

JOINT VENTURE AGREEMENT
FOR THE FINANCING, DEVELOPMENT, REHABILITATION, EXPANSION,
IMPROVEMENT, OPERATION AND MAINTENANCE OF THE WATER
SUPPLY AND SEPTAGE SYSTEM OF THE
IRIGA CITY WATER DISTRICT

This Joint Venture Agreement for the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply System and Septage System of Iriga City Water District (hereinafter referred to as the "Agreement"), is made this 25th day of April 2018 by and between:

IRIGA CITY WATER DISTRICT, a Government Owned and Controlled Corporation, created pursuant to Presidential Decree No. 198, as amended, with principal business address at Rufino Llagas, Sr. Street, San Roque, Iriga City, Camarines Sur, herein represented by its General Manager, **ROMULO M. CORPORAL JR.** duly authorized, for the purpose of this Agreement, by the Board of Directors under Board Resolution No. 04 series of 2018, hereinafter referred to as the **ICWD**,

- and -

PRIMEWATER INFRASTRUCTURE CORP., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal business address at 3rd floor Homeplus Center, Pamplona 3, Las Piñas City, herein represented by its President **FE T. REBANCOS** and its Assistant Vice-President **ROMEO M. SABATER**, duly authorized for the purpose of this Agreement by its Board of Directors under a Secretary's Certificate, hereinafter referred to as **PRIMEWATER**.

ICWD and PRIMEWATER are collectively referred to as the "Parties".

ANTECEDENTS: That –

- A. ICWD, pursuant to Presidential Decree No. 198, as amended, otherwise known as the Provincial Water Utilities Act of 1973, is responsible for the provision of Water Supply and Sewerage Services in the Joint Venture Area;
- B. ICWD currently operates in 36 barangays in Iriga City, Camarines Sur;
- C. PRIMEWATER submitted on August 16, 2017, the Unsolicited Joint Venture Proposal pursuant to the JV Guidelines to undertake the JV Project with ICWD, which is the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System in the JV Area;
- D. Pursuant to the JV Guidelines, the Parties conducted a series of In-depth Negotiations on the purpose, Terms and Conditions, Scope and Implementation Arrangements, as well as all Legal, Technical, and Financial aspects of the JV Project, thereby coming up with an improved JV Proposal;

- E. **PRIMEWATER's JV Proposal** contains Legal, Technical, and Financial proposal with regard to the JV Project as revised, following negotiations with ICWD's Joint Venture Selection Committee (JVSC) (**Annex "A"**);
- F. Pursuant to the JV Guidelines, the JV Proposal was subjected to competitive challenge/selection process;
- G. No bidder challenged the JV Proposal within the prescribed period or during competitive challenge, PRIMEWATER submitted a revised JV Proposal, which the JVSC deemed to be beneficial to the concessionaires and to the government as well;
- H. Pursuant to the JV Guidelines, the JV Project for the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System of the JV Area was awarded to Primewater Infrastructure Corporation;

ACCORDINGLY, the parties have agreed to form a Contractual Joint Venture pursuant to the 2013 NEDA JV Guidelines, as follows:

Section 1. Definitions and Interpretation

1.1 Definitions

- 1.1.1. **Appropriate Project Return** -- shall mean the real (i.e. not adjusted for inflation) return to PRIMEWATER's Project Cash Flows, which shall be the weighted average cost of capital for similarly situated water utilities set at twelve percent (12%), or as may be subsequently determined by NEDA (hereinafter referred to as "Established Rate"). Provided: that, the parties may agree to adopt an APR different from the Established Rate if, in their reasonable determination the Established Rate no longer reflects current market conditions.
- 1.1.2. **Basic Tariff** -- shall mean the tariff charged to consumers for water supply services, including VAT and all other taxes and fees required by law to be indirectly passed on to consumers, and including all adjustments made thereon such as those provided in Section 8.2 hereof, those resulting from Detailed Review, those mandated by the appropriate regulatory authorities, and those due to changes in CPI and PPI.
- 1.1.3. **Closing Date** -- shall mean the specified date falling not later than sixty (60) days after a Notice to Proceed is issued and delivered to PRIMEWATER or such date as may be set by the Parties that will permit the fulfillment of Conditions Precedent specified in Section 10.
- 1.1.4. **Commencement Date** -- shall mean the specified date when this Agreement becomes effective as determined under Section 11 hereof or the day after Closing Date.
- 1.1.5. **Concession Rights** -- shall mean the rights granted to PRIMEWATER as provided under ~~Section 3~~ hereof.

- 1.1.6. **Consumer** – shall mean (i) as of the date hereof, any customer of ICWD or (ii) thereafter, any customer of PRIMEWATER, for the supply of water in the JV Area.
- 1.1.7. **Consumer Price Index or “CPI”** – shall mean, for any year, the Consumer Price Index for that year published by the Philippine Statistics Authority or such successor index as the Parties may agree pursuant to Section 3.4.1.
- 1.1.8. **CPI Adjustment** – shall have the meaning given to the term in Section 8.4 hereof.
- 1.1.9. **Detailed Review** – shall pertain to detailed review on tariff as provided in Section 8.5 hereof.
- 1.1.10. **Detailed Review Period** – shall mean the period wherein the ICWD shall conduct a detailed review on tariff being on the last year of the Five-Year Performance Period as described in Section 8.5.1 hereof.
- 1.1.11. **Event of Default** – shall mean an event described in Section 12.1 or 12.2 hereof.
- 1.1.12. **Environmental Fee** – shall mean the rates per cubic meter (CU.M.) of water consumption set out in Section 8.3 hereof for Septage Management Services provided by PRIMEWATER.
- 1.1.13. **Expiration Date** – shall mean the end of the 25-year term of the Agreement, or any extension or renewal thereof.
- 1.1.14. **Expiration Payment** – shall mean the amount due to PRIMEWATER at the Expiration Date of the Agreement, as provided under Section 13.3 hereof.
- 1.1.15. **Financial Model** – shall refer to the financial representation of the JV Project’s actual historical performance and projected future operations used to determine the required tariff adjustment in order to provide the APR set in accordance with this Agreement.
- 1.1.16. **Financing Agreements** – shall mean such agreement or agreements as may be entered between PRIMEWATER and its lenders in respect of credit facility or facilities provided to the former to assist in the implementation of the Agreement.
- 1.1.17. **Five-Year Performance Period** – shall have the meaning given to the term in Section 8.5.1.
- 1.1.18. **ICWD** – shall mean the Iriga City Water District, a Government Owned and Controlled Corporation, created pursuant to PD 198, as amended.
- 1.1.19. **ICWD Board of Directors** – shall mean the members of the Board of Directors of ICWD duly appointed pursuant to PD 198, as amended acting as a Board pursuant to its by-laws.

- 1.1.20. **ICWD Covered Areas** – shall mean the areas within the JV Area that currently enjoys Water Supply Service from ICWD.
- 1.1.21. **ICWD Facilities** – shall mean only the Properties, Plants and Equipment (PPE) owned by ICWD to be used in the Joint Venture operations, the exclusive use of these assets were contributed by ICWD to the Joint Venture Project, pursuant to Section 2.10.1 hereof.
- 1.1.22. **ICWD Functions** – shall be as described in Section 2.6.2 hereof.
- 1.1.23. **Initial Tariff** – shall mean the tariff being imposed by ICWD to its consumers at Closing Date.
- 1.1.24. **Investment Recovery Rate** – shall be the quotient derived by dividing (a) the cumulative operating cash flow net of taxes, including changes in working capital, derived from the JV Project, by (b) the cumulative investments made by PRIMEWATER in respect of the JV Project. JV Share payments made by PRIMEWATER as defined under Section 2.9 and Section 4.1, shall not be considered as part of operating cash flow but shall be included as cumulative investments. The Investment Recovery Rate shall be as reflected in the Business Plan by PRIMEWATER.
- 1.1.25. **Joint Venture** – shall mean the Contractual Joint Venture between the Parties created by virtue of the Agreement pursuant to the JV Guidelines.
- 1.1.26. **JV Area** – shall mean the concession area of ICWD in the geographic jurisdiction of the Iriga City, Camarines Sur consisting of a total of 36 barangays.
- 1.1.27. **JV Guidelines** – shall mean the 2013 Revised Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities dated 3 May 2013 issued by the National Economic and Development Authority pursuant to Section 8 (Joint Venture Agreements) of Executive Order No. 423 dated 30 April 2005.
- 1.1.28. **JV Project** – shall mean the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of Water Supply and Septage System in the Joint Venture Area to be jointly undertaken by PRIMEWATER and ICWD through a Contractual Joint Venture Arrangement for a period of twenty five (25) years renewable for another twenty five (25) years as provided in the Agreement.
- 1.1.29. **JV Proposal** – shall mean the Unsolicited Proposal submitted by the **PRIMEWATER** to ICWD, in accordance with the JV Guidelines, to undertake the Joint Venture Project.
- 1.1.30. **JV Share** – shall mean the share of ICWD in the Joint Venture as further defined in Section 4.1

- 1.1.31. **LWUA** – shall mean the Local Water Utilities Administration created under PD 198, as amended.
- 1.1.32. **Notice to Proceed** – shall mean the notice issued by ICWD within sixty (60) days before Closing Date, in accordance with Section 10.1 paragraph (v), notifying PRIMEWATER that it may commence taking-over the operation of the ICWD Facilities at a certain date.
- 1.1.33. **Notice of Intention to Pre-terminate** – shall mean the notice issued by a party in accordance with Section 12.4.1 hereof, notifying the other party of the former's intention to terminate/exit from this Agreement.
- 1.1.34. **Original Investment Recovery and Return Curve** – shall mean the investment recovery and return curve contained in the Initial Financial Model as defined in Section 8.6.
- 1.1.35. **Performance Bond** – shall have the meaning to the term given in Section 6.4 hereof.
- 1.1.36. **Pre-termination Date** – shall mean the effective date of valid pre-termination due to an event of default or unforeseen change in circumstances after a pre termination process, pursuant to Section 12 hereof.
- 1.1.37. **Pre-termination Payment** -- shall mean the amount due to PRIMEWATER after the pre-termination of the Agreement as provided under Section 12.5 hereof.
- 1.1.38. **PRIMEWATER** – shall mean PRIMEWATER INFRASTRUCTURE CORP., a domestic corporation created pursuant to the Corporation Code of the Philippines;
- 1.1.39. **PRIMEWATER Facilities** – shall mean all Properties, Plants and Equipment (PPE) owned and operated by PRIMEWATER in the Joint Venture area, the exclusive use of such assets were contributed by PRIMEWATER for the purpose of the JV Project, pursuant to Section 2.10.2 hereof.
- 1.1.40. **Rewards and Penalties Framework** – shall have the meaning to the term given in Section 3.5.8. hereof.
- 1.1.41. **Septage** – the combination of scum, sludge, and liquid that accumulates in septic tanks. It is a mixture of sludge, fatty materials, human feces, and wastewater removed during pumping of an onsite sewage treatment and disposal system. Excluded from this definition are the contents of portable toilets, holding tanks, and grease interceptors.
- 1.1.42. **Septage Management Facilities** – means the stationary facility that treats only domestic septage or combinations of domestic septage, food establishment sludges, wastes removed from portable toilets, and wastes removed from holding tanks associated with boats, marinas onsite sewage treatment and disposal systems, before use or land application, and the trucks used to collect septage.

- 1.1.43. **Septage Management Services** – shall mean the collection, treatment, and disposal of septage collected from septic tanks.
- 1.1.44. **Succeeding Operator** – Any such entity, whether a private entity or a government instrumentality, that will operate the Water Supply and Septage Systems and/or provide Water Supply and Septage Services in a portion of or the entire JV Area at any time after the expiration of this Agreement as applicable.
- 1.1.45. **Total Tariff** – shall mean the sum of Basic Tariff and Environmental Fee, including VAT and all other taxes and fees required by law to be indirectly passed on to consumers, and including all adjustments made thereon such as those provided in Section 3.2 hereof, those resulting from Detailed Review, those mandated by the appropriate regulatory authorities, and those due to changes in CPI and PPI.
- 1.1.46. **Term** – shall mean twenty five (25) years from the Commencement Date, renewable for another twenty five (25) years as provided in Section 11 hereof.
- 1.1.47. **Water Supply Services** – shall mean the supply and distribution of potable water and other related services to consumers in the JV Area.
- 1.1.48. **Water Supply System** – shall mean all water supply and distribution facilities and waterworks, including production and other wells, water treatment facilities, pumps, pumping stations and pump houses, reservoirs, water mains, pipes, and all water distribution and transmission facilities, land, buildings, and other appurtenant properties, plants and equipment used to provide Water Supply Services to the JV Area.

1.2 Interpretation

The Annexes to this Agreement shall form an integral part hereof and references to Annexes shall be Annexes to this Agreement unless otherwise stated.

The headings of Sections to this Agreement are inserted for convenience of reference only and shall not in any way affect the interpretation of this Agreement.

References to any part or person referred to in this Agreement include references to its respective successors and permitted assigns.

The words "include", "includes", and "including" shall at all times be construed as if followed by the words "without limitation".

Section 2. The Unincorporated Joint Venture

2.1. Establishment of the Unincorporated Joint Venture

2.1.1. The Parties hereby establish the Unincorporated Joint Venture pursuant to the JV Guidelines to undertake the development of the JV Project.

2.1.2. The Parties further agree that their relationship shall be governed by Philippine laws and principles applicable to an Unincorporated Joint Venture.

2.2. Business Name

Each Party shall use their respective business names for purposes of performing their respective functions as described in this Agreement.

2.3. Business Objective

The general objective of the JV Project is primarily to attain the highest possible level of water supply and septage management services for, as far as possible, 100% of water consumers in the JV Area. More specifically, the goal is to ensure sustainable and balanced water supply and septage management that will meet current and future demand at the least cost possible.

