 1st), the

difference between factual production and the 20% (twenty percent) of annual projected amount of electricity shall be produced and supplied to ESCO in the following Winter Months or any other month(s) determined by ESCO. The difference between the 20% (twenty percent) of factual annual power generation and 20% (twenty percent) of annual projected amount of electricity (if any) should be taken into account in the next year.

15. For the purpose of Article 14 of the MOU, for the Initial Operation Period, during the Winter Months, the Project Company shall sell the generated power in accordance with the Guaranteed Power Purchase Agreement to be signed with ESCO with a tariff of 4.5 (four point five) USD Cent per KWh (“ESCO Price”) at the inter connection point. Other than the Winter Months of the Initial Operation Period mentioned in Article 14 of the MOU, the Project Company is entitled to sell generated power at its sole discretion and may export or sell the electricity to ESCO for the price as it will be agreed by the ESCO and Project Company.
16. The Company and/or Project Company at its sole discretion has the right to work with local and/or foreign subcontractors for implementation of relevant Project.

OBLIGATIONS OF THE PARTIES

17. For the purposes of implementation of the Project, subject to the terms of this MOU and the Applicable Law, the Project Company shall:
 - 17.1 Ensure due implementation of the Project;
 - 17.2 Without prejudice to Article 29.2 of the MOU, maintain the Facility within the Technical Parameters.
18. The obligations of the GOG are as follows:
 - 18.1 The GOG within its competence shall use its best endeavors to assist the Company and/or the Project Company with the implementation of the Project in any manner, which shall include the issuance of any permits and licenses including construction permit, Generation License etc. which are required for implementation of the Project provided the Company and/or Project Company meets the relevant requirements in accordance with the Applicable Law.
 - 18.2 The GOG within its competence shall use its best endeavors to prevent any possible delay in importation of any material to the State for the purposes of the Project, provided that the Company and/or the Project Company has met the relevant requirements in accordance with the Applicable Law.

18.3 The GOG shall ensure that proposals for providing the necessary land plots for the Facility are satisfied and it shall transfer State owned lands required for the Project to the Company and/or Project Company at the normative price set out in Applicable Law. Furthermore, considering the importance of the Project, the GOG declares that the Project is of State importance and it shall use best efforts to assist the Company and/or Project Company in expropriation procedures in accordance with the Applicable Law.

18.4 Noting the will of the Project Company to export electricity to Turkey, within 90 (ninety) days as of the Effective Date the GOG in accordance with the Applicable Law and within its competence shall use its best endeavors to assist the Project Company to sign the relevant TDA with GSE, GREC and ET in order to provide Project Company with necessary dispatch and transmission services and ET additionally with necessary capacity through its own portion of Akhaltsikhe-Borchka power transmission line to export electricity produced by each Plant to the Turkish border and Guaranteed Power Purchase Agreement with ESCO.

18.5 Without prejudice to Article 29.2, the GOG shall not initiate, approve, authorize, consent to or otherwise endorse any projects, developments or other schemes (of whatever nature) which may adversely affect (in the reasonable opinion of the Company and/or Project Company) the Technical Parameters of the Facility and/or profitability of the Project without prior written consent of the Company and/or Project Company.

18.6 All fossils, coins, articles of value or antiquity, and structures and other remains or items of geological or archaeological interest, man-made and other physical obstructions and pollutants, underground pipelines and conduits, contaminated soils, hazardous landfill and similar found on the Site shall be removed under the care and authority of the GOG.

19. The obligations of the ESCO are as follows:

Sign the Guaranteed Power Purchase Agreement with the Project Company within 90 (ninety) days after the Effective Date.

20. For the purpose of export of electricity produced by the Facility:

20.1 GSE, ET and GREC shall provide Project Company with necessary dispatch and transmission services and ET additionally with necessary capacity through its own portion of Akhaltsikhe-Borchka power transmission line to export electricity produced by each Plant to the Turkish border, by means of the TDA based on the Take-or-Pay Principle for a period of 15 (Fifteen) years in respect of each Plant after the operation of each Plant;

20.2 Within 90 (ninety) days after the Effective Date GSE, ET, GREC and Project Company shall sign TDA;

20.3 In case the New Transmission Line is constructed until year 2020 the Project Company in addition shall be granted with the right to export electricity produced by the Facility through this line for a period of 10 (Ten) years following the term defined in article 20.1, based on Take or Pay principle.

