

Grant Agreement
Khosrov Forest State Reserve

Dated February 12, 2010

SIGNED IN YEREVAN

PREAMBLE

This Grant Agreement (the “Agreement”) is made and entered into as of the 12th day of the month of February, 2009, by and between:

- (a) The Caucasus Protected Areas Fund (“CPAF”), a foundation (*Stiftung*) established under the laws of Hessen, Germany,
- (b) The Ministry of Nature Protection of Armenia (the “Ministry”) acting on behalf of Republic of Armenia; and
- (c) Khosrov Forest State Reserve non-commercial governmental organizations (“Khosrov Forest”),

(each of the CPAF, Khosrov Forest and the Ministry a “Party”, and collectively, the “Parties”).

RECITALS

WHEREAS, the Ministry and the CPAF have entered into a Framework Agreement, dated May 22, 2009, which contemplates, among other things, grants by the CPAF to certain Protected Areas in Armenia to finance Covered Costs, as defined in the Framework Agreement.

WHEREAS, the Ministry and Khosrov Forest applied for such a grant by application submitted in September 2009 (the “Application”), and the Application includes the Preliminary Operational Plan for 2010-2012 (the “Initial Operating Plan” and, insofar as it relates to 2010, the “Preliminary 2010 Operating Plan”) and preliminary budget information in State Budget Format for 2010-2012 (the “Initial Budget” and, insofar as it relates to 2010, the “Preliminary 2010 Budget”) forming part of Annex 2 of the Application;

WHEREAS, Khosrov Forest also has responsibility for administering Goravan Sands state sanctuary, Khor Virap state sanctuary, and Gilan state sanctuary (together with Khosrov Forest, the “Khosrov PA Unit”), and such grant will be used exclusively for the benefit of the Khosrov PA Unit;

WHEREAS, the Board of the CPAF approved the Application and the grant to be made pursuant to this Agreement at its meeting on October 26, 2009; and

WHEREAS, the Parties wish to enter into this Agreement to establish the terms and conditions of the proposed grant.

NOW, THEREFORE, the Parties hereby agree as follows:

§ 1. Agreement Term

This Agreement shall be effective on the signing thereof and, except for the provisions that expressly survive the expiration hereof, shall expire on December 31, 2012, unless sooner terminated in accordance with the terms envisaged under this Agreement.

§ 2. Defined Terms; Representation and Joint Accountability, Interpretation.

Certain of the capitalized terms used in this Agreement and not defined herein shall have the definition set forth in the Framework Agreement, or in the Application. The Ministry and Khosrov Forest represent and warrant to the CPAF that the Application is accurate and complete and does not omit any information that would be material to understanding the operations and financing needs of the Khosrov PA Unit. The Ministry and Khosrov Forest shall be jointly and severally accountable and responsible to the CPAF for fulfillment of the commitments and obligations set forth in the Application and in this Agreement. Should a conflict arise between this Agreement and any or several Annexes or Appendices, this Agreement shall prevail unless otherwise agreed by the Parties in writing (or otherwise specifically stated in this Agreement or Annexes). The Annexes or Appendices, constitute an integral part of the Agreement .

§ 3. Grant.

3.1 General.

The CPAF hereby grants to the Ministry and Khosrov Forest, for exclusive use in financing Covered Costs in the budget of the Khosrov PA Unit for the calendar years 2010-2012 as contemplated by the Application, the sum of up to Euro 282,045 (the "Grant"), of which Euro 252,045 will be available for disbursement as described under Section 4 and Appendix A, and Euro 30,000 (Euro 10,000 annually for the calendar years 2011-2013) will be set aside by the CPAF to cover the costs of audit as described under Section 7. It is agreed and understood that Grant funds may be provided, in the discretion of the CPAF, in whole or in part directly by it or indirectly through a third party donor arranged by the CPAF and approved by the Ministry.

As used herein, the term "First Grant Year" shall mean calendar year 2010, the term "Second Grant Year" shall mean calendar year 2011, the term "Third Grant Year" shall mean calendar year 2012, and the term "Grant Year" shall mean one of such years.

3.2 Budgets and Operating Plans.

Grant funds shall be disbursed to the Ministry and Khosrov Forest only the basis of Approved Budgets and Approved Operating Plans as described below.

