

CIRCULAR LETTER RELATED TO THE IMPLEMENTATION OF DEBT FOR EQUITY SWAPS

In the framework of the active management of the Bulgarian Debt and on the basis of the agreements concluded within the framework of the Paris Club, the Bulgarian and French Governments have agreed to establish a procedure of "debt for equity swaps" in order to increase French investments in Bulgaria and to contribute to the economic development of Bulgaria.

As far as the Bulgarian party is concerned, procedures of implementation of this debt swap operation, which amounts to 5.3 million euros as of April 1, 2002, are described in the present circular letter.

SECTION 1 - ELIGIBILITY CRITERIA

Debt for equity swaps operations are subject to the hereafter mentioned conditions :

1.1. Eligible Investors

The debt for equity swaps operations is exclusively reserved to foreigners, residents or non residents in the Republic of Bulgaria and to Bulgarians living abroad.

1.2 Eligible Investments

Eligible investments are investments in equities in all economic sectors in order to finance a new project, the extension of an existing project and the acquisition of shares in Bulgarian enterprises, particularly in the framework of Bulgarian privatizations.

There is no limit on the amount of local currency resulting from the debt for equity swap operation which can be invested in the framework of a privatization.

SECTION 2 - APPROVAL BY THE BULGARIAN AUTHORITIES

Any eligible investment related to this operation must be approved by the Bulgarian Authorities. This approval, delivered by the Ministry of Finance of the Republic of Bulgaria, can be obtained according to the following procedure:

2.1. Requests for approval of Investment

Requests for approval of Investment projects will supply information specified in the annex of this present circular letter and will be addressed to:

**Minister of Finance
Ministry of Finance
1040 Sofia -102 Rakovski Str
Bulgaria**

These requests for approval will be examined by the Bulgarian Authorities on the basis of a general appreciation of the interest of the Investment project for the Bulgarian economy.

2.2. Notification of the approval to the Investor

Within 30 days starting from the reception of the request for approval, the Commission for approval within the Ministry of Finance of the Republic of Bulgaria will deliver in writing its final decision to the Investor.

This decision can be:

- a refusal if the projected investment does not respond to the criteria for eligibility defined in section 1 mentioned hereabove;
- a request for additional information, in which case the 30 day notification period, reserved for the Commission's approval, starts at the reception of this additional information;
- an approval that specifies the amount of the debt that could be swapped, and the conditions that will be agreed upon with the investor, in particular the redemption value of the claim to the Bulgarian Government.

SECTIONS - PURCHASE OF CLAIMS FROM THE FRENCH GOVERNMENT

Any investor, having already obtained the written approval from the Bulgarian Authorities and willing to purchase a claim against Bulgaria from the French Government in the framework of the present debt for equity swaps operation, must present a purchase offer to the French Ministry of Economy and Finance according to conditions that will be determined by the French Government.

**Ministere de l'Economie, des Finances et de l'Industrie
Direction du Tresor
Bureau F1
Teledoc 551
139, rue de Bercy
75572 Paris Cedex 12**

The application should mention "**Bulgarie - conversion de dettes**".

The purchase of claims from the French Government must be completed to within 120 days from the date of notification of the approval by the Bulgarian Commission for approval. Following this period, any operation of debt for equity swap not achieved will be null.

SECTION 4 - PROCEDURE OF DEBT CONVERSION

Within 15 days starting from the date of notification by France to the Bulgarian Authorities of the payment made to France by the investor, the Bulgarian Treasury will transfer in a bank account in Bulgaria, indicated by the investor, the exchange value in Bulgarian levass of the nominal value of the claim in euros multiplied by the rate of redemption as agreed upon between the French and the Bulgarian Government.

The exchange rate taken into account is the "buying" exchange rate of the Central Bank of Bulgaria at the date of payment to France by the Investor.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

**MINISTRY OF FINANCE
OF THE REPUBLIC OF BULGARIA**

Sofia, April 18, 2002

ANNEX

Information and documents to be supplied for the examination
of a request for approval of an investment project

1- Presentation of the Investment project

- 1.1. Object of the project
- 1.2. Investment sector
- 1.3. Geographic localization of the Investment
- 1.4. Shareholders
 - Names
 - Nationalities
 - Shares
 - Other

2- Details on the Investment program

- 2.1. Detailed feasibility study of the considered project
- 2.2. Estimated working accounts
- 2.3. Financing scheme considered

3- Contribution for development of the Bulgarian economy

- 3.1. Number of jobs involved
- 3.2. Purchases on the local market
- 3.3. Turn-over on exports
- 3.4. Other