EXTENSION OF TIME

21. The Company and/or Project Company shall have the right to request time extension should any of the following events affect implementation of the Project, for a period at least equal to delay arising out of following events;
- 21.1 a force majeure event; or
 - 21.2 any default or breach under the MOU by GOG, ET, GSE, GREC or ESCO;
 - 21.3 State or local self-governing bodies of Georgia, or their representatives acting illegally, failing to act, or not fulfilling their obligations (fully or partially) or judicial orders or decisions, injunction of a governmental authority or any delays attributable to the GOG or any State or local self-governing bodies of Georgia; or
 - 21.4 any transmission and/or dispatch licensees of the Georgian electricity system or their representatives acting illegally, failing to act, or not fulfilling their obligations (fully or partially); or
 - 21.5 Company and/or Project Company applies for any permits, licenses, approvals, authorizations, etc. including any permit required for Preconstruction Phase works, construction permit, Generation License etc. which are required for implementation of the relevant Project and has met relevant requirements in accordance with the Applicable Law and such are not issued by the State authorities within reasonable period or in accordance with Applicable Law; or
 - 21.6 if the Company and/or Project Company due to the reasons attributable to GOG cannot access to the Site to perform necessary works specified in Annex 2 and Annex 3 despite Company and/or Project Company has met relevant requirements in accordance with the Applicable Law; or
 - 21.7 any other event which could not have been reasonably foreseen at the time of Effective Date of the MOU and not being attributable to the Company and/or Project Company including but not limited to exceptional adverse climatic conditions, natural physical conditions, subsurface conditions, public resistance.
 - 21.8 For avoidance of any doubt the Company and/or Project Company shall not have the right to request time extension if events affecting the implementation of the Project are caused by contractors and/or subcontractors of the Company and/or Project Company.

TERMINATION OF THE MOU

22. The GOG may terminate the MOU partially or wholly and unilaterally, by serving the written notice to the Company and/or Project Company, in following cases:
 - 22.1 In case the Company and/or Project Company violates the Schedule defined by Annex 2 of the MOU and such violation lasts for more than 60 (sixty) days in total.
 - 22.2 In case the amount of fine, according to Article 13.2 of the MOU reaches 50% (fifty percent) or more of the full amount of the initial Construction Security.
 - 22.3 In case the amount of fine, according to Article 13.3 of the MOU reaches 50% (fifty percent) or more of the full amount of the initial Construction Security and the implementation progress of the Project is lower than 60% (sixty percent) of total investments defined by the feasibility study.
 - 22.4 In case the Project Company fails to fulfill its obligation within the timeline defined by the Parties according to article 13.4 of the MOU.
23. The termination of the MOU by the GOG partially or wholly and unilaterally shall cause the following:
 - 23.1 The rights (including ownership rights) on the land plots necessary and/ or affected for the implementation of the Project shall be transferred to the State free of charge.
 - 23.2 The Company and/or Project Company shall be deprived the right to implement the relevant Project.
 - 23.3 Exclusive ownership rights of the Feasibility Study and the environmental and social impact assessment reports, as well as any other documents and drawings related to the Project which may be in possession of the Company and/or Project Company (including new documents developed by the Company and/or Project Company) shall be transferred to the GOG for free of charge.
 - 23.4 In case of termination of this MOU by the GOG in accordance with Article 22.4 of the MOU the ownership right of the Project (including all movable and immovable assets necessary for the construction and/or operation of the Facility) shall be transferred to the State free of charge, after which within 2 (two) years the GOG shall insure the compensation of the Project Company with the documented Investment Costs.
 - 23.5 In case of termination of this MOU by the GOG in accordance with Article 22.3 of the MOU the ownership right of the Project (including all movable and immovable assets necessary for the construction and/or operation of the Facility) shall be transferred to the State free of charge, after which within 2 (two) years the GOG shall insure to conduct an open tender for the existing Project (with the same conditions defined by this MOU). If the price payable to the GoG by the entity, that was announced as a winner is more than the documented Investment Costs of the Project Company, than the Project Company shall only receive the amount equal to documented Investment Costs, but if the the price payable to the GoG by

the entity, that was announced as a winner is less than the documented Investment Costs of the Project Company, than the Project Company shall only receive this amount and it shall not have the right to request any further compensation. Herewith the Company and/or Project Company shall have the right to participate in above mentioned open tender.

24. The Company and/or Project Company may terminate the MOU partially or wholly and unilaterally, by serving the written notice to the GOG, in following cases:

24.1 If the GOG fails to fulfill its liabilities as given in Article 18 hereunder. The GOG must be notified no later than 30 (thirty) days prior to such termination.