The specific objectives of the JV Project are as follows:

- i. To optimize existing water sources and to develop new/ additional sustainable water sources to meet long-term water demand;
- ii. To reduce and/or maintain distribution losses (Non-Revenue Water) to national or industry acceptable levels;
- iii. To expand service coverage to unserved barangays and improving ICWD Facilities;
- iv. To ensure, as far as possible, uninterrupted 24-hour water supply to connected consumers;
- v. To ensure that water supplied to consumers comply with the Philippine National Standards for Drinking Water (PNSDW) requirements;
- vi. To mitigate tariff impact to Consumers;
- vii. To provide for an efficient and effective Septage Management Program;
- viii. To maintain good and harmonious relationship with water consumers at all times through their improved satisfaction level; and
- ix. To protect the environment by ensuring and promoting responsible use of groundwater resources, and continue utilization of surface

water and providing sound management and protection of watershed.

2.4. Joint Venture Relationship

2.4.1. The relationship of the Parties shall be one of Joint Ventures.

2.4.2. The Parties have entered into this Agreement with the intention that it shall operate between them with fairness and without the detriment to the interest of any of them on the basis of a relationship involving mutual trust, good faith and confidence and on the understanding that each one has the rights to participate in the conduct of the Joint Venture pursuant to Sections 2.6 and 2.7 of this Agreement and the right to participate in the profits of the Joint Venture pursuant to Section 2.10 of this Agreement.

2.4.3. The right of the Parties to bind the Joint Venture and one another, under the principle of mutual agency, shall be pursuant to the explicit provisions of this Agreement, in accordance with the Parties' respective functions, rights, and obligations as enumerated hereunder, and subject to the exceptions, limitations, and indemnifications provided in this Agreement.

2.4.4. The Parties agreed to meet on the fifteenth (15th) of the first month of every quarter and at any reasonable time upon prior written notice by one party to the other to discuss the JV project and all aspects thereof.

2.5 Management of the Joint Venture-Strategic and Operational Control

2.5.1. Strategic Control - ICWD shall have strategic control of the Joint Venture, which specifically means that it shall have the authority to, in coordination with PRIMEWATER, (i) establish business policies of the Joint Venture (ii) set plans and programs as well as service obligations and targets of the Joint Venture indicated in Annex "A" of this Agreement, (iii) set tariff to be approved by the Appropriate Regulatory Body in accordance with the provisions of Section 8 of this Agreement, and (iv) review and monitor performance of PRIMEWATER annually in order to determine PRIMEWATER's compliance with its service obligations and targets as well as its obligations under the Agreement.

2.5.2. Operational Control - Except for ICWD functions enumerated in Section 2.6.2 hereof and subject to the business policies, plans and programs set by the Joint Venture partners, PRIMEWATER shall have operational control and management of the Joint Venture, which shall be undertaken by and in the name of PRIMEWATER. For the avoidance of doubt, operational control shall refer to the management of normal business activities consisting of the day to day transactions of the Joint Venture at the operational level.

2.5.3. PRIMEWATER, to secure the best terms for the JV, is authorized to enter into Financing Agreements as it may deem necessary and/or desirable to obtain financing for the PRIMEWATER facilities to be used in the JV Project upon notice to, but without need of prior

approval of ICWD, subject to compliance with applicable laws and requirements, if any, of the Bangko Sentral ng Pilipinas (BSP) or the financing institution concerned. PRIMEWATER shall have the right to use as collateral or security its rights under this Agreement including the PRIMEWATER Facilities. Provided, that the ICWD Facilities or any part thereof shall not be used as collateral or security in any Financing Agreements entered into by PRIMEWATER. Provided further, that such Financing Agreements shall be the sole liability and for the exclusive account of PRIMEWATER. Provided, finally, that PRIMEWATER's contribution to the Joint shall be computed based on total project cost to PRIMEWATER without regard to sources of funding.

2.6. Functions of the Parties

2.6.1. PRIMEWATER is designated as the operator of the Concession, contractor and agent of ICWD in the JV Area. It shall perform the following functions:

- (i) Finance, Develop, Rehabilitate, Expand, Improve, Operate, and Maintain all Water Supply System and Septage Management in the JV Area. As such, it will act as facilities Operator and Asset Manager;
- (ii) Bill and Collect Total Tariff from consumers within the JV Area and for this purpose test, mount, dismount and remount, connect, disconnect, and/or reconnect water meters within its jurisdiction;
- (iii) Submit reports and remit JV Share to ICWD as agreed in the JV Agreement;
- (iv) Customer Service – PRIMEWATER shall endeavor to resolve customer concerns, service requests, and complaints that are either directly received by it or referred to it by ICWD; and
- (v) Such other functions as may be required of PRIMEWATER as operator in the JV Area and in order to fulfill the Joint Venture's Service Obligations.

2.6.2. ICWD shall have the following functions:

- (i) Strategic Planning – ICWD shall review and approve business plans of the Joint Venture that will contain programs of work, service obligation and targets.
- (ii) Business Policy Setting -- in coordination with PRIMEWATER, ICWD shall establish business policies in order to ensure that business targets of the Joint Venture are met.
- (iii) Asset Management Supervision. – ICWD shall have the authority to inspect, at reasonable hours, the condition of ICWD Facilities

and PRIMEWATER Facilities in order to determine whether said assets are kept in good condition and to enforce compliance measures upon PRIMEWATER to make good its obligation with respect to the management of these assets.

- (iv) Customer Relations – ICWD shall have the authority to entertain concerns, service requests, and complaints regarding water service and enforce compliance measures upon PRIMEWATER to address the same. ICWD shall likewise undertake all activities pertaining to customer relations such as information dissemination, public consultations for tariff adjustment, and the like.
- (v) Tariff Setting – ICWD shall set the Total Tariff in accordance with the provisions of Section 8 hereof.
- (vi) Performance Review and Monitoring – the ICWD shall annually review and monitor the accomplishment of the JV Project's objectives and compliance with set service obligations and targets. Accordingly, ICWD, shall impose rewards and/or penalties in accordance with a Rewards and Penalties Framework described in Section 8.5.4 hereof.

ICWD shall exercise such other functions that may not be delegated pursuant to Section 30 of PD 198, as amended.

2.7. Parties to the Unincorporated Joint Venture

The parties to the Unincorporated Joint Venture shall be the Parties to this Agreement, or any subsidiary, successor or assignee of PRIMEWATER subject to the approval of ICWD, which approval shall not be unreasonably withheld.

Provided that, PRIMEWATER may, at any time upon the commencement of this Agreement, form a wholly owned subsidiary for the purpose of the JV Project, in which case, said wholly owned subsidiary shall immediately substitute PRIMEWATER as a party to this Agreement and to the Unincorporated Joint Venture upon written notice of PRIMEWATER to ICWD without need of any approval from ICWD. Provided further, PRIMEWATER shall guarantee the technical, financial and all other obligations and commitments of its subsidiary under the JVA.

2.8. Contributions of the Parties

- 2.8.1. ICWD's equity contribution to the Joint Venture shall be the use of ICWD Facilities by way of investment. These assets have a value after depreciation and absorption by PRIMEWATER of ICWD's loans, [REDACTED] Pesos (PhP [REDACTED]) attached herewith as Annex "B-1" as reflected in Note 9 of the COA Financial Statements of ICWD as of December 2016 (Annex "B-2").

ICWD may increase its contribution to the Joint Venture by investing in additional assets and contributing the usufruct of the same to the Joint Venture subject to such terms and conditions as may be mutually agreed upon by the Parties hereunder, such as the additional JV Share to be granted to ICWD as a result of the increase in contribution or a corresponding reduction in tariff due to the resulting reduction in expenses to be shouldered by PRIMEWATER.

2.8.2. PRIMEWATER's contribution to the Joint Venture is the capital investment and other cash outlays estimated at [REDACTED]

[REDACTED]
Pesos (PHP [REDACTED]) over twenty five (25) years.

2.9. JV Share

2.9.1. After payment of the JV Share, PRIMEWATER shall be entitled to the remaining profits and shall bear the resulting losses from the operation of the Joint Venture/JV Project.

2.9.2. ICWD shall be entitled to:

- (i) An annual JV Share as detailed in Section 4.1;
- (ii) An additional JV Share equal to the debt service on ICWD's existing loans beginning on Commencement Date by various creditors (the "ICWD Loans") pursuant to the schedule attached herewith as **Annex "C"**, which schedule was submitted and verified correct by ICWD and agreed upon by PRIMEWATER before the finalization of negotiations.

2.10. Assets of the Joint Venture

Assets of the Joint Venture shall consist of the ICWD Facilities and the PRIMEWATER Facilities that may be brought in by PRIMEWATER into the Joint Venture.

2.10.1. ICWD Facilities -- Legal title to all ICWD Facilities shall be retained by ICWD. ICWD Facilities shall be immediately turned-over by PRIMEWATER to ICWD at Pre-termination Date or Expiration Date.

2.10.2. PRIMEWATER Facilities -- Legal title to PRIMEWATER Facilities shall be in the name of PRIMEWATER during the term of this Agreement.

Upon Pre-termination, the Parties hereby agree that PRIMEWATER shall transfer all rights, title, and interest to the PRIMEWATER Facilities to ICWD subject to the provisions of Section 12 of this Agreement.

At Expiration Date, the Parties hereby agree that PRIMEWATER shall transfer all its rights, title, and interest to the PRIMEWATER Facilities to ICWD provided that all amounts that PRIMEWATER is entitled to receive under this Agreement shall have been received by PRIMEWATER subject to the provisions in Section 13 of this

Agreement.

Any and all taxes, costs and expenses prescribed by law for the transfer of the water facilities at Pre-termination or Expiration Date shall be for the account of ICWD. In the event that PRIMEWATER is required by appropriate government to pay such taxes, costs and expenses, the payments shall be reimbursed by ICWD to PRIMEWATER such that the latter shall not ultimately be responsible for such payments.

Section 3. Grant of Concession Rights and Right to Use ICWD Assets

- 3.1. Subject to the terms and conditions of this Agreement, ICWD hereby designates and appoints PRIMEWATER as its contractor/agent for the exercise of its concession rights provided in this Agreement, and grants to PRIMEWATER, or any of its assignees or successors in interest, during the Term of this Agreement, the sole and exclusive right to finance, develop, rehabilitate, improve, expand, operate, and maintain the Water Supply System and Septage Management Facilities, including, but not limited to, the right to bill and collect Total Tariff from Consumers for Water Supply and Septage Management Services.
- 3.2. Subject to the terms and conditions of this Agreement, ICWD hereby delivers the ICWD Assets to PRIMEWATER by way of usufruct. Accordingly, PRIMEWATER shall have the right to use the ICWD Facilities and PRIMEWATER Facilities consistent with the joint venture undertaking of PRIMEWATER in order to fulfill its obligations under this Agreement, including the right to operate, repair, maintain, rehabilitate, renew and/or decommission the ICWD Assets as well as all other Water Supply and Septage Management Facilities.
- 3.3. ICWD further grants PRIMEWATER the right to provide Septage Management Services to the consumers of neighboring cities and/or municipalities, and accordingly use Septage Management Facilities in the JV Area for such purpose, subject to the payment of the necessary tapping fees and desludging fees to PRIMEWATER, which tapping fees and desludging fees shall be considered as revenues of PRIMEWATER from the JV Project and, as such, shall be taken into account in the computation of Environmental Fee of the Consumers of the JV Area.

Section 4. Payments to ICWD

4.1 Payment of JV Share

- 4.1.1. PRIMEWATER shall remit to ICWD, as JV Share the amount of Thirteen Million Pesos (PhP 13,000,000.00) per annum, increasing by One Million Pesos (PhP 1,000,000.00) every five (5) years thereafter;
- 4.1.2 As additional JV Share to ICWD, it shall be the obligation of PRIMEWATER to remit the payment for the amortizations, consisting of the principal and interest, of existing loans extended to ICWD beginning Commencement Date to remit the payment of the

amortizations, consisting of the principal and interest, of existing loans extended to ICWD by various creditors (the "ICWD Loans") pursuant to the schedule attached herewith as **Annex "C"**, which schedule was submitted and verified correct by ICWD and agreed upon by PRIMEWATER before the finalization of negotiations.

- 4.1.3 The JV Share indicated Section 4.1.1 and Section 4.1.2 was set to sufficiently defray the costs of operating the remaining business and affairs of ICWD. The foregoing notwithstanding, ICWD has the right to use the JV Share as it sees fit, such as in the procurement of assets for ICWD's exclusive benefit; provided that: such use will not be in conflict with the JV Project; provided further that: such use is subject to relevant laws, rules and regulations on disbursement of public funds.

Such JV Share under Section 4.1.1 may further be adjusted, subject to the Agreement of the Parties for any actual, reasonable, and documented budgetary changes and/or changes in CPI, provided that the changes above should have been made applicable to Tariff as well, and/or for any increase in contribution of ICWD pursuant to Section 2.8.1 hereof.

The JV Share is not for the purpose of PRIMEWATER's acquisition of any license from ICWD to charge and/or bill and collect tariff from consumers for water supply services, but such JV Share is for ICWD's primary contribution to the Joint Venture as clearly stated in Section 2.8.1 of the JVA and its participation in the joint venture.

4.2 Remittances, Delays

- 4.2.1. At Commencement Date and on or before the fifteenth (15th) day of the succeeding month, PRIMEWATER shall pay ICWD the amount equivalent to one twelfth (1/12) of the JV Share.
- 4.2.2. PRIMEWATER shall remit to ICWD such amounts equivalent to the amortizations, principal and interest, of existing loans of ICWD listed in **Annex "C"** hereof within two weeks before said amortizations fall due. ICWD shall in turn pay said amortizations, principal, and interest on or before due date of the same.
- 4.2.3. Failure to pay any of the amount discussed hereunder on their scheduled due dates, without justifiable causes, shall render PRIMEWATER liable to pay a penalty based on the amount due at the legal rate for fixed JV Share and at the prevailing rate for the additional JV Share. Penalty accruing to ICWD shall be without prejudice to its right to take the payment of the amount due, including any penalty thereon, from the Performance Bond, which shall be renewed by PRIMEWATER in full amount within thirty (30) days after it has been fully utilized for payment of the unpaid charges and penalties.

Section 5. Service Obligations of PRIMEWATER

5.1. Service Obligations

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5.1.1. *Service Coverage* – PRIMEWATER shall provide Water Supply Services to as many Consumers in the JV Area as practicable by providing Water Supply Services to all connected Consumers in the ICWD Covered Areas and by making additional connections sufficient to meet the coverage targets set out in the improved/revised JV Proposal.