3.2.1 Preliminary Operating Plans and Preliminary Budgets.

- (1) As noted above in the Recitals, the Preliminary 2010 Operating Plan and the Preliminary 2010 Budget form part of the Application.
- (2) By September 15 of the First and Second Grant Years, the Ministry and Khosrov Forest shall submit to the CPAF:
 - A Draft Operating Plan for the following Grant Year, and an explanation of any significant changes between such Plan and the Initial Operating Plan,
 - A Draft Preliminary Budget for the following Grant Year and an explanation of any significant variances between such Budget and the Initial Budget contained in the Application.
- (3) In the event that the Draft Operating Plan or Draft Preliminary Budget for a following Grant Year does not contain any changes from the operating plan or budget planned for such following Grant Year contained in the Initial Operating Plan or the Initial Budget, as the case may be, that in the CPAF's judgment are material, such Draft Operating Plan or Draft Preliminary Budget shall become the "Following Year Preliminary Operating Plan" or "Following Year Preliminary Budget".
- (4) In the event that the Draft Operating Plan or Draft Preliminary Budget for a following Grant Year contains changes from the operating plan or budget planned for such following Grant Year contained in the Initial Operating Plan or the Initial Budget that in the CPAF's judgment are material, the CPAF and the Ministry shall use their reasonable best efforts to agree a revised Draft Operating Plan and a revised Draft Preliminary Budget for the following Grant Year that take into account such changes, and if they so agree, such revised Draft Operating Plan and revised Draft Preliminary Budget shall become the "Following Year Preliminary Operating Plan" or "Following Year Preliminary Budget".

For the purposes hereof, the Preliminary 2010 Operating Plan and the Preliminary 2010 Budget, in respect of the year 2010, and the Following Year Preliminary Operating Plan and Following Year Preliminary Budget, determined in respect of a following Grant Year as provided above, each shall be referred to as a "Preliminary Operating Plan" or a "Preliminary Budget", as the case may be.

3.2.2 Approved Operating Plans and Approved Budgets.

- (1) The Ministry shall use its best efforts to ensure that the Preliminary Operational Plan for a given Grant Year is adopted as the Operating Plan of the Khosrov PA Unit for such Grant Year and that the State Budget portion of the Preliminary Budget for a given Grant Year is included in the budget for the entire PA system as proposed to the parliament.
- (2) Promptly after the Operating Plan for the relevant Grant Year has been officially adopted and the budget for the relevant Grant Year has been enacted into law, the Ministry shall notify the CPAF of such approval or enactment and as to whether there have been any changes from the Preliminary Operating Plan or, insofar as it relates to the State Budget portion, the Preliminary Budget. In the event that the Preliminary Operating Plan or State Budget portion of Preliminary Budget of the Khosrov PA Unit for the Grant Year has been adopted without any change which, in the judgment of the CPAF, is material, the operating plan and budget so adopted or enacted shall become the "Approved Operating Plan" and the "Approved Budget" for the relevant Grant Year for purposes of this Agreement.

- (3) In the event that during the approval and legislative processes there have been changes to the Preliminary Operating Plan or the State Budget portion of the Preliminary Budget which the CPAF deems to be material, the CPAF and the Ministry shall use their reasonable best efforts to agree a revised Operating Plan and a revised Budget for the relevant Grant Year that take into account such changes, and if they so agree, such revised operating plan and revised budget shall become the “Approved Operating Plan” and the “Approved Budget” for the relevant Grant Year for purposes of this Agreement.
- (4) If applicable, in respect of any Grant Year, prior to the CPAF’s disbursement of Grant funds for such year, the Ministry shall provide the CPAF with a certified copy of any official document or schedule of the Ministry other than the Preliminary Operating Plan or the Preliminary Budget which sets forth the Approved Operating Plan or the State Budget portion of the Approved Budget for the Khosrov PA Unit for such Grant Year.

3.2.3 Budget Calendar.

In respect of any Grant Year, prior to the CPAF’s disbursement of Grant funds for such year, the Ministry or Khosrov Forest shall, if possible, obtain and provide to the CPAF a calendar setting forth the scheduled funding of the Khosrov PA Unit from non-CPAF sources (excluding regular payments by the Ministry of Khosrov PA Unit expenses) for the Grant Year.

3.2.4. Changes to Budgets and Operating Plans

- (1) The Ministry or Khosrov Forest shall be entitled to carry forward any unused funds from a current Grant Year to the subsequent Grant Year, subject to Section 10 and to the following conditions: (i) the Preliminary Budget and the subsequent Approved Budget for the following Grant Year must explicitly reflect any unspent Grant funds carried over from one Grant Year to the next Grant Year; and (ii) any carry-over in excess of Euro 3000 shall be considered a material change and subject to the provisions of Section 3.2.1(4) above.
- (2) The Ministry and Khosrov Forest shall request prior written approval from the CPAF or any other previously agreed authorized one for any of the following:
 - Any material change to the Approved Operating Plan during any Grant Year.
 - Re-budgeting from or to any Approved Budget line item or items in an amount (individually or in the aggregate) greater than 3000 Euros in the aggregate in any Grant Year.
 - Use or obligation of Grant funds in a future Grant Year to pay or incur costs relating to a preceding Grant Year.

