

ORMAT TECHNOLOGIES, INC.

FORM S-1 (Securities Registration Statement)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation of Organization)

4911

(Primary Standard Industrial
Classification Code Number)

88-0326081

(I.R.S. Employer
Identification Number)

980 Greg Street, Sparks, Nevada 89431
(775) 356-9029

(Address, including zip code, and telephone number including
area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price⁽¹⁾⁽²⁾	Amount of registration fee
Common Stock, par value \$0.001 per share	\$ 115,000,000	\$ 14,571

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act.

(2) Includes shares which the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective

date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated July 20, 2004

PROSPECTUS

Shares



Ormat Technologies, Inc.

Common Stock

We are offering shares of our common stock in this initial public offering. No public market currently exists for our common stock.

We intend to list our common stock on the New York Stock Exchange under the symbol "ORA." We anticipate that the initial public offering price will be between \$ and \$ per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 16.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	
Underwriting discount	\$	
Proceeds to Ormat Technologies, Inc. (before expenses).	\$	

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock at the public offering price less the underwriting discount to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2004.

LEHMAN BROTHERS

, 2004

Meeting the Needs of Customers in 70 Countries



Reliable Remote Power

Transalaska Pipeline, Alaska



Geothermal Power Plants

Upper Mahiao, Leyte, Philippines



Recovered Energy Power Plants

Enterprise, Louisiana



Over 700 MW of Geothermal and Recovered Energy Power Plants

More than 3000 Small Remote Power Units

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy shares of our common stock in any jurisdiction where such offer or any sale of shares of our common stock would be unlawful. The information in this prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

We use market data and industry forecasts and projections throughout this prospectus, which we have obtained from market research, publicly available information and industry publications and surveys. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry and there is no assurance that any of the projected amounts will be achieved. Similarly, we believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

This prospectus refers to brand names, trademarks, service marks and trade names of other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective holders.

Until _____, 2004 (25 days after the commencement of this offering), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. We urge you to read this entire prospectus carefully,

including the more detailed information about us and about the shares of our common stock being sold in this offering and our consolidated financial statements and related notes appearing elsewhere in this prospectus, the "Risk Factors" section, and the documents to which we refer, before making an investment decision. All references in this prospectus to "Ormat," "the Company," "we," "us," "our company" or "our" refer to Ormat Technologies, Inc. and its consolidated subsidiaries, except where it is clear that such terms refer to Ormat Technologies, Inc. only; "Ormat Industries" refers to ORMAT Industries Ltd., the parent company of Ormat Technologies, Inc.; "Ormat International" refers to Ormat International, Inc.; "Ormat Holding" refers to Ormat Holding Corp.; "Ormat Funding" refers to "Ormat Funding Corp."; and "Ormat Systems" refers to Ormat Systems Ltd. Ormat International, Ormat Holding, Ormat Funding and Ormat Systems are all wholly owned subsidiaries of ours. Unless the context otherwise requires, "plants" refers to the various power generating plants owned and/or operated or built by Ormat and "units" refer to particular power generating units at those plants or at remote sites. We refer to a plant or a group of plants and the geothermal resources associated with them in a certain geographic area as a "project." References to generating capacity refer to the net amount of electrical energy available for sale to the power purchaser, in the case of all of our existing domestic projects and the Momotombo and Olkaria III projects (two of our foreign projects), and to the generating capacity that is subject to the "take or pay" power purchase agreements in the case of the Leyte and Zunil projects (another two of our foreign projects). In the case of projects under construction or enhancement, references to generating capacity refer to the net amount of electrical energy that we expect will be available for sale to the relevant power purchasers. As used in this prospectus, "pro forma" information is information presented giving effect to the acquisition of the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project that was consummated on December 18, 2003 and the acquisition of the Puna project that was consummated on June 3, 2004, as if such acquisitions were consummated on January 1, 2003, but not including the acquisitions of the Steamboat 2/3 project and the Steamboat Hills project that were consummated on February 13 and May 20, 2004, respectively.