5.1.2. *Provision of Continuous Water Supply to all Connected Consumers* – Within five (5) years from Commencement Date, PRIMEWATER shall ensure, as far as possible, that all connected Consumers will enjoy uninterrupted twenty four-hour water supply at 10psi, subject to interruptions due to reasonable causes as determined by the ICWD and, when possible, upon 24 hours prior notice.

5.1.3. *Drinking Water Standards* – From Commencement Date, PRIMEWATER shall continue to ensure that the water supplied to Consumers complies with standards set by the Philippine National Standards for Drinking Water (PNSDW) or with such prevailing standards on drinking water quality issued by the Department of Health or such other governmental agency of the Philippines that is tasked with issuing such standards. Provided that: this service obligation is applicable if the Parties are able to jointly confirm that as of Commencement Date, current water supply is already compliant with the aforementioned standards. Provided further that: in the event that water supply at or in parts of the JV Area proves to be non-compliant with the aforementioned standards as of Commencement Date, PRIMEWATER has five (5) years from Commencement Date to ensure compliance of the water supply with said standards.

The Parties hereby agree that, in the event that PRIMEWATER needs to provide or introduce additional treatment to meet the standard set by the PNSDW due to any changes in existing circumstances, or to meet any future changes in standards set by PNSDW issued by the Department of Health or other governmental agency of the Philippines tasked with issuing such standards, shall form part of PRIMEWATER's expenses that shall be considered in the computation of Total Tariff.

5.1.4. *Customer Service* – PRIMEWATER shall, at all times, provide LWUA acceptable customer service standards to its Consumers and strictly comply with the Customer Service Handbook to be submitted within one (1) year to and approved by the ICWD from receipt and updated every Detailed Review Period. The Customer Service Handbook shall contain, among other things, timeline for responding to consumer inquiries/complaints, notices for interruption in water supply, procedures on bills payment and rules on disconnection.

5.1.5. *Compliance with KPIs and BEMs* – In order to mitigate tariff impact to Consumers, PRIMEWATER shall ensure that Key Performance Indicators and Business Efficiency Measures, which shall not be

lower than LWUA standards and which agreed upon by the Parties within one (1) year from Commencement Date and updated/adjusted every Detailed Review Period shall consistently be complied with.

5.1.6. *Septage Management* – PRIMEWATER shall provide septage management and sanitation services to as many Consumers in the JV Area as practicable beginning on 2020 in accordance with the coverage targets set out in the improved/revised JV Proposal. Septage Management Services shall be provided to each consumer at regular intervals of five (5) years.

5.1.7. *Watershed Management and Protection Program* - PRIMEWATER and ICWD shall lead an environmental protection and watershed management program and shall jointly initiate and support plans and projects of the National and Local Government with regard to the development, protection and management of the JV areas watershed, water resources and protected areas in relation to the JV project.

5.1.8. The service obligations shall be subject to the approval of tariff increases indicated herein or arrived at in accordance with the tariff setting mechanism provided in this Agreement; or the issuance by the proper government authorities of the necessary permits and approvals to enable PRIMEWATER to perform its service obligations, such as, but not limited to, water permits; or changes in circumstances that affect the performance of such service obligations, such as, but not limited to, changes in projections for population growth or demand. Moreover, investment in capital expenditures for Septage Management Facilities shall be subject to the approval and implementation of the Environmental Fee as discussed hereunder.

5.1.9 The JV Project's Septage Management Facilities shall also be used, in whole or in part, in the provision of Septage Management Services to one or more neighboring city(ies)/ municipality(ies), subject to the payment of tipping fees/ desludging fees, which fees shall be credited to the JV Project between PRIMEWATER and ICWD. The foregoing structure is an essential business assumption in determining the feasibility of the JV Project as regards the provision of Septage Management Services.

Failure of PRIMEWATER to meet any of the service obligations enumerated above without reasonable cause/s on the dates or during the periods agreed upon shall entitle ICWD to forfeit six percent (6%) of the Performance Bond subject to Section 5.3 of this Agreement without prejudice to the payment for the damages and/or losses caused to third parties by reasons of such failure by PRIMEWATER, unless such failure is due to justifiable causes to be determined by the ICWD.

5.2. Revisions to Service Obligations

During the Detailed Review Period, the ICWD, based on the Business Plan submitted by PRIMEWATER, shall determine whether changes to Service Obligations of PRIMEWATER are in order. The revised Service

Obligations, as determined by the ICWD, shall take effect on the first day of the Five-Year Performance Period immediately succeeding the Detailed Review Period.

Changes to Service Obligations are in order in the event that required tariff increases did not materialize, or the necessary permits and approvals are not issued, or changes in circumstances affecting the performance of such service obligations take place.

5.3. Penalty for Failure to Comply with Service Obligations

- 5.3.1. The ICWD shall, within one month after each anniversary date of the Commencement Date, issue a report on PRIMEWATER's compliance with any or all of the service obligations enumerated in Section 5.1 of this Agreement during the one year period preceding such anniversary date (for service obligations under Sections 5.1.2, 5.1.3, 5.1.4, and 5.1.5 as applicable) and/or as of such anniversary date (for service obligations under Sections 5.1.1, 5.1.2, 5.1.3, 5.1.6 and 5.1.7 as applicable).
- 5.3.2. PRIMEWATER shall have sixty (60) days from written notice to cure its deficiency in the performance of its service obligations as noted by the ICWD or to provide the ICWD with justifications for such deficiency. However, deficiencies in the performance of its service obligation which endanger public health and safety of the consumers/concessionaires shall be remedied or acted upon immediately upon written notice. PRIMEWATER will be held answerable to any damages as a result thereof.
- 5.3.3. Failure of PRIMEWATER to cure said deficiency or provide justifications for such deficiency to the satisfaction of the ICWD shall entitle ICWD to, immediately after the lapse of the sixty (60) day period from written notice to cure, impose a penalty on PRIMEWATER for the latter's failure to perform any or all of its service obligations, which penalty shall be equivalent to six percent (6%) of the Performance Bond through the forfeiture of said amount from PRIMEWATER's Performance Bond.
- 5.3.4. The Performance Bond shall be renewed by PRIMEWATER in full amount within thirty (30) days after it has been reduced for payment of penalty as provided in this Section 5.3.
- 5.3.5. For the avoidance of doubt, the imposition of a penalty for PRIMEWATER's failure to perform any or all of its service obligations shall not be oftener than once a year.
- 5.3.6. In the event that the deficiency is clearly not rectifiable within a period of one year, PRIMEWATER will be allowed, after penalties are imposed, to submit its best case scenario on a catch up plan on service obligations within a reasonable period to be specified by the ICWD. The catch up plan shall be subject to the approval of the ICWD, which approval shall not be unreasonably withheld. As soon as the catch up plan is approved by the ICWD, the new service obligations shall be made applicable.

Section 6. Other Obligations of PRIMEWATER

✓ 6.1. Taxes

6.1.1. *Taxes/Charges on the Execution of this Agreement* – PRIMEWATER shall be responsible for all documentary stamp taxes and such other taxes and charges arising from the execution of this Agreement and such other agreements and instruments executed pursuant to this Agreement. For the avoidance of doubt, these shall form part of PRIMEWATER's expenses that are considered in the computation of tariff.

6.1.2. *Taxes/Charges on the Operation of the Joint Venture* – PRIMEWATER shall be responsible for all withholding taxes, customs and import duties, real property taxes on the Joint Venture facilities, other local taxes, capital gains tax and other transfer taxes and other forms of taxes and charges arising from its operation of the Joint Venture. In the event that a tax assessment, accruing and payable after the Commencement Date, is imposed on the Joint Venture, PRIMEWATER shall shoulder the same. For the avoidance of doubt, these shall form part of PRIMEWATER's expenses that are considered in the computation of tariff.

6.1.3. *Value Added Tax (VAT) on the Operation of the Joint Venture* – PRIMEWATER shall increase initial tariff to pass on the applicable VAT to the consumers and remit the same to the BIR, as provided by law.

For the avoidance of doubt, the term "initial tariff" means the tariff imposed by the ICWD as of Closing Date.

6.2. Payments to Local Government

PRIMEWATER shall pay any and all fees required by the LGU in relation to the operation of the Water Supply System, which expenses shall be chargeable to tariff.

6.3. Insurance

PRIMEWATER shall, at its own cost, obtain and maintain in force sufficient insurance cover in such amounts and in such form as are reasonably customary in the industry. For ICWD Facilities, Insurance shall be obtained from the Government Service Insurance System (GSIS) and ICWD shall be named as the irrevocable beneficiary under policies pertaining thereto. Insurance proceeds obtained by ICWD for losses of ICWD Facilities shall be used to restore the ICWD Facilities to their original state before the loss.

6.4. Performance Bond

6.4.1. Prior to Commencement Date or every Commencement Date Anniversary, as the case may be, PRIMEWATER shall deliver to ICWD a Performance Bond in such form as may be determined by ICWD, to guarantee PRIMEWATER's performance of its obligations hereunder and to cover for damages and expenses incurred by

ICWD in case of a PRIMEWATER Event of Default as discussed in Section 12.4.2 hereof.

6.4.2. The Performance Bond shall be based on the amount required under the JV Guidelines.

6.4.3. The Performance Bond shall be renewed annually, no later than thirty (30) days before the expiration date of such Performance Bond and adjusted for changes in projections for JV Share and/or CAPEX.

6.4.4. In the event ICWD makes a call and collects against the Performance Bond under this Agreement, PRIMEWATER shall replenish or renew the Performance Bond for the required full amount of the Performance Bond within thirty (30) days after it has been fully utilized.

6.4.5. Twelve (12) months after the end of the Term of this Agreement, or its extension, unless there is any accrued liability under the Performance Bond, ICWD shall undertake with due expedition such action as PRIMEWATER may reasonably request to assist PRIMEWATER in procuring the release of the Performance Bond which remains outstanding.

6.5. Reporting Obligations

6.5.1. *Report on Service Obligations* – In order for the ICWD to timely monitor the compliance of PRIMEWATER with its Service Obligations, PRIMEWATER shall prepare and submit a report to the ICWD of its compliance with its Service Obligation within ninety (90) days after the end of each calendar year in such form and having such data as the ICWD may require.

6.5.2. *LWUA Reportorial Requirements* – PRIMEWATER shall also submit a Monthly Data sheet to the ICWD in the format and containing all information required by LWUA every 15th day of the following month.

6.5.3. *Financial Information* - Not later than the 15th of day of the month, PRIMEWATER shall submit to the ICWD its financial statements for the JV Project accompanied by Schedule of Revenues, Operating Expenses, Capital Expenditures, and changes in working capital, certified correct by PRIMEWATER Comptroller except to the extent that such details are proprietary in the reasonable opinion of PRIMEWATER.

6.5.4. *Other Information* – The ICWD Board of Directors through the ICWD reserves the right to request for other relevant information at any time if the requirements arise.

6.6. Condition of Assets upon Turn-over to ICWD

Upon the pre-termination or termination of this Agreement, PRIMEWATER shall ensure that all assets of the Joint Venture to be turned-over to the ICWD in accordance with Sections 12 and 13 hereof shall be compliant with the existing operational standards of LWUA or the appropriate regulatory agency at the time the turn-over shall take place.

Section 7. Obligations of ICWD

7.1. Cooperation with PRIMEWATER

Subject to the provisions of this Agreement, the ICWD undertakes to use its best efforts to ensure that PRIMEWATER shall be able to perform its obligations under this Agreement.

The ICWD shall, offer all reasonable assistance to PRIMEWATER, at no extra cost to PRIMEWATER for such assistance, in making all necessary applications government permits and in carrying out all other necessary acts at the requisite time and in requisite form to obtain and maintain such government permits and approvals as may be necessary for PRIMEWATER to perform its obligations under this Agreement.

7.2. Functions of the ICWD

ICWD will retain functions that ICWD Board may not delegate by contract, as provided under Section 30 of PD 198, as amended. In addition to these, ICWD shall perform the functions stated in Section 2.6 hereof.

Section 8. Tariff

8.1. General Principles

8.1.1. Tariffs shall ensure that all project costs of PRIMEWATER are recoverable during the Joint Venture Term, earning a reasonable rate of return on investment equal to the Appropriate Project Return (APR) set for the relevant period.

8.1.2. Notwithstanding any provision under this section, only reasonable, prudent, legitimate, and efficient costs shall be recognized as recoverable cost from Tariffs per LWUA guidelines.

- a. Prudent costs are expenditures that are incurred in a discrete, cautious, practical, and careful manner such that these do not deviate in a material way from costs of related expenditures of other water and septage management service providers having the same business climate and under similar conditions.
- b. Legitimate costs are expenditures that are incurred in the course of carrying out the business of providing water supply and septage management services. Accordingly, expenses that are not relevant in the provision of water supply and septage management services in the service area or those that are incurred for projects outside of the JV Area should be ring-fenced and excluded from the computation of tariff.
- c. Efficient costs are expenditures that are capable of achieving the desired results with the minimum use of resources, time, and effort.

8.1.3 Substantial and procedural requirements for approval of tariffs of water districts, as specified in Sections 37 and 63 of PD 198, as

amended, and Letter of Instruction 700 dated June 1, 1978, are complied.

8.2. Agreed Tariff Rates

8.2.1. The Parties agree that for the first five years, there shall be an increase in Basic Tariff of 52% for all blocks and consumer categories, of which 12% pertains to VAT. This shall be implemented on a staggered basis as follows:

2nd year	12.0%
3rd year	40.0%

8.2.2. The parties further agree to the following subsequent adjustments to Basic Tariff for all blocks and consumer categories:

6 th year	40.0%
11 th year	10.0%

8.2.3. For the avoidance of doubt, the above increases on Basic Tariff shall also be applied on all adjustments made thereon as well as on the applicable Value Added Tax.

8.3. Tariff for Septage Management Services: Environmental Fee

Beginning in 2020, PRIMEWATER shall impose and collect Environmental Fee for every Cu. M. of water consumption as follows:

- For residential consumers - PhP 4.25 plus 12% VAT;
- For commercial consumers – PhP 8.50 plus 12% VAT.