Subject to the foregoing, the Ministry and Khosrov Forest shall be entitled to make changes to the Approved Budget or the Approved Operating Plan provided that it promptly informs the CPAF of such changes.

§ 4. Disbursements.

4.1 General.

- (1) Disbursement of the Grant in each Grant Year shall be in tri-annual installments as provided in Appendix A to this Agreement (“Disbursement Conditions and Schedule”), and each disbursement will be subject to the terms and conditions of this Agreement, including those set forth in the Disbursement Conditions and Schedule. All disbursement of the Grant installments shall be subject to the Ministry’s and the Khosrov Forest’s satisfactory performance under this Agreement (as determined by the CPAF in its sole discretion).
- (2) As set forth in the Disbursement Conditions and Schedule, each disbursement request shall be for an “Authorized Advance Amount” (as defined in such Schedule). The Authorized Advance Amount includes the Ministry’s good faith estimate of spending of Grant funds in the relevant 4 month period plus a cushion. In the event that, on more than two occasions during the term of the Grant, at least 85% of the good-faith estimate (excluding the cushion) is not spent in the 4 month period to which the disbursement request relates, the CPAF and the Ministry shall consult as to the reasons for this. In the event that the CPAF is not satisfied, in its sole discretion, with the explanations received, it shall be entitled to reduce subsequent disbursements as it deems appropriate.

4.2 Grant and Disbursement Currency.

The Grant is denominated in Euro. Within 30 days after determination of the Approved Budget for a given Grant Year and notification to the CPAF thereof in accordance with Section 3.2.2(2), the CPAF shall deposit the Grant Funds into its Armenian bank account, convert such funds into Armenian DRAM and advise the Ministry and Khosrov Reserve of the relevant amount available to it in DRAM. From the date of such conversion, the CPAF’s obligation to support the budget under the Grant shall be expressed in the relevant amount of DRAM, the CPAF’s payment shall be made in DRAM, and the budget for the relevant Grant Year shall be adjusted as necessary to reflect the relevant DRAM amount. The CPAF will not contribute additional funds as well as shall not take any risk/s in relation to the Grant or supplement the budget on account of fluctuations in currency exchange rates.

4.3 Payment Mechanics

CPAF shall make payments under this Agreement initially to the Ministry’s “out of budget” account at Treasury. The Ministry will timely advise CPAF of the account details, and will provide the CPAF from time to time with the official Treasury documentation evidencing all disbursements from this Treasury account to Khosrov Forest’s account. If the CPAF is dissatisfied with the above payment system, the Ministry shall, at the request of the CPAF, establish a separate account of the Ministry of Nature Protection dedicated only to receiving grant funds from the CPAF and disbursing such funds to Khosrov Forest for the benefit of the Khosrov PA Unit (and to future recipients of CPAF grants). At its option, following notice to the Ministry and Khosrov Forest, CPAF shall be entitled to make payments under this Agreement to a designated account of Khosrov Forest. CPAF shall not be liable for any bank charges or fees associated with such transactions.

§ 5. Covenants.

5.1 Reporting

Khosrov Forest shall provide written reports to the CPAF on Khosrov PA Unit operations through the Ministry, in each case signed by the director of Khosrov Forest and confirmed by the Ministry. The written reports shall include the following:

- (1) By December 10 of the First, Second and Third Grant Years, a progress report on achievement of operational, conservation, and other goals contained in the Management Plan and in the Operating Plan for the Khosrov PA Unit.
- (2) Within five (5) months of the end of each Grant Year, an annual statement of revenues and expenses for such year, in the form contained in the Approved Budget and audited as provided below, and containing an explanation of any significant variations from the Approved Budget and the Operating Plan.

Khosrov Forest represents, warrants, and shall be accountable and responsible to the CPAF that all reports submitted pursuant to this Section shall be true, complete, and accurate. The Ministry's confirmation shall signify that the reports are true, complete and accurate to its best knowledge and belief in the exercise of its oversight responsibility under applicable law.

5.2 Management Plan.

A Management Plan for the Khosrov PA Unit meeting the requirements of the Annex to the Framework Agreement was ratified into law on April 23, 2009. The Ministry will arrange for a either (i) a translation into English of the Management Plan or (ii) preparation in Armenian and English of a more detailed action plan based on the action plan and goals in the Management Plan. The CPAF and the Ministry shall agree on which of these options to pursue no later than July 31, 2010, so that work on this project can be completed not later June 30, 2011. The Ministry and the CPAF expect the budget for the project to be in the area of 900,000 DRAM. On the terms and subject to the conditions of the Framework Agreement, and subject to the availability of funds, the CPAF anticipates financing 50% of the external costs of the translation of the Management Plan or the preparation of the action plan as described above.