The Company

We are a leading vertically integrated company engaged in the geothermal and recovered energy power business. We design, develop, build, own and operate clean, environmentally friendly geothermal power plants, and we also design, develop and build, and plan to own and operate, recovered energy-based power plants, in each case, using equipment that we design and manufacture. We conduct our business activities in two business segments. We develop, build, own and operate geothermal power plants in the United States and other countries around the world and sell the electricity they generate. In addition, we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation and other power generating units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy power plants.

All of the projects that we currently own or operate produce electricity from geothermal energy sources. Geothermal energy is a clean, renewable and generally sustainable form of energy derived from the natural heat of the earth. Unlike electricity produced by burning fossil fuels, electricity produced from geothermal energy sources is produced without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide. Therefore, electricity produced from geothermal energy sources contributes significantly less to local and regional incidences of acid rain and global warming than energy produced by burning fossil fuels. Geothermal energy is also an attractive alternative to other sources of energy as part of a national diversification strategy to avoid dependence on any one energy source or politically sensitive supply sources.

In addition to our geothermal energy power generation business, we have developed and continue to develop products that produce electricity from recovered energy or so-called "waste heat." Recovered energy or waste heat represents residual heat that is generated as a by-product of gas turbine-driven compressor stations and in a variety of industrial processes such as cement manufacturing, and is not otherwise used for any purpose. Such residual heat, that would otherwise be wasted, is captured in the recovery process and is used by recovered energy power plants to generate electricity without burning additional fuel and without emissions.

Our Power Generation Business

We are the fastest growing geothermal power generation company in the United States measured by growth

in generating capacity. We also own and operate or control and operate geothermal projects in Guatemala, Kenya, Nicaragua and the Philippines and continue to pursue opportunities to acquire and develop similar projects elsewhere in the world, including in the United States. Most of our projects are located in regions where there is, or is expected to be, demand for additional generating capacity.

In 2003, pro forma revenues from the sale of electricity by our domestic projects were \$128.7 million, constituting approximately 79.1% of our total pro forma revenues from the sale of electricity, and pro forma revenues from the sale of electricity by our foreign projects were \$33.9 million, constituting approximately 20.9% of our total pro forma revenues from the sale of electricity. In 2003, our actual revenues from the sale of electricity by our domestic projects were \$43.8 million and by our foreign projects were \$34.0 million, respectively. Pro forma revenues from the sale of electricity constituted approximately 79.6% of our total pro forma revenues in 2003. As noted previously, such pro forma revenues do not include revenues generated from the Steamboat 2/3 project and Steamboat Hills project, two additional domestic projects that were acquired this year.

Our Projects . The table below summarizes key information relating to our projects that are currently in operation, under construction and subject to enhancement.

Project	Location	Ownership ⁽¹⁾	Commercial Operation Date	Generating Capacity in MW ⁽²⁾	Power Purchaser	Contract Expiration
<u>Projects in Operation</u>						
Domestic						
Ormesa	East Mesa, California	100%	1986/1987	52	Southern California Edison Company	2016/2017
Heber 1	Heber, California	100%	1985	38	Southern California Edison Company	2015
Heber 2	Heber, California	100%	1993	38	Southern California Edison Company	2023
Steamboat ⁽³⁾	Steamboat, Nevada	100%	1986/1988/1992	34	Sierra Pacific Power Company	2006/2018/2022
Mammoth	Mammoth Lakes, California	50%	1984/1990	26	Southern California Edison Company	2014/2020
Puna	Puna, Hawaii	100%	1993	25	Hawaii Electric Light Company	2027
Brady	Churchill County, Nevada	100%	1985/1992	20	Sierra Pacific Power Company	2022
Steamboat Hills	Steamboat Hills, Nevada	100%	1988	7	Sierra Pacific Power Company	2018
<u>Total Domestic Projects in Operation :</u>				<u>240</u>		
Foreign						
Leyte	Philippines	80%	1997	49	PNOC - Energy Development Corporation	2007
Momotombo	Nicaragua	100%	mid 1980's	28	DISNORTE/DISSUR	2014
Zunil	Guatemala	21%	1999	24	Instituto Nacional de	2019