8.4. Adjustment due to Changes in Consumer Price Index and Power Price Index

8.4.1. Effective on the 2nd year anniversary of the Commencement Date and thereafter, there will be an automatic percentage adjustment in Total Tariff, as well as in the proposed Environmental Fee equal to: (i) the change in the consumer price index (CPI) and (ii) the change in applicable power price index (PPI) as published by the Philippine Government and made available through <http://www.census.gov.ph/business/price-indices/cpi-index>. The relevant CPI shall be the relevant monthly index for All Items, as referenced from Table 1. Monthly Consumer Price Index for All Income Households in the Philippines by Commodity Group (2006=100). The relevant PPI shall be the relevant monthly index for Housing, Water, Electricity, Gas, and other Fuels as referenced from Table 1. Monthly Consumer Price Index for All Income Households in the Philippines by Commodity Group (2006=100).

Should the above index be replaced or cease to be published, the Parties agree to utilize such new-Index as may be published, preferably by the Philippine Government, to represent the cost of living in All Income Households in the Philippines.

- 8.4.2. Adjustment from changes in Regional CPI and PPI shall be automatic and shall consist of a multiplier applied to the Total Tariff for each consumer category calculated as follows:

$$\text{Multiplier} = 70\% \times [(CPI_{\text{Current}} \text{ divided by } CPI_{\text{LastYear}})] + 30\% \times [(PPI_{\text{Current}} \text{ divided by } PPI_{\text{LastYear}})]$$

- 8.4.3. The ICWD Board, through the Iriga City Water District, shall be notified of the adjustment from changes in CPI and PPI one month prior to its automatic implementation. The said adjustment shall become operative within 7 days after posting in a public place in accordance with Section 63 of PD 198, as amended. Moreover, the said adjustments shall be subject to rules and regulations of the appropriate regulatory body.

8.5. Detailed Review

- 8.5.1. The ICWD shall conduct a Detailed Review on the last year of the Five-Year Performance Period to include annual monitoring. For the avoidance of doubt, the first Five-Year Performance Period commences on the Commencement Date and ends on the day before the 5th year anniversary of the Commencement Date. The next Five-Year Performance Period commences on the 5th anniversary of the Commencement Date and ends on the day before the 10th anniversary of the Commencement Date, and so on and so forth.
- 8.5.2. For each Detailed Review, PRIMEWATER shall submit a Business Plan covering the Joint Venture Term, updated as necessary to reflect prevailing and expected conditions, and which shall include proposed adjustments to the Tariff, determined in accordance with the terms of this Agreement. Projections in the Business Plan shall be prepared in constant Philippine Pesos as of the first year of the succeeding Five-Year Performance Period. Past years' historical numbers shall be adjusted using the relevant actual Consumer Price Indices and restated to Philippine Pesos as of the first year of the succeeding Five-Year Performance Period.
- 8.5.3. ICWD shall review actual historical performance of PRIMEWATER and determine the accuracy of declared revenues, the accuracy, reasonableness, prudence and efficiency of declared CAPEX and OPEX, including proper treatment of input and output VAT and other taxes, in order to determine the amounts to be inputted in the financial model representing prior period costs and revenues.
- 8.5.4. ICWD shall assess the revised assumptions for accuracy of projected revenue, for accuracy, reasonableness, prudence and efficiency of projected CAPEX and OPEX, including proper treatment of input and output VAT and other taxes, in order to determine the projections to be used for succeeding periods.

- 8.5.5. Performance shall be evaluated to determine whether targets for the past Five (5) Year Performance Period have been achieved.
- 8.5.6. Thereafter, the proposed Tariff adjustment shall be evaluated, confirmed or otherwise determined using the Business Plan submitted by PRIMEWATER to ICWD at Closing Date, such that PRIMEWATER will be able to recover all investments in the JV Project using APRs set until the end of the Term of the Joint Venture.
- 8.5.7. Adjustments to the Tariff shall adhere to Section 3.6 (Investment Recovery and Return Curve), unless mutually agreed. Further to Sections 5.1 and 5.2, ICWD, with due consultation with PRIMEWATER, may alter the service obligations in case the tariff adjustments as required under this Agreement to meet such service obligations are deemed unaffordable.
- 8.5.8. ICWD shall likewise grant rewards and/or impose penalties for PRIMEWATER's performance pursuant to the Rewards and Penalties Framework to be developed by PRIMEWATER and the ICWD within one (1) year from Commencement Date.
- 8.5.9. Adjustments to Tariff proposed by PRIMEWATER in reference to Section 8.4.2 shall be presented to the ICWD Board. The ICWD Board shall review the recommendation and shall promulgate a resolution approving, denying or modifying the said recommendations within thirty (30) days upon receipt thereof.
- 8.5.10. Upon approval of the ICWD Board, the same shall be submitted to the appropriate regulatory body for further review and approval.
- 8.5.11. In case an adjustment to Tariff has been approved by the appropriate regulatory body, the ICWD Board shall order publication of Tariff, as adjusted. The said Tariff, as adjusted shall become operative within seven (7) days prospectively (based on consumption) after posting in a public place in accordance with Section 63 of PD 198, as amended.
- 8.5.12. The Detailed Review shall follow the time frame set forth below:

STEP	ITEM	MONTH
1	Submission of Formal Petition for Review and Proposed Business Plan PRIMEWATER	End of 1 st Month
2 3	Detailed Review by ICWD and Finalization of Business Plan by ICWD; Determination of Indicative Tariff; ICWD Recommendation; ICWD Board Review & Resolution on Adjusted Tariff	2 nd to 3 rd Month
4	Posting and Publication of Petition, Public Hearings on Indicative Tariff	4 th Month
5	Review by the Appropriate Regulatory Body	5 th to 11 th Month

6	Publication of Approved Adjustments, if any	12 th month
7	Implementation	1 st Day of the Following Year

8.5.17. If necessary, the tariffs established under this Agreement shall be subject to review by and appeal to appropriate regulatory authorities.

8.6. Investment Recovery and Return Curve

The Parties recognize that the tariff increases indicated in Section 8.2 hereof will allow PRIMEWATER to recover its investment and earn a reasonable return thereon at a place represented graphically through an investment recovery and return curve (the "Original Investment Recovery and Return Curve") that is derived following assumptions used for the JV Proposal.

The Parties hereby agree that any adjustment to tariff pursuant to a Detailed Review shall hereinafter be set such that the Original Investment Recovery and Return Curve is largely adhered to (provided also that the original set of service obligations are adhered to and being met) and that the Business Plan will show that the Investment Recovery Rate at the end of the succeeding Five-Year Performance Period is at least achieved.

Section 9. Transitional Arrangements

9.1. Retirement of ICWD Employees

9.1.1. Prior to Closing Date, ICWD shall have finalized a plan acceptable to PRIMEWATER with regard to the right-sizing of ICWD through a re-organization or a voluntary retirement program. At such date as the Parties may agree, ICWD shall have undertaken the necessary steps for such right sizing program including, but not limited to, executing agreements with the ICWD employees who wishes to be voluntarily retired (the "Retired Employees").

9.1.2. PRIMEWATER hereby commits to support ICWD's right-sizing program through the payment of the Retired Employees' retirement gratuity or provision to the Retired Employees of a financial assistance package, which retirement gratuity or financial assistance package should be equivalent to two (2) months' salary for every year of service and fraction thereof of each Retired Employee.

9.1.3. At such date as the Parties may agree, PRIMEWATER shall each pay the Retired Employees their respective retirement gratuity or their financial assistance package.

To facilitate the foregoing and for purposes of PRIMEWATER's feasibility study, prior to the finalization of negotiations, ICWD shall have delivered to PRIMEWATER a list of Retired Employees and the corresponding two (2) month's salary for every year of service of

each Retired Employee. This list shall be agreed to by PRIMEWATER and shall be the basis of provision by PRIMEWATER of a retirement gratuity/financial assistance package.

- 9.1.4. PRIMEWATER will absorb ICWD permanent employees who chose not to retire and agreed to be absorbed by PRIMEWATER (the "Non-retiring Employees). These Non-retiring Employees shall be considered permanent employees of PRIMEWATER from Commencement Date.

Prior to finalization of negotiations, ICWD shall provide PRIMEWATER with a list containing the names and salaries of the Non-retiring Employees. This list shall be agreed to by PRIMEWATER and shall be the basis of determining the employees that PRIMEWATER will absorb.

- 9.1.5. The principle of continuity of service and non-diminution of salaries and benefits shall apply to all absorbed ICWD employees. The years of service in ICWD of the Non-Retiring Employees shall be considered by PRIMEWATER in counting length of service of the Non-retiring Employees.

9.2. Operations during the period from Notice to Proceed to Commencement Date

- 9.2.1. From Notice to Proceed until Commencement Date, ICWD shall conduct its business and operations in the usual and ordinary course and in a manner consistent with past best practice. It shall obtain an arrangement in writing with a sufficient number of Retired Employees to enable it to maintain the workforce necessary for it to conduct its business and operations during the said period. Certified true copies of said arrangement shall be furnished to PRIMEWATER.

- 9.2.2. ICWD shall not undertake any new loans, procure any major capital expenditures, employ new personnel, or otherwise make any decision that would substantially affect ICWD operations and finances without prior disclosure and concurrence of PRIMEWATER.

9.3. ICWD Other Liabilities

- 9.3.1. All other liabilities of ICWD prior to Closing Date, other than the ICWD Loans, whether or not specified in this Agreement shall be for the account of ICWD.

- 9.3.2. In the event that PRIMEWATER discovers that ICWD has unpaid loans or liabilities other than what has been declared by ICWD to PRIMEWATER and agreed to be borne by PRIMEWATER, and if PRIMEWATER is forced to pay any such loans or liabilities of ICWD to prevent disruption of operations, the amount paid by PRIMEWATER shall be considered as a loan extended to ICWD by PRIMEWATER and shall be offset against the JV Share immediately payable and subsequently payable, until the same is fully paid.

PRIMEWATER's payment of ICWD's loans and/or liabilities as aforementioned and the offsetting thereof against the JV Share shall neither relieve ICWD from its liability resulting from the misrepresentation nor shall it result to a waiver of PRIMEWATER's right to pre-terminate the Agreement or to resort to such other rights available to PRIMEWATER in law or equity.

9.4. ICWD Revenues/Receivables

- 9.4.1. ICWD shall retain the right to all revenues accruing prior to Commencement Date.
- 9.4.2. Upon Commencement Date, PRIMEWATER shall have the right to collect, using ICWD original receipts, all Accounts Receivables of ICWD and shall remit to ICWD such amounts collected. ICWD shall, in turn, pay PRIMEWATER a collection fee amounting to three percent (3%) of amounts collected for accounts that have been outstanding for less than sixty (60) days and more.

9.5. ICWD Inventory

Prior to Closing Date, ICWD shall have furnished PRIMEWATER with a schedule of its inventory on hand as of that date of Notice to Proceed. At Closing Date, PRIMEWATER shall inform ICWD of the inventory items that PRIMEWATER intends to use in its operations. PRIMEWATER shall be given a period to conduct its due diligence on these inventory items to determine which can be used in its operation. ICWD shall deliver these inventory items without cost to PRIMEWATER.

9.6. ICWD Facilities

Prior to consummation of negotiations, ICWD shall have furnished PRIMEWATER with an inventory of all the ICWD Facilities, an asset condition report, a pipe network map and assessment, and a PPE maintenance report, all certified correct for the relevant date as of date of Notice to Proceed. At Closing Date, ICWD shall certify that there has been no material change in the aforementioned reports as of even date.

Section 10. Conditions Precedent

10.1. In General

The obligations of the Parties under this Agreement are subject to the satisfaction at or prior to Closing Date of the following conditions:

- i. No order, statute, rule, regulation, executive order, injunction, stay, decree or restraining order shall have been enacted, entered, promulgated or enforced by any court of competent jurisdiction or governmental or regulatory authority or instrumentality having jurisdiction over the matter that restrains, prohibits or declares illegal the consummation of the transactions contemplated herein;
- ii. No action, suit, injury or proceeding shall have been instituted or threatened by any governmental or regulatory authority or

instrumentality having jurisdiction over the matter that seeks to restrain, prohibit or declare illegal the consummation of the transaction contemplated herein;

- iii. All approvals required to be obtained from, and all notices, declarations, reports or filings required to be made with, any governmental or regulatory authority or instrumentality in connection with the consummation of the transactions contemplated herein, shall have been made or obtained;
- iv. As regards Septage Management Services, an ordinance shall have been issued by the Local Government Unit mandating the Joint Venture through ICWD to provide Septage Management Services to the JV Area, requiring the consumers to avail of said Septage Management Services, and providing for the charging of Environmental Fee; and
- v. Notice to Proceed has been issued by ICWD to PRIMEWATER sixty (60) days prior to Closing Date;

10.2. Conditions to Obligations of ICWD

The obligations of ICWD to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing Date of the following additional conditions, unless such conditions are waived by ICWD:

- i. PRIMEWATER shall have performed in all material respects the obligations required under this Agreement to be performed by it at or prior to the Closing Date;
- ii. The representations and warranties of PRIMEWATER contained herein are true and correct in all material respects at and as of the Closing Date as if made at and as of such date except to the extent that a different time is specifically stated in any such representation and warranty;
- iii. A certificate shall have been delivered to ICWD by PRIMEWATER, dated as of the Closing Date, from a duly authorized officer of PRIMEWATER to the effect that the representations and warranties of PRIMEWATER contained in this Agreement are true and correct in all material respects as of the Closing Date;
- iv. Original Copy of the Secretary's Certificate certifying that a resolution is adopted by the Board of Directors of PRIMEWATER authorizing the execution, delivery and performance of this Agreement shall have been delivered to ICWD by PRIMEWATER on or before the signing of this Agreement;

10.3. Conditions to Obligations of the PRIMEWATER

The obligations of PRIMEWATER to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing Date of the following additional conditions, unless such conditions are waived by PRIMEWATER:

[REDACTED]

- i. ICWD shall have performed in all material respects the obligations required under this Agreement to be performed by it at or prior to the Closing Date;
- ii. The representations and warranties of ICWD contained herein are true and correct in all material respects at and as of the Closing Date as if made at and as of such date except to the extent that a different time is specifically stated in any such representation and warranty;
- iii. A certificate shall have been delivered to PRIMEWATER by ICWD, dated as of the Closing Date, from a duly authorized representative of ICWD to the effect that the representations and warranties of ICWD contained in this Agreement are true and correct in all material respects as of the Closing Date;
- iv. Certified true copies of resolutions adopted by the Board of Directors of ICWD authorizing the execution, delivery and performance of this Agreement shall have been delivered to PRIMEWATER by ICWD as of Closing Date;
- v. A favorable opinion on the legality and enforceability of this Agreement shall have been issued by the Office of the Government Corporate Counsel and delivered to PRIMEWATER on or before the signing of this Agreement;
- vi. Certification as to the concurrence of the appropriate regulatory body or bodies on the application of the tariff setting mechanism contained herein to the JV Project shall have been issued;
- vii. The following documents shall have been delivered by ICWD to PRIMEWATER as of Closing Date:
 - a) Historical and Current Data on the following Operational Aspects – production of wells, water quality, billed volume, customer list, service levels;
 - b) Historical and Current Data on the following Financial Parameters – audited financial statements, accounts receivables with aging, accounts payables with aging, guarantees and deposits on hand, including meter deposits if any; and
 - c) Historical and Current Data on the following Technical Parameters – property, plant, and equipment (PPE) inventory with condition report, PPE maintenance report, pipe network map and assessment (3 years).
- viii. Proof of written notice to all ICWD creditors of the existence of this Agreement.