§ 6. Record Retention and Access.

6.1 Record Retention.

The Ministry and Khosrov Forest shall retain all records relating to this Agreement for a period of at least three (3) years after the expiration date of this Agreement, with any extensions thereof, or for such longer period(s) as may otherwise be required by applicable law.

6.2 Access.

The Ministry and Khosrov Forest shall afford to the CPAF and its representatives (including third parties retained by the CPAF) reasonable access to: (i) all relevant financial and other records of the Ministry and Khosrov Forest in order to permit the CPAF to properly audit the annual statement of revenues and expenses of the Khosrov PA Unit, and (ii) technical,

scientific and operational records of the Khosrov PA Unit in order to evaluate the fulfillment of operational and conservation goals and the effective use and management of funds.

§ 7. Cooperation

7.1 General

The Ministry and Khosrov Forest shall cooperate with:

- (1) Auditors appointed by the CPAF to audit the statement of revenues and expenses of the Khosrov PA Unit at least annually so that the CPAF receives audited financial statements of the Khosrov PA Unit within five (5) months of the end of each Grant Year. The audit of the financial statements shall cover all Khosrov PA Unit revenues and expenditures, including those not financed with the CPAF funds.
- (2) Any technical advisers or other representatives that the CPAF may designate from time to time to evaluate the effectiveness of management, the achievement of the Management Plan and Operating Plan, achievement of conservation, operational, or other goals, and/or overall implementation of the Operating Plan or the Management Plan.

7.2. For purposes of this Section 7, the CPAF or its authorized representatives shall have the right, with reasonable advance notice, to conduct site visits, meet with Ministry and Khosrov PA Unit personnel, and view any materials, equipment, tools, or supplies purchased under this Agreement, and any books, documents, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda relating to performance under this Agreement. The CPAF or its authorized representatives shall have the right to reproduce any such records. The Ministry or Khosrov Forest's failure to provide such access shall constitute a material breach of its obligations under this Agreement.

7.3 Costs

Reasonable fees and costs associated with the CPAF's auditors, technical advisors, or authorized representatives shall be paid from Grant funds supplied by the CPAF and separately earmarked by the CPAF for such purpose.

§ 8. Grant Termination.

8.1 General Termination Rights.

The CPAF, in its sole discretion, shall have the right to terminate this Agreement on not less than one (1) year notice at any time if it determines, in its sole discretion, that:

- (i) it is unable to attract funds from donors or otherwise no longer has the means to continue funding the Grant as originally contemplated; or
- (ii) the Ministry or the Khosrov PA Unit is not pursuing, either in the Khosrov PA Unit covered by this Agreement, or in Armenia generally, conservation objectives that are consonant and consistent with the Caucasus Eco-Regional Plan.

Furthermore, the CPAF may terminate this Agreement on 30 days written notice to the Ministry and Khosrov Forest if (i) in its good faith judgment it concludes that termination is required for reasons of fraud, misconduct, improper use of funds, intentional misrepresentation in reports or submissions to the CPAF, or health and safety reasons, and (ii) within the 30 days following the date of the notification the Ministry has not cured the problem to the entire satisfaction of the CPAF.

The Ministry and Khosrov Forest may terminate this Agreement at any time in their sole discretion in respect of any Grant Year by notice given at least 6 months prior to the beginning of such Grant Year.

8.2 Specific Termination Rights.

The CPAF may terminate this Agreement if,

(i) during the period of 90 days following the submission to the CPAF of a Draft Operating Plan or Draft Preliminary Budget for the relevant Grant Year pursuant to Section 3.2.1(4) that contains material changes from the Initial Operating Plan or the Initial Budget for such Grant Year, the Parties shall have failed to agree upon a Preliminary Operating Plan or a Preliminary Budget for such Grant Year, or

(ii) during the period of 90 days following notification to the CPAF in accordance with Section 3.2.2(2) that the budget or the operating plan for the relevant Grant Year as approved by the government or enacted into law contains material changes from the Preliminary Operating Plan or the Preliminary Budget for such Grant Year, the Parties shall have failed to agree upon an Approved Operating Plan or an Approved Budget for such Grant Year

(iii) The Management Plan shall not have been timely translated or a more detailed action plan in both in English and Armenian has not been timely prepared and agreed in accordance with Section 5.2.

§ 9. Procurement.