24.2 The Company elects to exercise its right under Article 8 of the MOU. The GOG must be notified no later than 30 (thirty) days prior to such termination.

24.3 In case the GOG decides not to implement the Facility despite Company makes a decision to implement the Facility in accordance with Article 7 of the MOU.

24.4 In case if events (or one of them) as specified in Article 21 of the MOU continues for more than 90 (ninety) days.

24.5 In case the TDA and/or Guaranteed Power Purchase Agreement with respective parties cannot be executed within 90 (ninety) days period of time after the Effective Date or the mentioned agreements are terminated for reasons not attributable to the Company and/or Project Company and such failure of the GOG and relevant Parties is not remedied by the GOG within 90 (ninety) days as of providing the written information.

24.6 In case if the GOG or any public sector entity expropriates, compulsorily acquires, nationalizes or otherwise compulsorily procures the Facility, any capital or any assets of the Project Company whether in whole or part.

24.7 In case the MOU is not amended as per 29.3.

25. The termination of the MOU according to Article 24 of the MOU by the Company and/or Project Company shall cause the following:

25.1 The rights (including ownership rights) on the land plots necessary and/ or affected for the implementation of the Project shall be transferred to the State.

25.2 The Company and/or Project Company shall be deprived the right to implement the Project.

25.3 Exclusive ownership rights of the Feasibility Study and the environmental and social impact assessment reports, as well as any other documents and drawings related to the Project which may be in possession of the Company and/or Project Company (including new documents developed by the Company and/or Project Company) shall be transferred to the State.

- 25.4 The Company and/or Project Company shall be entitled to receive the documented Investment Cost in case the MOU is terminated in accordance with Article 24.4 on the basis of Articles 21.2 or 21.3 or 21.4 or 21.5 or 21.6 of the MOU.
- 25.5 The Company and/or Project Company shall be compensated with relevant fair market value of the Facility or Facilities (including Investment Cost) at that time in case the MOU is terminated in accordance with Article 24.6 of the MOU.
- 25.6 If Company terminates the MOU wholly or partially in accordance with Article 24.3 of the MOU and GOG thereafter decides to proceed with implementation of the Project, GOG shall first offer the right to develop the Project to the Company and/or Project Company at least with the same terms and conditions of this MOU.
- 25.7 If the MOU is terminated during Construction Phase as per Article 24 of the MOU then the GOG shall return the existing Construction Security within 30 (thirty) days after termination date.
26. Termination of the MOU by the GOG or by the Company and/or Project Company shall cause the termination of the MOU for all Parties and accordingly the termination of the TDA.

DISCRIMINATORY CHANGE IN LAW AND TAX

27. The GOG agrees that it shall not initiate or propose any discriminatory changes in the law of Georgia or approve or otherwise allow any regulations which would apply expressly to:
- 27.1 The Project and not to similar projects procured under an agreement with the GOG.
- 27.2 The Company and/or Project Company and not to other persons and/or
- 27.3 Any contractors or operators with whom the Company and/or Project Company has entered into contractual arrangements in connection with the Project and not to other persons.
28. The GOG shall not initiate any regulation or amendment to the law in respect of any discriminatory taxes or other similar duties to be imposed, which would apply expressly to:
- 28.1 The Project and not to similar projects procured under an agreement with the GOG;
- 28.2 The Company and/or Project Company and not to other persons and/or
- 28.3 Any contractors or operators with whom the Company and/or Project Company has entered into contractual arrangements in connection with the Project and not to other persons.

AMENDMENTS OF THE MOU

29. Amendments;

- 29.1 This MOU may be amended by written agreement between the Parties.
- 29.2 After finalization of environmental and social impact assessment report and Feasibility Report, the MOU shall be amended due to the changes in Technical Parameters of the Facility upon request of the Company and/or Project Company provided that it should be acceptable to the GOG.
- 29.3 Until Commencement of Construction of the relevant Facility by the Project Company, the MOU may be amended in accordance with reasonable request from Lenders provided that it should be acceptable to the GOG.
- 29.4 Parties agree that the MOU shall be amended in case of global and/or local financial adverse condition occurs provided that it should be acceptable to the GOG.
- 29.5 If any provision of this MOU becomes invalid or unenforceable, the validity of other provisions shall not be affected.