Section 11. Term of this Agreement

This Agreement shall commence the day after the Closing Date and shall be for a term of twenty five (25) years from Commencement Date, renewable for another twenty five (25) years under such terms and conditions as the Parties may agree.

The Parties shall agree on the terms of the extension of this Agreement at least five years from the expiration of the initial 25 year-term.

Section 12. Pre-termination of Agreement

12.1. Pre-termination by ICWD for PRIMEWATER Event of Default

Each of the following, if not caused by a default of ICWD under this Agreement or Force Majeure shall, if not cured within the period permitted, be considered as a PRIMEWATER Event of Default which shall entitle ICWD to issue a Notice of Intention to Pre-terminate:

- i. The commencement of any action for the dissolution or liquidation of PRIMEWATER except for the purposes of amalgamation or reconstruction on terms approved in advance by ICWD in writing;
- ii. The occurrence of a material breach by PRIMEWATER of its obligations under this Agreement, which has continued un-remedied for a period of sixty (60) days or extension thereof as maybe agreed by both parties after receipt of official written notice from ICWD. For the avoidance of doubt, a material breach shall be of a kind or to a degree that, in the reasonable opinion of the ICWD would jeopardize the provision of Water Supply Services to the JV Areas; and
- iii. Any representation or warranty made by PRIMEWATER in this Agreement proved to have been materially incorrect when made such that PRIMEWATER's ability to perform its obligations under this Agreement is materially and adversely affected.

12.2. Pre-termination by PRIMEWATER for ICWD Event of Default

Each of the following, if not caused by a default of PRIMEWATER under this Agreement or Force Majeure shall, if not cured within the period permitted, be an ICWD Event of Default which shall entitle PRIMEWATER to issue a Notice of Intention to Pre-terminate:

- i. Any failure by ICWD to take reasonable action within six (6) months from date of submission of PRIMEWATER's proposed Five-Year Business Plan and tariff adjustment; provided that, if upon submission of ICWD's Approved Tariff Adjustment to the appropriate regulatory body, the latter withholds, fails to issue a favorable review or approval, or otherwise revokes ICWD's Approved Tariff Adjustment within six (6) months, the same shall be a ground for a revision of PRIMEWATER's Five-Year business plan.
- ii. A material breach by ICWD of any of its obligations under this Agreement which has continued un-remedied for sixty (60) days after notice thereof has been given to it by PRIMEWATER. For the

avoidance of doubt, a material breach shall be of a kind or to a degree that will prevent PRIMEWATER from carrying out its responsibilities under this Agreement; and

- iii. Any representation or warranty made by ICWD in this Agreement proved to have been materially incorrect when made such that ICWD's ability to perform its obligations under this Agreement is materially and adversely affected.

12.3. Force Majeure/Unforeseen Change in Circumstances

12.3.1. In cases of force majeure/unforeseen change in circumstances as defined in Section 16 hereof, and which force majeure/unforeseen change in circumstances are of such nature and degree that the ability of one or both Parties to perform their obligations under this Agreement are materially affected, the Parties shall exert their best efforts to enter into such agreements to cure such adverse effects of said force majeure/unforeseen change in circumstances.

12.3.2. If the Parties have failed to reach a mutual solution within ninety (90) days of the commencement of such discussions, either Party may issue a Notice of Intention to Pre-terminate.

12.4. Pre-termination Procedures

12.4.1 Any Notice of Intention to Pre-terminate shall specify the materially adverse action, Unforeseen Change of Circumstances, PRIMEWATER Event of Default, or ICWD Event of Default as applicable. Following the issuing of a Notice of Intention to Pre-terminate, the Parties shall enter into discussions, to agree on mutually satisfactory terms on which to continue or pre-terminate this Agreement. If the Parties have failed to reach a mutual solution within ninety (90) days, the Parties shall submit the issue to arbitration as stated in Section 17 of this Agreement.

12.4.2 In case of a pre-termination of the JVA, the Parties commit as follows:

a. If the pre-termination is due to an event of default of PRIMEWATER:

- i. ICWD shall have the right of first refusal whether to pay just compensation to, and acquire the assets of, PRIMEWATER pursuant to Section 12.5 herein.
- ii. In the event ICWD chose not to pay the just compensation and acquire said assets, PRIMEWATER shall continue to operate the Water Supply and Septage Management System and provide Water Supply and Septage Management Services to customers on a month-to-month basis, in accordance with the terms of this Agreement, until such time a Succeeding Operator is ready to take-over the said operations and assume all rights and obligations of PRIMEWATER under this Agreement. ICWD commits to

complete the process of finding a Succeeding Operator at the soonest possible time.

- iii. In case of item (ii) above, ICWD shall forfeit PRIMEWATER's Performance Bond to answer for all actual, reasonable, and documented damages and expenses incurred by ICWD prior to turn-over of operations to a Succeeding Operator, such as the costs of finding said Succeeding Operator. If the Performance Bond is insufficient, PRIMEWATER shall pay ICWD the deficiency within five (5) days upon receipt of written notice of such deficiency. The damages and expenses referred to above shall be deducted from the liquidated damages payable to ICWD upon turn-over of operations to succeeding operator.
 - iv. Upon turn-over to a qualified Succeeding Operator, the latter shall pay ICWD's liquidated damages representing twenty-five percent (25%) of the Just Compensation less any damages and expenses paid by PRIMEWATER pursuant to item (iii) hereof. The remaining amount of Just Compensation after deducting ICWD's liquidated damages shall be delivered to PRIMEWATER as payment for PRIMEWATER Facilities.
- b. If the pre-termination is due to an force majeure/unforeseen change in circumstances or an event of default of ICWD:
- i. PRIMEWATER shall exert its best efforts to continue the operations of the Water Supply and Septage Management System and provide water supply and septage management services to customers on a month-to-month basis, in accordance with the terms of the Agreement, until such time that ICWD or a Succeeding Operator is ready to take-over the said operations. The date upon which ICWD or a Succeeding Operator shall take-over the said operations shall be communicated in writing to PRIMEWATER one month prior to such date.
 - ii. ICWD shall exert its best efforts to take-over operations of the Water Supply System and provide water supply and septage management services to customers or to find a qualified Succeeding Operator at the soonest possible time.
- c. For the avoidance of doubt, in cases contemplated in items a and b above, the Parties shall continue to exercise their respective duties and obligations and be entitled to all their respective rights under the Agreement until such time that ICWD or a qualified



Succeeding Operator shall have taken over the operations of the Water Supply and Septage Management Systems in the JV Area.

12.5. Transfer of Assets Upon Pre-termination, Just Compensation – The Parties hereby agree that PRIMEWATER shall transfer all rights, title, and interest to the PRIMEWATER Facilities free from all liens and encumbrances, to ICWD, except for those PRIMEWATER Facilities that the ICWD does not want to utilize, provided that just compensation (the “Just Compensation”) is paid to PRIMEWATER as follows:

12.5.1. Just Compensation

At Pre-termination Date, PRIMEWATER shall be entitled to a Just Compensation as follows:

- (i) In case of an ICWD Event of Default, the Just Compensation shall be equal to the depreciated replacement cost of PRIMEWATER facilities to be transferred to ICWD, plus a percentage thereof representing PRIMEWATER's APR.
- (i) In case of Unforeseen Change of Circumstances, the Just Compensation shall be equal to the depreciated replacement cost of PRIMEWATER facilities to be transferred to ICWD.
- (iii) In case of a PRIMEWATER Event of Default and ICWD chose to pay just compensation to, and acquire the assets of, PRIMEWATER, the Just Compensation shall be equal to seventy five percent (75%) of the depreciated replacement cost of PRIMEWATER facilities to be transferred to ICWD. The amount representing twenty five percent (25%) of the depreciated replacement cost of PRIMEWATER facilities to be transferred to ICWD shall constitute liquidated damages in favor of ICWD and shall no longer be recovered by PRIMEWATER.

The depreciated replacement cost shall be based on property values and useful lives as of the date of turn-over of PRIMEWATER operations to ICWD or a Succeeding Operator.

12.5.2. Payment of Just Compensation - Payment of Just Compensation may be made by ICWD to PRIMEWATER either through: (1) a lump sum payment delivered to PRIMEWATER not later than forty five (45) days after the Pre-termination or on the date of turn-over of PRIMEWATER operations to ICWD or a Succeeding Operator, whichever is later; or (2) through the delivery to PRIMEWATER within forty five (45) days or on the date of turn-over of PRIMEWATER operations to ICWD or a Succeeding Operator, whichever is later, of a Promissory Note guaranteeing the payment within the remaining term of the Agreement with interest thereon at the legal rate of interest for loans and credit agreements as determined by the Bangko Sentral ng Pilipinas or any appropriate government governing body prevailing at that time, in which case full payment of Just Compensation shall be deemed to have been received after all amounts due under the Promissory Note have been collected in full

by PRIMEWATER.

- 12.5.3. For purposes of determining the depreciated replacement cost of PRIMEWATER facilities to be transferred to ICWD or succeeding operator, the Parties shall jointly appoint an independent auditor, the costs of the latter shall be shared equally by the Parties. For the avoidance of doubt, depreciated replacement cost shall refer to the current market value of PRIMEWATER Facilities after considering the remaining number of years of useful life of said PRIMEWATER Facilities at the time of turn-over of operations from PRIMEWATER to ICWD or to a succeeding operator.
- 12.6. Pending full payment of the Just Compensation, PRIMEWATER Facilities existing as of the Pre-termination Date shall remain with PRIMEWATER and PRIMEWATER shall have the right to charge reasonable amounts for the use of the PRIMEWATER Facilities by ICWD and Other Customers, the total amount of which shall be equal to the annual straight-line depreciation of the depreciated replacement cost of PRIMEWATER Facilities transferred to ICWD.
- 12.7. No pre-termination of this Agreement shall relieve the defaulting Party of its liabilities and obligations hereunder and the non-defaulting Party may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligations, conditions or undertakings under this Agreement, and the rights given hereunder shall be in addition to all other remedies available to the Parties either at law, in equity or otherwise for the breach of this Agreement.
- 12.8. For the avoidance of doubt, PRIMEWATER's obligation for the payment of JV Share and Additional JV Share shall cease to exist as of pre-termination date or turn-over date, whichever is later. As such, any loan amortizations and balances as of pre-termination date of ICWD loans shall remain solely for the account of the ICWD.

Section 13. Expiration of the Agreement

- 13.1. Transfer of Assets upon Expiration – At Expiration Date, the Parties hereby agree that PRIMEWATER shall transfer all rights, title, and interest to the PRIMEWATER Facilities to ICWD provided that PRIMEWATER has fully recovered its reasonable costs and the APR thereon pursuant to Section 8.1 hereof.

Any and all taxes, costs and expenses for the transfer of the water facilities shall be for the account of ICWD. In the event that PRIMEWATER is required by appropriate government to pay such taxes, costs and expenses, the payments shall be reimbursed by ICWD to PRIMEWATER such that the latter shall not ultimately be responsible for such payments.

- 13.2. In the event that at Expiration Date, PRIMEWATER has not fully recovered its reasonable costs and the APR thereon pursuant to Section 8 hereof, PRIMEWATER shall be paid an Expiration Payment equal to any such unrecovered amount if any expressed in current prices, as determined using

the Financial Model. For purposes of determining the unrecovered amount, the Parties shall jointly appoint an independent auditor, the costs of which shall be shared equally by the Parties.

- 13.3. Payment of Expiration Payment may be made by ICWD to PRIMEWATER either through: (1) a lump sum payment delivered to PRIMEWATER not later than ninety (90) days after the Pre-termination/Expiration Date; or (2) through the delivery to PRIMEWATER within thirty (30) days of a Promissory Note guaranteeing the payment of the Expiration Payment within one (1) year, with interest thereon at the prevailing legal rate of interest per annum, to be taken from the Concession revenues of ICWD or the succeeding Operator.
- 13.4. Pending full payment of the Expiration Payment, PRIMEWATER shall retain ownership of PRIMEWATER Facilities and shall have the right to charge reasonable amounts for the use of the PRIMEWATER Facilities by ICWD and Other Customers, the total amount of which shall approximate the straight-line depreciation of the replacement cost of the subject PRIMEWATER Facilities for the same period.

Section 14. Confidentiality

Each of the parties, their employees, third party contractors, auditors, professionals, consultants and agents shall hold in confidence all documents and other information whether technical or commercial supplied to it by or on behalf of the other party relating to the financing, design, construction, insurance, operation, maintenance and management of the Joint Venture in the course of this Agreement, and shall not publish or otherwise disclose or use the same for its own purposes otherwise than as may be required by the laws of Philippines or to perform its obligations under this Agreement. This Section shall not apply to information:

- i. Already in the public domain otherwise than by breach of this Agreement;
- ii. Already in the possession of the receiving party before it was received from the other party in the course of this Agreement and which was not obtained under any obligation of confidentiality; or
- iii. Obtained from a third party who is free to divulge the same and which was not obtained under any obligation of confidentiality.