All procurement of goods and services under this Agreement shall be conducted in a manner to provide, to the maximum extent practical, open and free competition, in accordance with all applicable laws. In addition:

(i) The Ministry, pursuant to Appendix 2 of the Republic of Armenia Government Decision N 66 Ն of 16.01.2003, and particularly, its clause 7, second paragraph, will assist CPAF with all necessary human and information resources and mediation in drafting, submitting within two month after the date of this Agreement to the relevant Benevolent Programs Commission (or any other competent authority) of an application for qualifying the Disbursement of Grant funds for 2010 as charitable program for the purposes of getting available tax exemptions to the activities covered by this Agreement, including exemptions from value added taxes (VAT) associated with the purchase of goods and services by Khosrov Forest while using the funds received under this Agreement, and customs duties associated with imports of goods or services from outside Armenia for Khosrov to be financed and used pursuant to this Agreement. The Ministry has the same

obligation mentioned herein above with respect to 2011 and 2012 Grant years. The obligation of Ministry stated herein with respect to Disbursement of Grant funds for 2011 and 2012 shall be performed within 2 month period following the approval of the Budget for 2011 and 2012 respectively. The Ministry will also assist CPAF with all necessary human or information recourses and mediation in drafting, submitting and processing applications for getting such tax exemptions available under any legislation or administrative procedure adopted after the date of this Agreement and pursuant to it immediately after entry into force of such new legislation or administrative procedure within reasonable terms. CPAF reserves the right not to disburse Grant funds until such exemptions are applied to the transactions of Khosrov financed under this Agreement.

- (ii) No person involved in the selection, award, or administration of a procurement contract under this Agreement, and no member of the person's family, may have a financial interest in the vendor, solicit or accept gratuities or special favors from the vendor, or receive any personal financial benefit in connection with the procurement.
- (iii) Unless otherwise approved by the CPAF, all financial conflicts of interest (whether associated with procurement contracts or otherwise) are prohibited under this Agreement. A financial conflict of interest is defined as a situation in which financial or other personal considerations of an individual or an individual's family member may directly or indirectly affect, or have the appearance of affecting, an individual's professional judgment in exercising any duty or responsibility in connection with this Agreement.

§ 10. Unspent/Improperly Spent Funds.

The Ministry and Khosrov Forest shall promptly return to the CPAF any Grant funds that are unspent and unobligated at the end of, or, if earlier, at the termination of, this Agreement. Furthermore, in the event that the CPAF determines that funds have been used for purposes not contemplated by this Agreement, the equivalent amount of any such funds shall be refunded by the Ministry to the CPAF as soon as is reasonably practicable after such determination by the CPAF.

§ 11. Future Ineligibility.

If Grant funds are misused, or used for purposes not contemplated in this Agreement, the Khosrov PA Unit or the Party or Parties responsible for such misuse, as determined by the CPAF in its discretion, shall be ineligible for further grants from the CPAF for a period to be determined by the Board.

§ 12. Miscellaneous.

12.1 Compliance with Law and Policies. All parties shall comply with all applicable laws and regulations, and with its own policies and procedures, in the performance of this Agreement.

12.2 Governing Law. This Agreement shall be construed in accordance with the terms and conditions set forth herein, and the laws of Germany, without regard to principles of conflicts of law.

12.3 Language. This Agreement shall be entered into in the English and Armenian languages. The Parties consider both the Armenian and English texts to be equivalent. However, in case of any discrepancies or disputes between the Parties being considered before any dispute resolution authority the English text will prevail and serve as the only text for reference. The language of all communications in connection with this Agreement shall be English.

12.4 Dispute Resolution. The Parties will use their best efforts to negotiate in good faith and settle any dispute that may arise out of or relate to this Agreement or any breach of this Agreement. If any such dispute cannot be settled amicably through ordinary negotiations by the authorized representatives of the Parties, the state court (*Landgericht*) in Frankfurt am Main will have exclusive jurisdiction over all disputes arising under this Agreement, and the Ministry (representing the Republic of Armenia) hereby waives any claims to sovereign immunity for purposes of such proceedings and the enforcement of any judgment.

12.5 Liability and Indemnification. Neither the CPAF nor any officer, director, trustee, employee, or agent of any of the foregoing, shall have any liability to the Ministry or Khosrov Forest, or any other entity or person for any claim, loss, damage, or injury incurred in the course of the performance of this Agreement or otherwise in connection therewith, other than, in the case of the CPAF, the obligations of the CPAF stated in this Agreement or arising from the CPAF's willful misconduct. The Ministry shall indemnify, hold harmless, and defend the CPAF, and each or any officer, director, trustee, employee, or agent of any of the foregoing, and their respective successors and assigns, from and against any and all claims, demands, and actions, and from any and all liabilities, all nature of damages, and expenses (including reasonable attorneys' fees and litigation costs) resulting therefrom, arising out of, or related to, this Agreement or the representations or certifications made herein by the Ministry or Khosrov Forest.

