

ANNEX VIII
GUIDELINES FOR THE CONSTITUTION OF HOLDERS' COUNCIL

ANEXO VIII

PREÂMBULO

A versão em língua inglesa deste Anexo é meramente referencial, não vinculante. A única versão oficial do documento está redigida em língua portuguesa, cujo conteúdo é vinculante para todos os interessados. Em caso de dúvidas de interpretação entre a versão traduzida do Anexo 8, em inglês, e a versão oficial, redigida em língua portuguesa, prevalecerá a versão em língua portuguesa, documento oficial da licitação.

ANNEX VIII

PREAMBLE

The English version of this Annex is not binding to the parties. The Portuguese version of the document is the only official version of the auction and it is binding to all stakeholders. Should any interpretation doubt arise between this English version and the Portuguese version of this Annex VIII, the Portuguese version shall prevail, as the only official document for the auction.

ANNEX VIII

ANNEX VIII - GUIDELINES FOR THE CONSTITUTION OF HOLDERS' COUNCIL

1. GENERAL PROVISIONS

1.1. The HOLDERS' COUNCIL is hereby instituted in compliance with article 9, of Law federal No. 11445/2007, and within the limits established in the instruments of associated management executed between the Municipalities and the STATE, both with the consent and intervention of the REGULATORY AGENCY, for the structuring of the regionalized provision of the public water supply and sanitary sewage services in the STATE.

The HOLDERS' COUNCIL shall be constituted as advisory bodies with the purpose of coordinating and integrating the relationships between the holders of the public water supply and sanitary sewage services of the CONCESSION, the STATE and the REGULATORY AGENCY with an aim at ensuring participation of the holders in decisions pertaining to the performance of the CONCESSION AGREEMENT, under the terms provided for in subitem 3.1.

2. COMPOSITION

2.1. The HOLDERS' COUNCIL shall be comprised by the holders of the public water supply and sanitary sewage services of the CONCESSION and shall be chaired by the REGULATORY AGENCY, which shall not have voting rights.

2.2. The members of the HOLDERS' COUNCIL shall have the right to appoint a representative member, which shall manifest itself in the meetings and other interactions maintained among the holders regarding the topics and decisions that are their responsibility.

2.3. The appointment and substitution of the members of the HOLDERS' COUNCIL is free to the holders represented therein.

2.4. Participation of the members appointed by the holders of the public water and sanitary sewage service of the CONCESSION shall be considered a relevant service without compensation.

2.5. The HOLDERS' COUNCIL are prohibited from adopting measures or rendering decisions that contradict or change the provisions of the CONCESSION AGREEMENT or even extrapolate the purpose for which they were created.

2.6. Participation of the holders of the water supply and sanitary sewage services in the HOLDERS' COUNCIL shall be optional.

2.6.1. Absence of indication of a member to integrate the HOLDERS' COUNCIL shall imply full acceptance of the decisions issued by the BOARD OF OWNERS.

3. ATTRIBUTIONS

3.1. The HOLDERS' COUNCIL, in their capacity as advisory bodies, shall have the following as designations:

3.1.1. Follow up the review processes of the MUNICIPAL WATER AND SEWAGE PLAN of all MUNICIPALITIES participating in the CONCESSION, in order to guarantee that they are compliant with the regionalized provision of these SERVICES;

3.1.2. Make a pronouncement on the calculation of the amount of any indemnity owed to the CONCESSIONAIRE as a result of the termination of the CONCESSION AGREEMENT, including the calculation of the amount to be indemnified by the reversion of the REVERSIBLE ASSETS, pursuant the guidelines of the AGREEMENT.

3.1.3. Make a pronouncement on any intervention of the STATE in the CONCESSION, pursuant the CONCESSION AGREEMENT;

3.1.4. Make a pronouncement on any forms of early termination of the CONCESSION AGREEMENT;

3.1.5. Make a pronouncement on the expansion of the CONCESSION AREA due to the inclusion of new municipalities in the CONCESSION;

3.1.6. Make a pronouncement on the exclusion of municipalities from the CONCESSION;

3.1.7. Make a pronouncement on the extension of the CONCESSION AGREEMENT in the event that the total term of the CONCESSION AGREEMENT exceeds forty (40) years;

3.1.8. Be aware, on the extinction of the CONCESSION, about the TRANSITION PLAN, the evolution of the work of transferring the REVERSIBLE ASSETS and the conduction of the process of their reversion to the MUNICIPALITIES, through the STATE;

3.1.9. Make a pronouncement on the request for the initiation of arbitration proceedings formulated by the PARTIES; and

3.1.10. Make a pronouncement on the planning of investments to be carried out with resources from CONTA INVESTIMENTOS, under the terms of clause 50 of the CONTRACT.

3.2. The activity of the holders of the public water supply and sanitary sewage services is limited to the CONCESSION integrated thereby.

4. MEETINGS AND PRONOUNCEMENTS

4.1. Whenever necessary for the exercise of some of the attributions provided for in item 3 of this ANNEX, it shall be incumbent upon the REGULATORY AGENCY to call the members of

the BOARD OF OWNERS, at least fifteen (15) days in advance of the date of the meeting, submitting the relevant documents and requirements for the prior analysis of the BOARD OF OWNERS.

4.2. At the discretion of the REGULATORY AGENCY, representatives of the STATE may be invited to participate in the meeting, with the purpose of providing information relevant to the topics under discussion.

4.2.1 In compliance with article 17, § 1º, of Federal Law No. 11445/2007, it is incumbent upon the HOLDERS' COUNCIL to use all necessary efforts to remain the MUNICIPAL WATER AND SEWAGE PLAN compatible with each other, ensuring compliance with the principles of cost effectiveness, efficiency, tariff moderation, and appropriate service.

4.3 The first meeting of the HOLDERS 'COUNCIL shall be convened by the REGULATORY AGENCY, and shall have as subject the stipulation of a deadline for the elaboration of the HOLDERS 'COUNCIL's internal regulations, in which the weight of the vote of each member will be defined, observing the proportion of the population contingent of each municipality members of the CONCESSION AREA.

4.4 The pronouncements of the HOLDERS' COUNCIL shall be of an advisory nature, not binding on the STATE's decision, except for sub-items 3.1.4 and 3.1.7, in which the HOLDERS' COUNCIL will have veto power, and should be recorded in minutes.

4.5 The HOLDERS' COUNCIL must make a pronouncement within thirty (30) days from the date of the first call made by the REGULATORY AGENCY.

4.5.1 In the absence of a pronouncement within the terms provided for in item 4.5, shall be presumed the positive pronouncement of the proposal presented to the BOARD OF OWNERS.

4.6 The HOLDERS' COUNCIL will be able to better discipline their performance by issuing bylaws, internal regulations or regulations, observing the guidelines and provisions contained in this annex and in the AGREEMENT.