Section 15. Liability and Indemnification

15.1. Cross Indemnity

Each Party shall indemnify, defend and hold harmless the other party from and against, all liabilities, damages, losses, expenses and claims of any nature whatsoever for any injury and for damage to or loss of any property arising out of or in any way connected with the indemnifying party's performance of this Agreement and any violation of its representations and warranties, except to the extent that such injury, damage or loss is attributable to a negligent or intentional act or omission of the party seeking to be indemnified.

15.2. Joint Responsibility

In the event that any loss or damage is caused only in part by the negligent or intentional act or omission of ICWD and in part by the act or omission of PRIMEWATER, each Party shall be liable to the other party only in proportion to its relative degree of fault.

Section 16. Force Majeure, Unforeseen Changes in Circumstances

- 16.1. The rights and obligations of the parties set out in this Agreement represent the parties' positions relative to each other on the basis of the circumstances existing at the date hereof and on the basis of the common view the parties have of the way those circumstances shall develop until the end of the Term of this Agreement. The Parties agree and acknowledge that neither seeks to benefit unduly from any unforeseen development of circumstances that actually occurs. Accordingly, the Parties hereby declare it to be their intention that this Agreement shall operate between them with fairness and without detriment to the interest of either of them and agree to jointly defend their respective interests as set out in this Agreement.
- 16.2. If in the course of performance of this Agreement unfairness to any party, as well as to the consumers, is disclosed or anticipated or the financial viability of this Agreement is adversely affected as a result of any unforeseen change in circumstances, such as changes in law or in the interpretation or administration thereof, or changes in financial, technical, and/or economic assumptions and/or conditions, which result to the inability of either Party without fault or negligence on its part to fulfill certain commitments provided under this Agreement, and which are unforeseen and beyond the reasonable control of the Parties or which, though foreseeable, could not have been prevented or avoided by reasonable diligence, the parties shall use their best endeavors to agree upon such action, execute supplemental or amendatory agreements or enter into alternative arrangements as may be necessary or equitable to remove the cause or causes of the same.
- 16.3. Further, the Parties shall not be liable for losses or damages caused by Force majeure. Force majeure shall be limited to acts of God or any event or circumstance, or a combination of events or circumstances, which are unforeseen and beyond the reasonable control of the Parties or which, though foreseeable, could not have been prevented or avoided by reasonable diligence and which result in either Party being unable to perform or being delayed in performing, in whole or in part, its obligations under this Agreement.

Section 17. Dispute Resolution

17.1. Amicable Settlement

- 17.1.1. If any dispute arises in connection with the Agreement, either Party may give thirty (30) days prior notice to the other Party of the same, whereupon the Parties shall meet promptly and in good faith attempt to reach an amicable settlement.

17.1.2. If the Parties are unable to settle such dispute within thirty (30) days from service of such written notice, the dispute may be submitted for arbitration.

17.2. Arbitration

17.2.1. All disputes arising in connection with this Agreement, which are not settled in an amicable manner, shall be finally settled in accordance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004) by one (1) arbitrator the appointment of whom shall be sought from the Integrated Bar of the Philippines (IBP) or the Philippine Dispute Resolution Center Inc. (PDRCI). The Parties shall mutually agree on the arbitrator so designated by the IBP or the PDRCI.

17.2.2. The arbitration proceedings shall be exclusively held in any place in Metro Manila where a Philippine Dispute Resolution Center is located.

Section 18. Miscellaneous Provisions

18.1. Representations and Warranties

Each Party hereby represents and warrants that:

- i. It is duly existing pursuant to the laws and regulation of Philippines;
- ii. It has full corporate power and absolute authority to execute, deliver and perform this Agreement and that its representatives are fully authorized by its Board of Directors to execute, deliver and perform this Agreement;
- iii. It carries on its business in accordance with the applicable laws and regulations of Philippines and, to that party's knowledge, there are no proceedings pending or threatened for the dissolution of that party such as would materially adversely affect that party's performance of its obligations under this Agreement;
- iv. It is fully entitled and capable of entering into the dispute resolution procedures under Section 17 and the decisions, awards and remedies contemplated thereunder shall be valid and enforceable against that party

18.2. Primacy of the Agreement

This Agreement shall govern all aspects of, and all contractual relationships relating to, the joint venture as between the Parties. PRIMEWATER shall ensure that the provisions of all agreements relating to the Joint Venture are consistent with the terms hereof. In the event of conflict between this Agreement and any agreement on a matter affecting the parties, including all questions of interpretation, this Agreement shall prevail.

18.3. Variations in Writing

All additions, changes, modifications, revisions, amendments and variations to this Agreement shall be binding only if in writing and signed by duly authorized representatives of each of the Parties.

18.4. Entire Agreement

This Agreement, including the Annexes attached hereto, comprising of, but not limited to, the Certificate of Successful Negotiations dated 19 December 2017 between the Parties represents the entire agreement between the Parties in relation to the subject matter thereof and supersedes any or all previous agreements or arrangements, whether oral or written, between the Parties in respect of the Joint Venture and the Concession Rights or the other contents of this Agreement.

18.5. Separability

If any part or parts of this Agreement are agreed by the Parties or declared by any competent tribunal to be invalid, other parts shall remain valid and enforceable.

None of the provisions of this Agreement shall be deemed waived by either Party except when such waiver is given in writing. The failure by either Party to insist upon strict performance of any of the provisions of this Agreement shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future.

18.6. Notices

All notices required under the terms and provisions hereof shall be in writing and shall be delivered by telecopy, overnight courier service, certified or registered, first class mail, with postage prepaid, or by personal delivery of written notice as follows:

To PRIMEWATER: Branch Manager
PRIMEWATER - Iriga City
Iriga City, Camarines Sur

To ICWD: General Manager
Iriga City Water District
Iriga City, Camarines Sur

Or to such other address as designated in writing.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy, or electronic mail or on the date of receipt if sent through registered mail.

18.7. Assignment of Rights

Subject to the provisions of Sections 2.6.3 and 2.8 of this Agreement, either Party may assign its rights and obligations under this Agreement subject to



prior written consent which consent shall not be unreasonably withheld, provided that, the Assignee/s or Transferee/s hereof shall comply with the terms and conditions of this Agreement.

18.8. Data Sharing Agreement

To better allow PRIMEWATER to perform its service obligations under this Agreement, the Parties hereby agree into data sharing in relation to the personal data of ICWD's existing consumers for the purpose of transferring and migrating the billing and collections, and customer service functions to PRIMEWATER. All personal data of ICWD's existing customers shall be stored in PRIMEWATER's database and communications system to be accessed by PRIMEWATER's authorized employees only.

Upon the expiration of this Agreement, or any extension thereof, Primewater shall turnover within a reasonable period of time to ICWD the personal data of all Consumers in the JV Area.

Primewater's Branch Manager shall act as the Branch Data Protection Officer, who shall act on any information request or complaints filed by a Consumer in strict observance of the provisions of Republic Act No. 10173, or the Data Privacy Act of 2012, its Implementing Rules and Regulations, or any issuance of the National Privacy Commission. Any Consumer may request for a copy of his/her personal data in writing, addressed to PRIMEWATER's Branch Manager.

18.9. Applicable Law

This Agreement shall be construed and governed by the laws of the Republic of the Philippines.

The parties have signed this agreement on April 25, 2018 at Iriga City, Camarines Sur.

IRIGA CITY WATER DISTRICT
Represented by:



ROMULO M. CORPORAL JR.
General Manager

**PRIMEWATER INFRASTRUCTURE
CORP.**
Represented by:



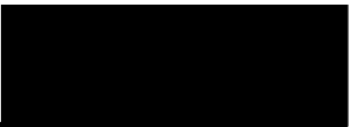
FE T. REBANCOS
President




ROMEO M. SABATER
Assistant Vice-President



Signed in the presence of:


EDITHA C. ANDALIS
Chairman – Board of Directors
Iriga City Water District








ATTY. CARLOS JOSEPH B. VILLANUEVA
Legal Counsel
PrimeWater Infrastructure Corp.

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
City of Iriga) S.S.

25 APR 2018


BEFORE ME, a Notary Public for and in the above jurisdiction this ___ day of _____, personally appeared:

NAME	VALID I.D.	DATE/PLACE OF ISSUE
ROMULO M. CORPORAL JR.		 / Iriga City
FE T. REBANCOS		 / DFA Manila
ROMEO M. SABATER		 / PRC Manila

all known to me and to known to be the same persons who executed the foregoing instrument which they acknowledged before me, is their free and voluntary act and deed, and of the Corporations in whose behalf they have acknowledged the same.

WITNESS MY HAND AND SEAL this 25 APR 2018 day of _____ at San Miguel City

Doc. No. 59;
Page No. 12;
Book No. CLXXXII;
Series of 2018.


ATTY. REYNOLDO FERINA
Notary Public
Until December 31, 2018
PTR No. 2841879
IBP No. 744488 (Lila) (MC)
Attorney's Roll No. 33924
San Miguel, Iriga City



IRIGA CITY WATER DISTRICT

RUFINO LLAGAS SR. ST., SAN ROQUE, IRIGA CITY
Tel. Nos. (054) 299-6504*Telefax (054) 299-5709

SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, ATTY. REYNEL M. BERIÑA Secretary to the Board of Directors of the Iriga City Water District (ICWD) do hereby certify that:

1. In the meeting of the ICWD Board of Directors held on January 26, 2018 at the ICWD Office, San Roque, Iriga City, in which meeting there was quorum of the members of the board, the following resolution was passed and approved:

RESOLUTION NO. 04 Series of 2018

RESOLUTION APPROVING THE IRIGA CITY WATER DISTRICT (ICWD) JOINT VENTURE SELECTION COMMITTEE (JVSC) REPORT ON JV SELECTION PROCESS AND RECOMMENDATION TO AWARD, AND AWARDED THE FINANCING, DEVELOPMENT, REHABILITATION, EXPANSION, IMPROVEMENT, OPERATION AND MAINTENANCE OF THE WATER SUPPLY AND SEPTAGE SYSTEM OF THE IRIGA CITY WATER DISTRICT TO PRIMEWATER INFRASTRUCTURE CORPORATION UNDER A CONTRACTUAL JOINT VENTURE AGREEMENT (CJVA) SCHEME OF PUBLIC-PRIVATE PARTNERSHIP

WHEREAS, the ICWD JVSC has submitted to the body its report on the JV selection process and recommendation to award the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System of the Iriga City Water District, under a CJVA scheme of the Public-Private Partnership;

WHEREAS, in the report of the ICWD JVSC on the selection of comparative proposals under the Competitive Challenge process prescribed in Section III Annex B of 2013 Revised NEDA Guidelines for Entering into Joint Venture (JV) Agreements between Government and Private Entities, as of January 10, 2018, the deadline set for the submission of Letter of Intent (LOI), signed Confidentiality Agreement and payment of the cost of the complete set of Eligibility and Tender Documents, no interested Private Proponent submitted the requirements provided in the Invitation to Apply for Eligibility and to Submit Proposal (IAESP);

WHEREAS, the ICWD JVSC made recommendation to award on the basis of Section III, Stage Three, No. 7, Annex B of the JV Guidelines that, "If no comparative proposal is received by the government entity, the JV activity shall be immediately awarded to the original proponent", and after review and evaluation of the Unsolicited Proposal of PrimeWater, and finding that the technical as well as the financial aspects are advantageous not only to the ICWD but also to the water consumers of various categories within the City of Iriga;

NOW THEREFORE, upon motion of Dir. Negrampa seconded by Dir. Turiano,

BE IT RESOLVED, as it is hereby RESOLVED approving the ICWD JVSC Report on JV Selection Process and Recommendation to Award, and awarding the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System of the Iriga City Water District Project to the Original Proponent, PrimeWater Infrastructure Corp. (PrimeWater);

CERTIFIED TRUE COPY:



IRIGA CITY WATER DISTRICT

RUFINO LLAGAS SR. ST., SAN ROQUE, IRIGA CITY
Tel. Nos. (054) 299-6504*Telefax (054) 299-5709

Page two (2) of two (2) pages

BE IT FURTHER RESOLVED authorizing the ICWD General Manager to issue and serve the Notice of Award, execute and sign the Joint Venture Agreement and issue the Notice to Proceed to PrimeWater Infrastructure Corporation for the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System of the Iriga City Water District.

APPROVED.

2. The above resolution is still in full force and effect and has not been amended, revoked or modified.

Issued this 5th day of February 2018 at Iriga City, Philippines.

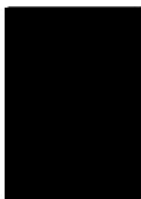


REYNEL M. DERINA
Board Secretary

Attested by:



DIR. EDITH ANDALAS
Chairman of the Board



REPUBLIC OF THE PHILIPPINES }

SS

SECRETARY'S CERTIFICATE

I, **JO MARIE C. LAZARO-LIM**, Filipino, of legal age, with office address at UGP Worldwide Corporate Center, Shaw Blvd., Mandaluyong City, after having been duly sworn to in accordance with law, do hereby depose and state:

1. I am the duly elected and qualified Corporate Secretary of **PRIMEWATER INFRASTRUCTURE CORP.** ("Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws with main address at 3rd Floor Homeplus Center, Alabang-Zapote Road, Pamplona 3, Las Piñas City:
2. At the special meeting of the Board of Directors of the Corporation on 06 March 2018, during which a quorum was present and acting throughout, the following resolutions were passed and approved:

"**RESOLVED**, that the Corporation be, as it hereby authorize, name, constitute and appoint its **President, FE T. REBANCOS** and/or its **Assistant Vice-President/Business Development Head, ROMEO M. SABATER** and/or its **Legal Counsel, CEZAR S. ONG**, as they are hereby named, constituted and appointed, true and lawful Authorized Representatives of the Corporation, with full power of substitution, and power to sign and execute the Joint Venture Agreement for the Financing, Development, Rehabilitation, Expansion, Improvement, Operation and Maintenance of the Water Supply and Septage System of the Iriga City Water District, under such terms and conditions as they may deem proper and beneficial to the Corporation.