NOTIFICATIONS

30. A notice under or in connection with this MOU (a "Notice"):

- 30.1 Shall be in writing.
- 30.2 Shall be made in English language.
- 30.3 Shall be delivered personally or sent by first class post (and air mail if overseas) courier, or fax and/or electronically (with original to follow) to the party.
- 30.4 Notice given under the Article 30 of the MOU is effective when actually received.
- 30.5 Notice given under this MOU shall be addressed to the Party at its address set out below or at each other address as the Party may designate in writing:

(i) The Government of Georgia

Address: 2 Sanapiro Str, 0105 Tbilisi, Georgia

Telephone: (+995 32) 235 78 04

Attention: Ministry of Energy of Georgia, His Excellency, The Minister

E-mail: mail@energy.gov.ge

(ii) The Company

Address: Yasam Cad. Akplaza No: 7, Kat: 13, 06520 Sogutozu, Ankara, Turkey

Telephone: +90 312 207 71 08

Attention: Yildiray Tinar, Director

Fax: +90 312 207 71 09

E-mail: yildiray.tinar@calikenerji.com

(iii) JSC "Georgian State Energosystem"

Address: Address: 2, Baratashvili Street, Tbilisi, Georgia, 0105

Telephone: + (99532) 2 510 202

Attention: Mr. Sul Khan Zumburidze, Rehabilitation Manager/Chairman of Management Board

Fax: + (99532) 2 98 37 04

E-mail: info@gse.com.ge

(iv) JSC "Georgian Russian Energo Company"

Address: 2 Marshal Gelovani, 0159, Tbilisi, Georgia

Telephone: +995 32 238 32 76

Attention: Mr. Romeo Mikautadze, General Director

Fax: +995 32 238 32 76

E-mail: info@sakrusenergo.ge

(v) LLC "Energotrans"

Address: 2 Baratashvili Street, Tbilisi, Georgia

Telephone: +995 (32) 2510315

Attention: Mr. Kakha Sekhniashvili, Director

E-mail: info@energotrans.com.ge

(vi) JSC "Electricity System Commercial Operator"

Address: 2 Baratashvili Street, Tbilisi, Georgia;

Telephone: +995 (32) 2401 420

Attention: Mr. Vakhtang Ambokadze, General Director

Fax: +995 (32) 2 601-915

E-mail: office@esco.ge

GOVERNING LAW AND DISPUTE RESOLUTION

31. This MOU shall be governed by the laws of Georgia.

32. The Parties hereto will use their best efforts to settle amicably any dispute, controversy or claim arising out of or in connection with, or the breach, termination, invalidity or interpretation of the MOU.

33. Any dispute or controversy arising out of or in relation to this MOU shall be finally settled by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("ICC") by 1 (one) or more arbitrators appointed in accordance with said Rules.

FORCE MAJEURE

34. Force Majeure shall mean any event beyond the reasonable control of either Party, the occurrence of which could not have been reasonably foreseen at the date of signing the MOU, including but not limited to, war (whether declared or not), revolution, riot, rebellion, civil war, insurrection, general and illegal strikes, strikes of employees of the third companies, civil commotion, invasion, armed conflict, hostile act of a foreign enemy, blockade, embargo, act of terrorism, sabotage, civil disturbance, radiation, biological or chemical contamination, ionizing radiation, explosion, fire, epidemic, cyclone, tidal wave, landslide, lightning, earthquake, flood, volcanic eruption, other natural disaster or calamity of any kind and any other similar event.
35. If any Party hereto is affected by Force Majeure as defined in previous article, it shall give written notice immediately after becoming aware thereof to the other Party. A detailed report elaborating the reasons and consequences of the Force Majeure event will be provided by any affected Party to the other Party.
36. If a Force Majeure event shall prevent the total or partial performance of any of the obligations of either Party under the MOU, then the Party claiming Force Majeure shall be excused from whatever performance is prevented thereby to the extent so affected and the other Party shall not be entitled to terminate this MOU except as otherwise provided herein.

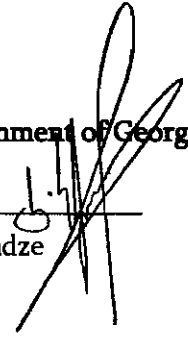
ADDITIONAL CONDITIONS

37. The MOU enters into force on the Effective Date and is in force for the indefinite period of time unless it is terminated in accordance with the MOU.
38. The Parties agree that the Company and/or Project Company and the shareholders in the Company and/or Project Company shall be entitled to provide any security to the Lenders, without obtaining the prior written consent from the GOG except for state owned lands in connection with the financing to be provided by the Lenders for the Project.
39. The shareholders in the Project Company shall be entitled to sell, assign or transfer any or all of their shares to any other person or entity upon consent of the GOG (which cannot unreasonably withheld). However, the shareholders in the Project Company shall be entitled to sell, assign or transfer any or all of their shares to any other person or entity after 10 (Ten) years following Commencement of Operation date without consent of GOG.