12.6 Notices. Any notices, authorizations, approvals, or other communications concerning this Agreement shall be in writing and addressed as follows:

Caucasus Protected Areas Fund
c/o Dr. H. Gärtner/Steuerberater
Attention: Executive Director
Tulpenhofstr. 18
63067 Offenbach
Germany

Ministry of Nature Protection of Armenia
Attention: Minister
Government House 3, Republic square,
Yerevan, 0010
Republic of Armenia

Khosrov Forest State Reserve
Attention: Head
Kasyan str 79, Vedi, Ararat region
Republic of Armenia
Tel.:+374(0234)2-13-52,2-17-57
Fax:+374(0234)2-13-52
E-mail: office@khosrov.am

12.7 Partial Invalidity; Severability Clause. Should any term or condition of this Agreement be determined to be unlawful by a court of law or adjudicative body with jurisdiction over the Parties, the remaining terms and conditions of the Agreement will continue to remain in force and effect and shall be interpreted so as to best effect the original intentions of the Parties.

12.8 Amendments. Any amendments to this Agreement shall be valid only if made by mutual written agreement by the Parties.

The Framework Agreement terms and conditions are, in accordance with and subject to their provisions, hereby incorporated into this Agreement. For avoidance of doubt, even if not incorporated into this Agreement, all the clauses of the Framework Agreement apply, if according to the Framework Agreement, they shall apply, unless by the Parties' explicit agreement any supplementary and/or amended terms and conditions are defined in this Agreement for a specific clause as permitted by the Framework Agreement and provided by this Agreement. The changes, replacements and amendments shall become effective as of the last date of signature of this Agreement. For the avoidance of doubt, where a section remains not completed, then the relevant provision of the Framework Agreement still applies.

12.9 Entire Agreement. Consistent with Section 2, this Agreement comprises the entire agreement between the Parties concerning its subject matter and shall supersede all prior agreements, oral and written declarations of intent and other legal arrangements (whether binding or non-binding) made by the Parties in respect thereof. The provisions of this Agreement shall take precedence over any inconsistent statement in the Framework Agreement or in the Application.

12.10 Force Majeure. If any Party is rendered unable, wholly or in part, by force majeure, to perform its obligations under this Agreement, the performance of such obligations by such Party, so far as they are affected by force majeure, shall be excused from the inception of any such inability until it is corrected, but for no longer period. The Party claiming an inability to perform shall immediately after the occurrence of the force majeure, notify the other Parties verbally of the nature, date of inception, and expected duration of the force majeure, and the extent to which it will prevent the Party giving such notice from performing its obligations under this Agreement. The Party giving notice shall confirm such notification in writing as soon as practicable. The Party claiming inability to perform shall promptly correct such inability to the extent it may be corrected through the exercise of reasonable diligence. The term "force majeure" shall mean any act, event, cause, or occurrence rendering a Party unable to perform its obligations which is not within the reasonable control of such Party, excluding any act, event, cause, or occurrence caused by a Party's own financial condition or negligence.

If the affected Party fails to inform the other Party of the occurrence of a Force Majeure event as set forth in point 12.10 above, then such Party thereafter shall not be entitled to refer such events to Force Majeure as a reason for non-fulfilment. This obligation does not apply if the Force Majeure event is known by both Parties or the affected Party is unable to inform the other Party due to the Force Majeure event.

12.11 Publicity. Should the Ministry or Khosrov Forest desire to publish or release any publicity or materials of any kind concerning or relating to this Agreement or work performed hereunder, such material shall be submitted to the CPAF for review. Except as otherwise provided in this Agreement, neither the Ministry nor Khosrov Forest will use the name or logo of the CPAF in any press release or product advertising, or for any other

promotional purpose, without first obtaining the written consent of the CPAF.

12.12 No Third Party Rights. Unless explicitly stated in this Agreement, this Agreement is not intended to create and does not create any rights in or benefits to any third party. Nevertheless, nothing in this clause shall limit the right of Khosrov Forest to conclude agreements with third parties for the purpose of conducting activities under this Agreement, provided and under the condition that the terms, conditions and limitations set forth in § 9 of this Agreement are fully and unconditionally observed.

12.13 No Joint Venture or Partnership. The Ministry and Khosrov Forest shall be considered independent contractors for purposes of this Agreement. Nothing in this Agreement shall constitute a legal partnership or joint venture or establish a relationship of agency between the Ministry or Khosrov Forest, and the CPAF.