GIVING AND GRANTING unto said Authorized Representatives the full power and authority to do all and every act and thing whatsoever requisite and necessary to be done relative to the foregoing resolutions, as fully and to all intents and purposes as the principal might or could do, hereby ratifying and confirming that the Authorized Representatives, their delegates or substitutes shall lawfully do or cause to be done."

RESOLVED FINALLY, that the Board of Directors hereby certifies that these Resolutions have the prior consent and approval and/or has been duly ratified by the required votes of its Board of Directors."

3. The above quoted resolution is not contrary to the By-Laws of the Corporation and has not been amended, repealed, or otherwise superseded to date.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this 06 day of March, 2018.

JO MARIE C. LAZARO-LIM
Corporate Secretary

SUBSCRIBED AND SWORN to before me on this 06 day of March, 2018, by the Affiant whom I have identified through competent evidence of identity and who exhibited her ID No. TIN-ID

Doc. No. 324;
Page No. 144;
Book No. 144;
Series of 2018.



Republic of the Philippines
 COMMISSION ON AUDIT
 Office of the Audit Team Leader
 Audit Team R5-02, Audit Group CGS- Water Districts
 Metropolitan Naga Water District
 J. Miranda Ave., Naga City

CERTIFICATION

This is to certify that the Equity of Iriga City Water District (ICWD), Iriga City in relation to its Property, Plant and Equipment less its Long Term Payables, as of December 31, 2016, based on the Audited Financial Statements of CY 2016, was [REDACTED] computed as follows:

Total Property, Plant and Equipment as of December 31, 2016
 (page 13 of 2016 Audited FS) [REDACTED]

Less: Construction in Progress -- Agency Assets [REDACTED]

Total Property, Plant and Equipment, Net of Accumulated
 Depreciation [REDACTED]

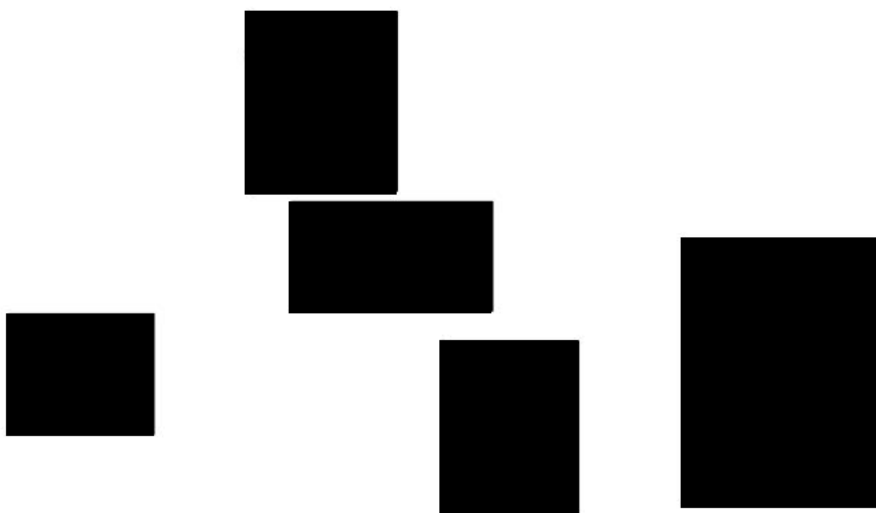
Less: Loans Payable -- Development Bank of the Philippines
 (page 18 of 2016 Audited FS) [REDACTED]

ICWD EQUITY as of December 31, 2016 [REDACTED]

Issued this 23rd day of February 2018 for submission by the ICWD to the Office of the Government Corporate Council (OGCC) as one of the requirements for requesting for OGCC's opinion for Joint Venture Agreement.

Certified By:

[REDACTED]
MAREDITH A. BRAZAL
 State Auditor IV
 Audit Team Leader



Annex "B-2"

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufin Ilagas St., San Roque, Iriga City

Notes to Financial Statements
December 31, 2016

1. AGENCY BACKGROUND

The Iriga City Water District (ICWD) was formed through the Sangguniang Panlungsod ng Iriga Resolution No. 50 s. 1979 dated June 5, 1979 which led to the subsequent turnover of all the assets and facilities of the Iriga City Waterworks run by the city government.

As a requirement in availing financial assistance for the development of the water system, ICWD filed on July 4, 1979 with the Local Water Utilities Administration (LWUA) the required pertinent documents and on September 4, 1979, a Conditional Certificate of Conformance No. 09 was issued.

On March 12, 1992, all water districts became Government Owned and Controlled Corporations by virtue of the Supreme Court ruling of September 11, 1991. ICWD is now under the supervision of the Civil Service Commission (CSC) as far as personnel matters are concerned and under the Commission on Audit for auditing.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND CONCEPTS AND SELECTED POLICIES AND PRACTICES OF THE WATER DISTRICT

- *Basic of Financial Statements Preparation*

The accompanying Financial Statements have been prepared using the New Government Accounting System (NGAS) in conformity with accounting principles generally accepted in the Philippines. The Water District stated the adoption of the NGAS for Government Owned and Controlled Corporations (GOCCs) in November 2005.

- *Disbursements*

The Water District uses the Imprest Fund System; disbursements, except petty expenses, are paid by means of checks.

- *Recognition of Income and Expenses*

Revenue and expenses are recognized on accrual basis. Income is recognized in the period it was earned and expenses are recorded when incurred.

Annex "B-2"

* *Accounting for Property, Plant and Equipment*

The account Property, Plant and Equipment (PPE) is stated at cost, net of accumulated depreciation computed on a straight line method over its estimated useful life, ranging from 5 to 50 years, computed and booked up monthly. Ten percent residual value is considered.

* *Inventory Valuation*

Materials and Supplies inventories are stated at cost.

3. CASH

This account grouping is composed of the following accounts, to wit:

Account Title	CY 2016	CY 2017
Cash – Collecting Officers	₱ [REDACTED]	₱ [REDACTED]
Petty Cash	[REDACTED]	[REDACTED]
Cash in Bank – Local Currency, Current Account – PHB#219-10520001	[REDACTED]	[REDACTED]
Cash in Bank – Local Currency, Current Account – IEP	[REDACTED]	[REDACTED]
Cash in Bank – Local Currency, Savings Account – DBP	[REDACTED]	[REDACTED]
Cash in Bank – Local Currency, Current Account – DBP	[REDACTED]	[REDACTED]
Cash in Bank – Local Currency, Time Deposits	[REDACTED]	[REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

Cash-Collecting Officers pertain to the undeposited collections on December 29, 2016 and December 30, 2016 which were deposited on the first working day of the following year, January 3, 2017 and January 5, 2017, respectively.

Petty Cash Fund is the working fund for expenses incurred below ₱1,000.00 provided it is within the budget.

Cash in Bank – Local Currency, Current Account in the amount of [REDACTED] is deposited with the Philippine National Bank (PNB), Inga City Branch, which amounts are available for general expenditures to meet the current obligations of the District.

Cash in Bank – Local Currency, Current Account with the Land Bank of the Philippines (LBP), in the amount of [REDACTED] is the Project Fund Balance for Non I WUA.

Annex "B-2"

Initiated Fund (NLIF) grant intended for expansion and [redacted] collections from government agencies.

Cash in Bank – Local Currency, Savings Account with the Development Bank of the Philippines (DBP), in the amount of [redacted]

Cash in Bank – Local Currency, Time Deposits refers to the cash in local currency deposited in the time deposit accounts at LBP and LMB.

4. RECEIVABLES, NET

Receivables include the following accounts:

Account Title	CY 2016	CY 2015
Accounts Receivable – Water Sales	₱ [redacted]	₱ [redacted]
Less: Allowance for Impairment – Accounts Receivables	[redacted]	[redacted]
Accounts Receivable - Net	₱ [redacted]	₱ [redacted]
Accounts Receivable – New Service Connection Fees	[redacted]	[redacted]
Accounts Receivable – Lost Water Meter	[redacted]	[redacted]
Due from Officers and Employees	[redacted]	[redacted]
Due from NGAs/BIWADA	[redacted]	[redacted]
Receivables-Disallowance	[redacted]	[redacted]
Other Receivables	[redacted]	[redacted]
Total	₱ [redacted]	₱ [redacted]

Accounts Receivable represents the unpaid water bills by customers, various government offices, etc., and materials loaned to concessionaires and other services paid on installment basis as of the end of the year.

Allowance for Impairment – Accounts Receivables is computed at year-end, based on Aging of Accounts Receivable.

Accounts Receivable, Net is the net book value of Accounts Receivable after deducting the corresponding Allowance for Doubtful Accounts.

Due from NGAs/BIWADA refers to the cost of trophies awarded to the winners in the BIWADA Sportsfest 2013

Receivables-Disallowance refers to the PAG-IBIG and PHILHEALTH Premiums (employer's shares) of contractual employees and disallowances on travel expenses of the Members of the Board Directors, regular and contractual employees subjected for refund per COA recommendation for audit years 2012, 2013 and 2014.

Annex "B-2"

Other Receivables includes collectibles from private individuals/entities not considered as regular accounts receivable.

5. INVENTORIES

This account represents the cost of various items in the stockroom, stated at cost using the Moving Average Method. The breakdown of the account is as follows:

Account Title	CY 2016	CY 2015
Office Supplies Inventory	₱ [REDACTED]	[REDACTED]
Accountable Forms, Plates and Stickers Inventory	[REDACTED]	[REDACTED]
Other Supplies and Materials for Distribution	[REDACTED]	[REDACTED]
Other Supplies and Materials Inventory	[REDACTED]	[REDACTED]
Construction Materials Inventory	[REDACTED]	[REDACTED]
Chemicals and Filtering Materials Inventory	[REDACTED]	[REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

6. PREPAYMENTS

This account pertains to the unamortized fidelity bond premiums, insurance premiums of office building and various service vehicles of the Water District and other prepaid expenses.

Nature of Account	CY 2016	CY 2015
Prepaid Insurance	₱ [REDACTED]	₱ [REDACTED]
Prepaid Registration	[REDACTED]	[REDACTED]
Other Prepayments	[REDACTED]	[REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

7. OTHER CURRENT ASSETS

This account includes guaranty deposits made by the District to wit:

Other Current Assets	CY 2016	CY 2015
Telephone Deposits -Iriga Telephone Company	₱ [REDACTED]	₱ [REDACTED]
Chlorine Tank	[REDACTED]	[REDACTED]
CASURECO III - Meter Deposit	[REDACTED]	[REDACTED]
Acetylene Tank	[REDACTED]	[REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

Annex "B-2"

8. INVESTMENTS

Nature of Account	CY 2016	CY 2015
Sinking Fund	P [REDACTED]	P [REDACTED]

This account pertains to the Joint Account of LWDA and ICWD for fund set aside for specific long-term purposes, including a Debt Service Reserve for loan repayment; Operation and Maintenance Reserve for repairs of damaged water district facilities due to natural calamities, public disorders and the like; and a Capital Reserve for expansion of the Water District's facilities.

9. PROPERTY, PLANT AND EQUIPMENT, NET

The breakdown of the PPE accounts:

PPE	CY 2016	CY 2015
a. Property, Plant and Equipment (net) (see next table below for the details)	P [REDACTED]	P [REDACTED]
b. Construction in Progress – Agency Assets	P [REDACTED]	P [REDACTED]
Total	P [REDACTED]	P [REDACTED]

The details of the PPE at their book values are:

Particulars	CY 2016	CY 2015
Land	P [REDACTED]	P [REDACTED]
Other Land Improvements	[REDACTED]	[REDACTED]
Water Supply Systems	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Other Structures	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]
Furniture and Fixtures	[REDACTED]	[REDACTED]
Information and Communication Technology Equipment	[REDACTED]	[REDACTED]
Other Machineries and Equipment	[REDACTED]	[REDACTED]
Communication Equipment	[REDACTED]	[REDACTED]
Disaster Response and Rescue Equipment	[REDACTED]	[REDACTED]
Motor Vehicles	[REDACTED]	[REDACTED]
Other Transportation Equipment	[REDACTED]	[REDACTED]
Other Property, Plant and Equipment	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

Annex "B-2"

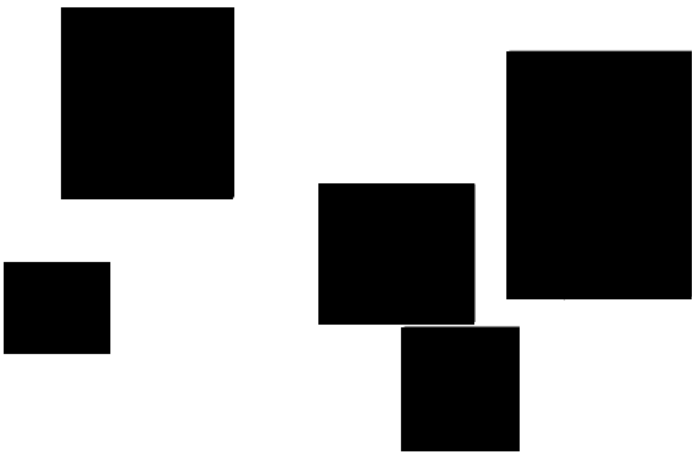
Set forth below are the PPEs at their acquisition cost and the corresponding accumulated depreciation, to wit:

For CY 2016

Account Title	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land	P [REDACTED]	P [REDACTED]	P [REDACTED]
Other Land Improvements	[REDACTED]	[REDACTED]	[REDACTED]
Water Supply Systems	[REDACTED]	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]	[REDACTED]
Other Structures	[REDACTED]	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Furniture and Fixtures	[REDACTED]	[REDACTED]	[REDACTED]
Information and Communication	[REDACTED]	[REDACTED]	[REDACTED]
Technology Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Other Machineries and Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Communication Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Disaster Response and Rescue Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Motor Vehicles	[REDACTED]	[REDACTED]	[REDACTED]
Other Transportation Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Other Property, Plant and Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]	P [REDACTED]