40. The MOU is made in English language, into 6 (six) equally binding copies.

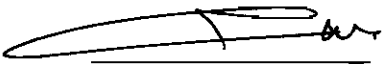
SIGNATORIES

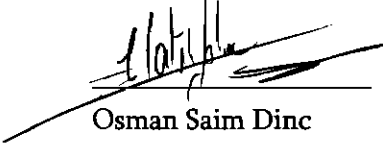
The Government of Georgia



Kakha Kaladze

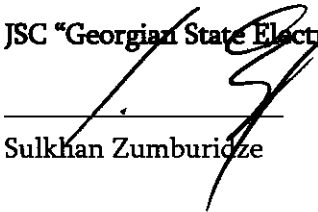
“Calik Enerji Sanayi ve Ticaret A.S.”



Ahmet Calik

Osman Saim Dinc

JSC “Georgian State Electrosystem”



Sul Khan Zumburidze

JSC “Georgian Russian Energo Company”



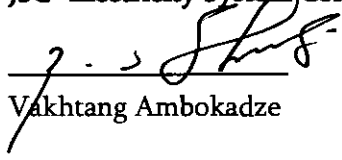
Romeo Mikautadze

LLC “Energotrans”



Kakha Sekhniashvili

JSC “Electricity System Commercial Operator”



Vakhtang Ambokadze

ANNEX 1

#	NAME	LOCATION	RIVER ELEVATION		ANNUAL PRODUCTION (GWH)	CAPACITY (MW)
1	Alpana HPP	River Rioni	438	366	356.8	70.6
2	Sadmeli HPP	River Rioni	655.5	504	637.6	153

ANNEX 2	The Quantity of Months from the date of signing the Memorandum					
	3	6	9	12	15	18
<i>Name of HPP: Alpana and Sadmeli</i>						
Sites and main parameters definitions						
Topographical Surveys and Preparation of Maps						
Geological, Geophysical						
Seismic Risk analysis						
Construction Materials Survey						
Meteorological and Hydrological Studies						
Hydraulic Studies						
Alternative Analysis						
Technical Design						
Infrastrucure						
Power Generation and Utilization						
Transmission System Associated						
Ecology						
Bills of Quantities						
Construction Organization						
Economic Analysis.						
Financial Analysis.						
Procurement Planning and Execution Scheme						
Timetable of Work- Force Training						
Feasibility Study completion and Submission						
Environmental and Social Assasment report completion and Submission						
Conduct the public Hearings an submit the results						
Locate and determine the lands necessary for the implementation of the Project						
Subbbmission of the proposal to the Government about the implementation of the Project						

ANNEX 3

PRECONSTRUCTION PHASE		CONSTRUCTION PHASE	
Start	End	Start	End
The date of execution of the Memorandum	The date of execution of the Agreement	The date of execution of the Agreement	Commencement of Operations
22 Months after the Memorandum is executed		Commencement of Construction Works based on Construction Permit - 12 months after the execution of the Agreement	Commencement of Operations - 48 months after the Construction Permit is acquired

A G R E E M E N T

(Annex 4 to the Memorandum of understanding signed between the Government of Georgia, Company, JSC "Georgian State Electrosystem", JSC "Georgian Russian Energo Company", Energotrans" LLC and JSC "Electricity System Commercial Operator" on 11 October, 2014 (hereinafter: "MOU"))

Tbilisi

The Government of Georgia (hereinafter referred to as "**GOG**") represented by the Minister of Energy of Georgia Mr. Kakha Kaladze;

"Calik Enerji Sanayi ve Ticaret A.S." (hereinafter referred to as "**Company**") represented by Chairman Ahmet Calik and Vice Chairman Osman Saim Dinc;

Whereas the parties based on Feasibility Study, environmental and social impact assessment and the results of public hearings prepared and submitted by the Company/Project Company according to the MOU have made a mutual decision on Construction of Facility Defined by the Annex 1 of the MOU.

Therefore parties sign the present Agreement to commence the Construction Phase.

