

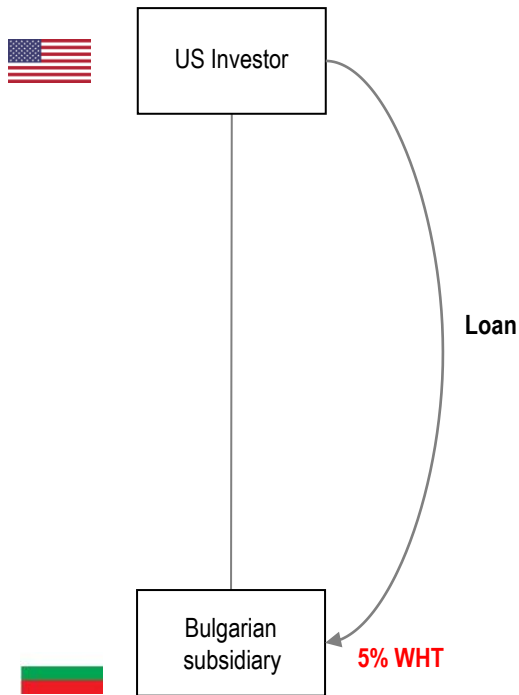
Overview of the tax convention

- ▶ DTT with Bulgaria signed 2009
- ▶ 5% tax on interest earned by US lenders
- ▶ 5% tax on royalties paid to US IP holders
- ▶ Protocol to the treaty, Para 7:

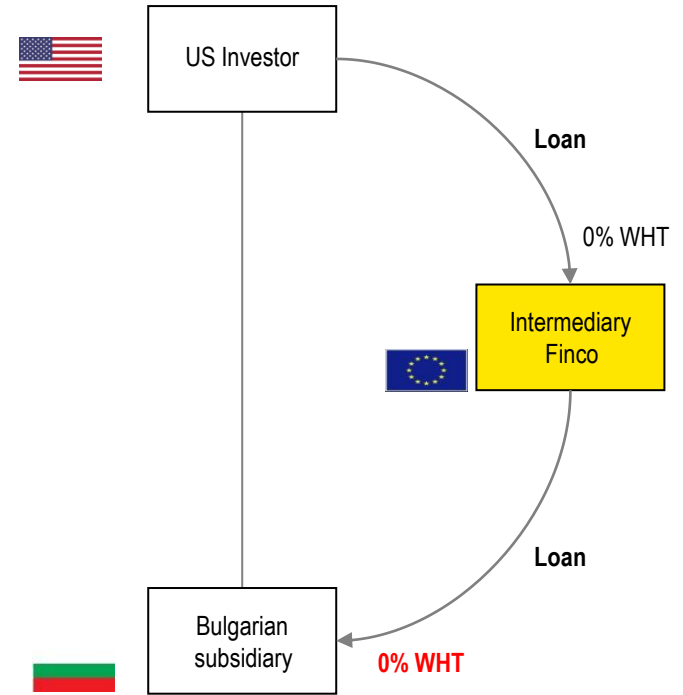
“With respect to interest and royalties deemed to arise in Bulgaria where the beneficial owner of the income is a resident of the United States under the Convention, the Contracting States agree to reconsider the provisions of Articles 11 and 12 at an appropriate time, consistent with the conclusion of the transition period applicable to interest and royalties deemed to arise in Bulgaria that are beneficially owned by a resident of the European Union pursuant to Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States”

Current situation

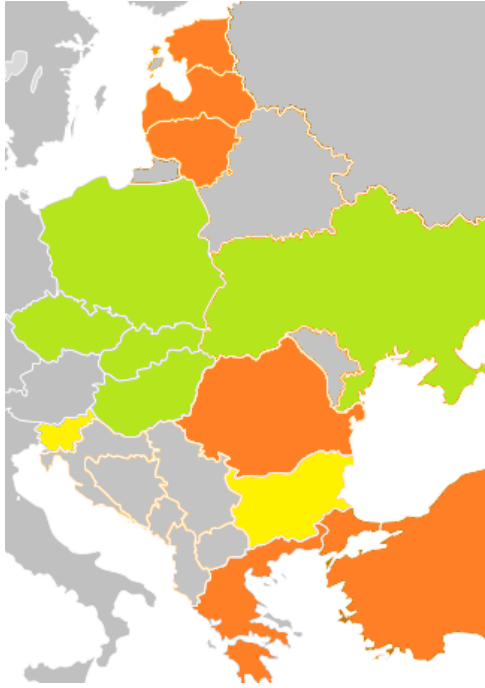
Standard financing structure



"Treaty shopping" structure



US treaties in the region



- ▶ Central European countries traditionally provide beneficial treatment

Impact from the change

- ▶ US investors placed on equal terms with EU investors
- ▶ Facilitates easier flow of funds between US parents and BG subsidiaries
- ▶ Reduce costs for using intermediaries
- ▶ Bulgaria may attract investments as a throughbound jurisdiction