For CY 2015

Account Title	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land	P [REDACTED]	P [REDACTED]	P [REDACTED]
Other Land Improvements	[REDACTED]	[REDACTED]	[REDACTED]
Water Supply Systems	[REDACTED]	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]	[REDACTED]
Other Structures	[REDACTED]	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Furniture and Fixtures	[REDACTED]	[REDACTED]	[REDACTED]
Information and Communication	[REDACTED]	[REDACTED]	[REDACTED]
Technology Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Other Machineries and Equipment	[REDACTED]	[REDACTED]	[REDACTED]



Annex "B-2"

Account Title	Acquisition Cost	Accumulated Depreciation	Net Book Value
Communication Equipment			
Disaster Response and Rescue Equipment			
Motor Vehicles			
Other Transportation Equipment			
Other Property, Plant and Equipment			
Total	P	P	P

10. OTHER ASSETS

The breakdown of the account is presented below:

Other Assets	CY 2016	CY 2015
2 sets pipe die threaded		
2 pcs. Pipe wrench 14"		
4 pcs. Pipe wrench 12"		
Other unserviceable properties		
Additional Unservediceable Properties		
Total	P	P

11. PAYABLE ACCOUNTS

These are unpaid obligations as of December 31, 2016:

Account Title	CY 2016	CY 2015
Accounts Payable		
Due to Officers and Employees		
Total	P	P

The Accounts Payable account is broken down as follows:

Accounts Payable	CY 2016	CY 2015
Lucky Best Enterprises		
Benito Ngo Marketing		
Shell House Triga		
Joe Hardware		
Atty. Ferdinand I. Diño		
Engr. Antonio Calleja		
Bayan Telecommunications		

Annex "B-2"

Accounts Payable	CY 2016	CY 2015
New Ong To Expressmart		
AMC Calleja Construction		
Keylargo Industrial Sales		
All Systems, Inc.		
PLDT		
AJAM Coco Lumber Dealer		
KJCL Home Enterprises		
Aquastar Water Technology		
Concord Metals		
BAC 2015 honorarium		
Escon Enterprises		
Hilti Philippines		
Glendwood Technologies		
Magiting Security		
Moldex Products		
Pampanga's Best		
Philippine Duplicators		
BIR-other taxes withheld		
Dir. Victor Durano		
De Las Liagas Auto Repair		
Retainer's Fee		
Wages-Casual		
Wages-Contract of Services		
Overtime Pay-December 2016		
Efficiency Incentive Bonus		
Total	P [REDACTED]	P [REDACTED]

Due to Officers and Employees account includes the following payables to the District's officers and employees:

Due to Officers and Employees	CY 2016	CY 2015
Service Incentives	P [REDACTED]	P [REDACTED]
Monetization of Accrued Leave Credits		
Loyalty Incentives		
Overtime Pay - December		
Contractual Payroll		
[REDACTED]		

Annex "B-2"

Due to Officers and Employees	CY 2016	CY 2015
Total	P	P

12. INTER-AGENCY PAYABLES

These are withheld taxes and premium contributions deducted from the salaries of employees/members:

Account Title	CY 2016	CY 2015
Due to BIR	P	P
Due to GSIS		
Total	P	P

Due to BIR pertains to the amount of taxes withheld from suppliers, Board of Directors' fees/per diems and employees' salaries to be remitted on or before the 10th day of the ensuing month.

Due to GSIS pertains to the GSIS premiums and arrearages and interest as a result of SSS premium contributions transferred to GSIS for remittance.

13. OTHER CURRENT LIABILITY ACCOUNTS

This account consists of the following:

Account Title	CY 2016	CY 2015
Guaranty/Security Deposits Payable	P	P
Bail Bonds Payable		
Other Payables		
Total	P	P

Guaranty/Security Deposits Payable pertains to the amount of deposits made by customers prior to the installation of water service connections applied as security for the payment of subsequent water bills.

Bail Bonds Payable refers to the balance of retention fee of UIMIG Enterprises in the amount of P

Other Payables in the amount of P refers to the notarial fees of Atty. Reynel M. Beriffa.

Annex "B-2"

14. LOANS PAYABLE - DOMESTIC

This account pertains to the principal amount of the loan of the Water District with the Development Bank of the Philippines (DBP).

Account Title	CY 2016	CY 2015
Loans Payable - Domestic	P [REDACTED]	P [REDACTED]

15. OTHER DEFERRED CREDITS

This account refers to the Non-LWUA Initiated Fund payable in 40 years at 0% interest.

Account Title	CY 2016	CY 2015
Other Deferred Credits	P [REDACTED]	P [REDACTED]

16. GOVERNMENT EQUITY

This account pertains to the subsidy given to the Water District by the Iriga City at the time the water district assumed control over the operations of the utility, as well as the various donations from LWUA, broken down as follows:

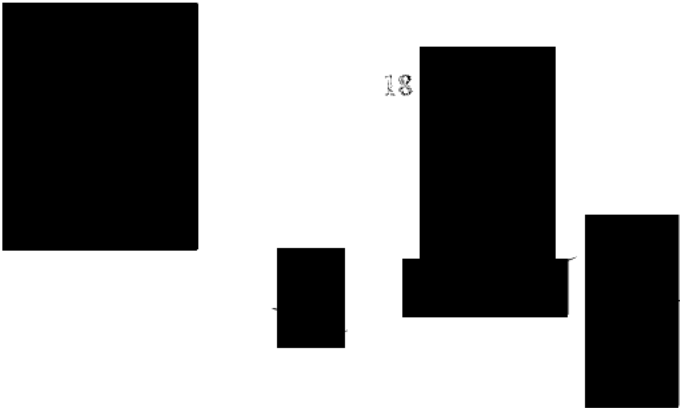
Nature of Account	CY 2016	CY 2015
City Government Subsidy	P [REDACTED]	P [REDACTED]
LWUA-Donated Pipes and Fittings	[REDACTED]	[REDACTED]
LWUA-Flow Meters and Centrifugal Pump	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

17. INCOME

This account consists of the following:

Account Title	CY 2016	CY 2015
Waterworks System Fees	P [REDACTED]	P [REDACTED]
Other Business Income	[REDACTED]	[REDACTED]
Fines and Penalties - Business Income	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

Income from Waterworks System includes all water billings to residential, commercial customers and bulk sales that are billed based on water given to shipping cargos, as measured through water meters and existing water rates of the Water District.



Annex "B-2"

Other Business Income refers to the costs of other services extended by the Water District to its customers, such as water service connection fees.

Fines and Penalties – Business Income consists of penalties charged on water bills not paid on due dates.

18. SALARIES AND WAGES

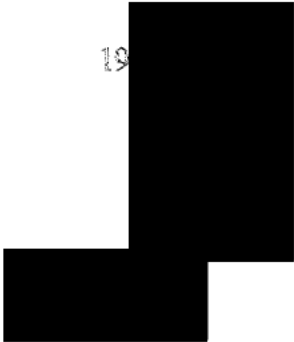
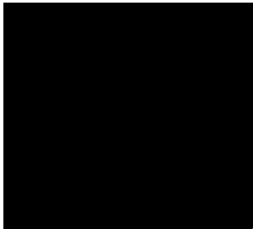
Account Title	CY 2016	CY 2015
Salaries and Wages - Regular	P [REDACTED]	P [REDACTED]
Salaries and Wages - Casual/Contractual	[REDACTED]	[REDACTED]
Salaries and Wages - Casual/Contractual	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

19. OTHER COMPENSATION

Account Title	CY 2016	CY 2015
Personnel Economic Relief Allowance (PERA)	P [REDACTED]	P [REDACTED]
Additional Compensation (ADCOM)	[REDACTED]	[REDACTED]
Representation Allowance	[REDACTED]	[REDACTED]
Transportation Allowance	[REDACTED]	[REDACTED]
Clothing/Uniform Allowance	[REDACTED]	[REDACTED]
Subsistence Allowance	[REDACTED]	[REDACTED]
Honoraria	[REDACTED]	[REDACTED]
Overtime and Night Pay	[REDACTED]	[REDACTED]
Cash Gift	[REDACTED]	[REDACTED]
Year - End Bonus	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

20. PERSONNEL BENEFITS CONTRIBUTION

Account Title	CY 2016	CY 2015
Retirement Life Insurance Premiums	P [REDACTED]	P [REDACTED]
Pag-IBIG Contributions	[REDACTED]	[REDACTED]
PhilHealth Contributions	[REDACTED]	[REDACTED]
Employees Compensation Insurance Premiums	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]



Annex "B-2"

21. OTHER PERSONNEL BENEFITS

Account Title	CY 2016	CY 2015
Terminal Leave Benefits	₱ [REDACTED]	₱ [REDACTED]
Other Personnel Benefits	₱ [REDACTED]	₱ [REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

22. SUPPLIES AND MATERIALS EXPENSES

Account Title	CY 2016	CY 2015
Office Supplies Expenses	₱ [REDACTED]	₱ [REDACTED]
Accountable Forms Expenses	₱ [REDACTED]	₱ [REDACTED]
Drugs and Medical Expenses	₱ [REDACTED]	₱ [REDACTED]
Medical, Dental and Laboratory Supplies Expenses	₱ [REDACTED]	₱ [REDACTED]
Gasoline, Oil and Lubricants Expenses	₱ [REDACTED]	₱ [REDACTED]
Chemical and Filtering Supplies Expenses	₱ [REDACTED]	₱ [REDACTED]
Other Supplies and Materials Expenses	₱ [REDACTED]	₱ [REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

23. UTILITY EXPENSES

Account Title	CY 2016	CY 2015
Water Expenses	₱ [REDACTED]	₱ [REDACTED]
Electricity Expenses	₱ [REDACTED]	₱ [REDACTED]
Other Utility Expenses	₱ [REDACTED]	₱ [REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

24. COMMUNICATION EXPENSES

Account Title	CY 2016	CY 2015
Postage and Courier Services	₱ [REDACTED]	₱ [REDACTED]
Telephone Expenses	₱ [REDACTED]	₱ [REDACTED]
Internet Subscription Expenses	₱ [REDACTED]	₱ [REDACTED]
Cable, Satellite, Telegraph and Radio Expenses	₱ [REDACTED]	₱ [REDACTED]
Total	₱ [REDACTED]	₱ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Annex "B-2"

25. PROFESSIONAL SERVICES

Account Title	CY 2016	CY 2015
Legal Services	P [REDACTED]	P [REDACTED]
Auditing Services	[REDACTED]	[REDACTED]
Security Services	[REDACTED]	[REDACTED]
Council/Board Members Allowances and Other Benefits	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

26. REPAIRS AND MAINTENANCE EXPENSES

Account Title	CY 2016	CY 2015
Repairs and Maintenance - Other Infrastructure Assets	P [REDACTED]	P [REDACTED]
Repairs and Maintenance - Building and Other Structures	[REDACTED]	[REDACTED]
Repairs and Maintenance - Furniture and Fixtures	[REDACTED]	[REDACTED]
Repairs and Maintenance - Machinery and Equipment	[REDACTED]	[REDACTED]
Repairs and Maintenance - Semi Expandable Furniture, Fixture and Books	[REDACTED]	[REDACTED]
Repairs and Maintenance - Transportation Equipment	[REDACTED]	[REDACTED]
Repairs and Maintenance - Other Property, Plant and Equipment	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

27. TAXES, INSURANCE PREMIUMS AND OTHER FEES

Account Title	CY 2016	CY 2015
Taxes, Duties and Licenses	P [REDACTED]	P [REDACTED]
Fidelity Bond Premiums	[REDACTED]	[REDACTED]
Insurance Expenses	[REDACTED]	[REDACTED]
Total	P [REDACTED]	P [REDACTED]

28. DEPRECIATION

Account Title	CY 2016	CY 2015
Depreciation - Land Improvements	P [REDACTED]	P [REDACTED]
Depreciation - Infrastructure Assets	[REDACTED]	[REDACTED]
Depreciation - Building and Other Structures	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Annex "B-2"

Account Title	CY 2016	CY 2015
Depreciation - Machinery Equipment		
Depreciation - Furniture, Fixtures and Books		
Depreciation - Transportation Equipment		
Depreciation - Other Property, Plant and Equipment		
Total	P	P

29. FINANCIAL EXPENSES

This account grouping is composed of the following:

Account Title	CY 2016	CY 2015
Bank Charges	P	P
Interest Expenses		
Total	P	P

30. INTEREST INCOME

This account refers to the interest earned from bank deposits.

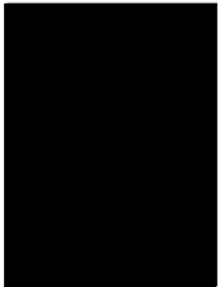
Account Title	CY 2016	CY 2015
Interest Income	P	P

31. MISCELLANEOUS INCOME

This account includes penalties due from illegal water service connections, and other related income.

Nature of Account	CY 2016	CY 2015
Miscellaneous Income	P	P

IRIGA WATER DISTRICT			
LOAN AMORTIZATION SCHEDULE (As of JUNE 2018)			
DATE	LOAN I.D	DBP LOAN	TOTAL MONTHLY PAYMENT
	TOTAL MONTHLY PAYMENT	OUTSTANDING BALANCE	
Jun 2018			
Jul 2018			
Aug 2018			
Sep 2018			
Oct 2018			
Nov 2018			
Dec 2018			
Jan 2019			
Feb 2019			
Mar 2019			
Apr 2019			
May 2019			
Jun 2019			
Jul 2019			
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Jan 2022			
Feb 2022			
Mar 2022			
Apr 2022			
May 2022			
Jun 2022			



Annex "C"

Jul 2022					
Aug 2022					
Sep 2022					
Oct 2022					
Nov 2022					
Dec 2022					
Jan 2023					
Feb 2023					
Mar 2023					
Apr 2023					
May 2023					
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Jan 2025					
Feb 2025					
Mar 2025					
Apr 2025					
May 2025					
Jun 2025					
Jul 2025					
Aug 2025					
Sep 2025					
Oct 2025					
Nov 2025					
Dec 2025					
TOTAL					

Certified True and Correct by:

ROMULO M. CORPORAL JR.
General Manager

JEROME D. VALDEZ, CPA
Senior Financial Analyst
PrimeWater Infrastructure Corp.