1. The Company/Project Company is obliged to submit the GOG the bank guarantee according to the article 13.1 of the MOU within the 10 days after signing the present agreement.
2. The present Agreement enters into force and is effective from the day, when Company/Project Company fulfills its obligation under the article 1 of this Agreement
3. In case the Company/Project Company has not fulfilled its obligation under the article 1 of this Agreement the MOU is terminated and the consequences defined by the MOU shall apply.
4. Signatures:

Annex 5 - DEED OF ADHERENCE

THIS DEED OF ADHERENCE is made and entered into on [date] by [insert details of the Project Company] (hereinafter, the "**Project Company**").

WHEREAS: On 11 October, 2014 the Company and the Government of Georgia (the "**GOG**") signed the Memorandum of Understanding regarding the construction, ownership, and operation of Alpana and Sadmeli Hydro Power Plants (the "**MOU**");

WHEREAS: Pursuant to MOU the Company undertook to establish the Project Company and ensure undertaking of all of the Company's obligations under the MOU by the Project Company; and

WHEREAS: The Project Company is willing to be irrevocably bound by the obligations of the Company under the MOU.

NOW, THEREFORE, the Project Company agrees to the following:

1. The Project Company hereby accedes to the MOU entered into by the Company and agrees to be bound by the rights, obligations and liabilities of the Company under the MOU. The Project Company irrevocably and unconditionally assumes all of the obligations, and liabilities of the Company under the MOU. Insofar as obligations under the MOU from the date of execution of this Deed of Adherence are concerned, but in any case no later than the Construction Phase as defined under the MOU.
2. As of the date of execution of this Deed of Adherence by the Project Company, the Project Company shall be solely liable before the GOG for fulfillment of the obligations provided under the MOU and the Company shall be released from any liability against the GOG.
3. Furthermore, references to the "Company" in the MOU shall be, as of the date of execution of this Deed of Adherence, interpreted as the "Project Company" as applicable.
4. This Deed of Adherence forms an inseparable part of the MOU.
5. The abovementioned act of adherence may not be cancelled by the Project Company without the advance letter of consent from the GOG.

IN WITNESS WHEREOF, the Project Company has caused this Deed of Adherence to be executed by its duly authorized representative as of the date first written above, [insert name of the Project Company]

Signature:

Name:

Title:

APPROVED BY:

[Insert name of the Company]

Signature:

Name:

Title:

Date:

Government of Georgia, represented by the Ministry of Energy of Georgia

Signature:

Name:

Title:

Date:



საქართველოს მთავრობის განკარგულება

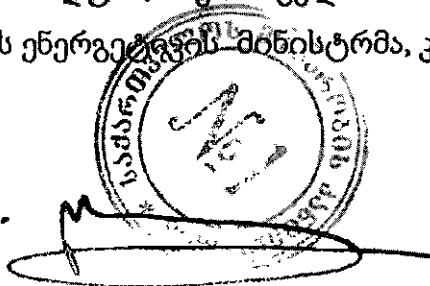
N 1699 2014 წლის 19 სექტემბერი ქ. თბილისი

საქართველოს მთავრობას, სს „ელექტროენერგეტიკული სისტემის კომერციულ ოპერატორს“, სს „საქართველოს სახელმწიფო ელექტროსისტემას“, შპს „ენერგოტრანსს“, სს გაერთიანებული ენერგეტიკული სისტემა „საქრუსენერგოს“ და კომპანია „Calik Enerji Sanayi ve Ticaret A.S“-ს შორის დასადები ურთიერთგაგების მემორანდუმის თაობაზე

1. მოწონებულ იქნეს საქართველოს მთავრობას, სს „ელექტროენერგეტიკული სისტემის კომერციულ ოპერატორს“, სს „საქართველოს სახელმწიფო ელექტროსისტემას“, შპს „ენერგოტრანსს“, სს გაერთიანებული ენერგეტიკული სისტემა „საქრუსენერგოს“ და კომპანია „Calik Enerji Sanayi ve Ticaret A.S“-ს შორის დასადები ურთიერთგაგების მემორანდუმის პროექტი.

2. „საქართველოს მთავრობის სტრუქტურის, უფლებამოსილებისა და საქმიანობის წესის შესახებ“ საქართველოს კანონის 27-ე მუხლის შესაბამისად, ურთიერთგაგების მემორანდუმს, საქართველოს მთავრობის სახელით, ხელი მოაწეროს საქართველოს ენერგეტიკის მინისტრმა, კახა კალაძემ.

პრემიერ-მინისტრი ი.



ირაკლი ღარიბაშვილი