12.14 No Assignment, Successors and Assigns. This Agreement is personal to the Parties hereto and (except by operation of law) neither Party shall assign, transfer, charge, encumber or otherwise deal with the whole or any part of this Agreement or its rights or obligations hereunder without the prior consent in writing of the other Party which consent shall not be unreasonably withheld or delayed. No person other than a Party to this Agreement shall acquire any rights hereunder as a third-party beneficiary or otherwise by virtue of this Agreement.

12.15 Waiver of Default or Breach. Failure of a Party to exercise any of its rights under this Agreement shall in no way constitute a waiver of those rights, nor shall such failure excuse the other Party from any of its obligations under this Agreement. No benefit or right accruing to any Party under this Agreement shall be waived unless the waiver is reduced to writing and signed by each Party. The waiver, in one instance, of any act, condition, or requirement stipulated in this Agreement shall not constitute a continuing waiver or a waiver of any other act, condition, or requirement, or a waiver of the same act, condition, or requirement in other instances, unless specifically so stated. Except as otherwise provided in this Agreement, the rights and remedies provided in the Agreement shall be cumulative and not exclusive of any rights or remedies provided by law.

12.16 Survival. All provisions of this Agreement (including, without limitation, the provisions regarding audit rights and disputes) that by their terms require any performance following termination or expiration of this Agreement shall survive such termination or expiration.

12.17 Trade Marks and Service Marks. For the avoidance of doubt, nothing in this Agreement shall be deemed or construed as granting to either Party any right or license to use any trade or service marks of the other Party in connection with the promotion of its services or for any other reason.

IN WITNESS WHEREOF, the Parties have hereunto signed their names.

MINISTRY OF NATURE PROTECTION OF ARMENIA By

By Minister

KHOSROV FOREST STATE RESERVE

By Head

CAUCASUS PROTECTED AREAS FUND

By Executive Director

Appendix A

Disbursement Conditions and Schedule

For purposes of this Agreement, the following terms shall have the meanings indicated:

- “CPAF Approved Budget” shall mean the total amount budgeted for the CPAF in the Approved Budget for such Grant Year, as adjusted pursuant to Section 4.2;
- “Remaining Grant Year CPAF Approved Budget” shall mean the Grant Year CPAF Approved Budget less the amounts previously advanced to the Ministry under the Grant in such Grant Year;
- Authorized Advance Amount shall mean:
 - In respect of each tri-annual disbursement request under this Agreement, (i) the Khosrov Forest’s good faith estimate of spending of Grant funds in the relevant 4 month period (January-April, May-August, and September-December, as applicable), plus (ii) a cushion of 15%, minus (iii) any unspent CPAF funds from the previous period, subject in each case to the applicable Ceiling unless such Ceiling is waived in writing by the CPAF.
- Ceiling
 - In respect of the First Payment in any Grant Year, the Ceiling shall be 45% of the CPAF Approved Budget
 - In respect of the Second Payment in any Grant Year, the Ceiling shall be calculated 65% of the Remaining Grant Year CPAF Approved Budget;
 - In respect of the Third Payment in any Grant Year, the Ceiling shall be the Remaining Grant Year CPAF Approved Budget.

Disbursement requests under this Agreement must be for an Authorized Advance Amount. Disbursement requests may be issued in accordance with the calendar and subject to the conditions set forth below:

FIRST GRANT YEAR

- (1) First Payment: The first payment will be made no earlier than February 1 of the Grant Year. The CPAF shall have received the following items:
 - (a) The Approved Budget and Approved Operating Plan shall have been approved or deemed approved as contemplated by Section 3.2.2(2);
 - (b) The CPAF shall have received a copy of the documents contemplated by Section 3.2.2(3) and 3.2.3, if applicable;
 - (c) A disbursement request for an Authorized Advance Amount;
 - (d) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;

- (e) Confirmation by the Ministry that:
 - 1. The Ministry has (i) funded all amounts scheduled to have been funded by it to date in the First Year Approved Budget and (ii) made total payments to Khosrov Forest for expenditures in the Khosrov PA Unit in the previous year at least equal to the amount provided for in the Approved Budget for the previous year;
 - 2. Any other non-CPAF sources have funded all amounts scheduled to have been funded by them in the First Year Approved Budget and the Approved Budget in the previous year (as applicable).
 - 3. The Ministry and Khosrov Forest have complied, in all material respects, with their obligations under this Agreement, and all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled.
 - (f) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.
- (2) Second Payment: The second payment will be made no earlier than May 1 of the Grant Year. In advance of the second payment the CPAF shall have received the following items:
- (a) A disbursement request for an Authorized Advance Amount;
 - (b) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) (i) of the amount of any unspent Grant funds at the end of the previous 4-month period and (ii) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;
 - (c) Confirmation by the Ministry and Khosrov Forest that they have complied, in all material respects, with their obligations under this Agreement, and all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled; and
 - (d) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.
- (3) Third Payment: The third payment will be made no earlier than September 1 of the Grant Year. In advance of the third payment the CPAF shall have received the following items:
- (a) The financial statement ("final accounts") for the previous year for the Khosrov PA Unit in accordance with Ministry accounting procedures;
 - (b) A disbursement request for an Authorized Advance Amount;
 - (c) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) (i) of the amount of any unspent Grant funds at the end of the previous 4-month period and (ii) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;
 - (d) Confirmation by the Ministry:

1. Of the total expenditures from all funding sources made for the Grant Year by or on behalf of the Khosrov PA Unit as of June 30 of the Grant Year (or a later date as agreed with the CPAF);
 2. That the Ministry and any other non-CPAF sources have funded all amounts scheduled to be funded by them to date in the Grant Year; and
 3. The Ministry and Khosrov Forest have complied, in all material respects, with their obligations under this Agreement, and all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled.
- (e) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.

SECOND AND THIRD GRANT YEAR

- (1) First Payment: The first payment will be made no earlier than February 1 of the Grant Year. In advance of the first payment, the CPAF shall have received the following items:
- (a) The Approved Budget and Approved Operating plan shall have been approved or deemed approved as contemplated by Section 3.2.2(2);
 - (b) The CPAF shall have received a copy of the documents contemplated by Section 3.2.2(3) and 3.2.3, if applicable;
 - (c) A disbursement request for an Authorized Advance Amount;
 - (d) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;
 - (e) Confirmation by the Ministry that:
 1. The Ministry has (i) funded all amounts scheduled to have been funded by it to date in the Approved Budget in the Grant Year, and (ii) made total payments in the previous Grant Year to or on behalf of Khosrov Forest for expenditures in the KHOSROV PA UNIT at least equal to the amount provided for in the Approved Budget for such Grant Year;
 2. Any other non-CPAF sources have funded all amounts scheduled to have been funded by them in the Approved Budget and the approved budget in the previous Grant Year (as applicable); and
 3. The Ministry and Khosrov Forest have complied, in all material respects, with their obligations under this Agreement, and all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled.
 - (f) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.
- (2) Second Payment: The second payment will be made no earlier than May 1 of the Grant Year. In advance of the second payment the CPAF shall have received the following items:

- (a) A disbursement request for an Authorized Advance Amount;
 - (b) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) (i) of the amount of any unspent Grant funds at the end of the previous 4-month period and (ii) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;
 - (c) Confirmation by the Ministry and Khosrov Forest have complied, in all material respects, with their obligations under this Agreement, and all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled; and
 - (d) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.
- (3) Third Payment: The third payment will be made no earlier than September 1 of the Grant Year. In advance of the third payment the CPAF shall have received the following items:
- (a) The financial statement ("final accounts") for the previous year for the Khosrov PA Unit in accordance with Ministry accounting procedures, and a statement of revenues and expenses of the Khosrov PA Unit covering the prior Grant Year as audited by auditors appointed by the CPAF as provided in the Agreement, including an audit opinion satisfactory to the CPAF;
 - (b) A disbursement request for an Authorized Advance Amount;
 - (c) Confirmation from the Ministry (supported by an e-mail or other communication from Khosrov Forest) (i) of the amount of any unspent Grant funds at the end of the previous 4-month period and (ii) that expenditure of the CPAF funds in the 4 month period to which the disbursement request relates are expected to be in the amount of estimate (excluding the cushion) included in the Authorized Advance Amount set forth in the disbursement request;
 - (d) Confirmation by the Ministry:
 1. Of the total expenditures from all funding sources made for the Grant Year by or on behalf of the Khosrov PA Unit as of June 30 of the Grant Year (or a later date as agreed with the CPAF);
 2. That the Ministry and any other non-CPAF sources have funded all amounts scheduled to be funded by them in the Grant Year to date; and
 3. The Ministry and Khosrov Forest have complied, in all material respects, with their obligations under this Agreement, and that all the conditions precedent to the disbursement of the Grant funds as set forth in this Agreement have been fulfilled.
 - (e) A favorable opinion by the CPAF's Executive Director (or his/her designated representative), on the basis of the information and reports delivered pursuant to this Agreement, and any other matters they deem relevant to the effective use of Grant funds.

MINISTRY OF NATURE PROTECTION OF ARMENIA By

By Minister

KHOSROV FOREST STATE RESERVE

By Head

CAUCASUS PROTECTED AREAS FUND

By Executive Director