				Electrification		
Olkaria III	Kenya	100%	2000	13	Kenya Power & Lighting Co. Ltd.	2020 ⁽⁴⁾
Total Foreign Projects in Operation :				<u>113</u>		
Total Projects in Operation :				<u>353</u>		
Projects under Construction						
Desert Peak 2	Churchill County, Nevada	100%	2006 ⁽⁵⁾	15	Nevada Power Company	n/a ⁽⁷⁾
Galena	Steamboat Hills, Nevada	100%	2005 ⁽⁵⁾	13 ⁽⁶⁾	Sierra Pacific Power Company	n/a ⁽⁷⁾
Amatitlan	Guatemala	100%	2006 ⁽⁵⁾	20	Instituto Nacional de Electrification	n/a ⁽⁸⁾
Total Projects under Construction :				<u>48</u>		
3						

<u>Project</u>	<u>Location</u>	<u>Ownership ⁽¹⁾</u>	<u>Commercial Operation Date</u>	<u>Generating Capacity in MW ⁽²⁾</u>	<u>Power Purchaser</u>	<u>Contract Expiration</u>
Projects under Enhancement						
Heber 1 and 2 Enhancement	Heber, California	100%		18 ⁽⁹⁾		
Puna Enhancement ⁽¹⁰⁾	Puna, Hawaii	100%		9 ⁽¹¹⁾		
Steamboat Hills Enhancement ⁽¹⁰⁾	Steamboat Hills, Nevada	100%		7		
Mammoth Enhancement ⁽¹⁰⁾	Mammoth Lakes, California	50%		4		
Total Projects under Enhancement :				<u>38</u>		
Total Projects under Construction or Enhancement :				<u>86</u>		

(1) We own and operate all of our projects, except the Momotombo project in Nicaragua, which we do not own but which we control and operate through a concession arrangement with the Nicaraguan government, and three of our other projects, in which we have less than full ownership.

(2)

This column represents the net generating capacity of the project, not our net ownership in such generating capacity. Such net generating capacity is based on either (i) operational data for the previous 12 months or (ii) if operational data for the previous 12 months is not available but is available for a shorter period, such available data on an annualized basis.

- (3) This reference includes the Steamboat 1/1A project and Steamboat 2/3 project.
- (4) The power purchase agreement for the Olkaria III project will expire in 2020 or, if Phase II of the project is constructed and completed, 20 years from the completion of such Phase II. Phase II of this project involves a proposed construction of additional facilities that would add approximately 35 MW of generating capacity to this project.
- (5) Projected.
- (6) Incremental to the Steamboat complex.
- (7) The power purchase agreement will expire 20 years from the January 1 immediately following the commercial operation date.
- (8) The power purchase agreement will expire at the later of 20 years from the commencement of commercial operations and 23 years from the commencement of construction works.
- (9) We are currently in discussions with Southern California Edison Company, the power purchaser for this project, regarding these proposed enhancements.
- (10) These enhancements are in their early engineering stage.
- (11) The enhancement will result in an additional 3 MW that can be sold under the existing power purchase agreement and another 6 MW is subject to negotiation of offtake arrangements with the existing power purchaser.

All of the revenues that we derive from the sale of electricity are from fully-contracted payments under long-term power purchase agreements. In the United States, the power purchasers under such agreements are all investor-owned electric utilities. More than 80% of our total pro forma revenues for 2003 from the sale of electricity by our domestic projects were derived from power purchasers that currently have investment grade credit rating. The purchasers of electricity from our foreign projects are either state-owned entities or recently privatized state-owned entities. We have obtained political risk insurance from the Multilateral Investment Guarantee Agency of the World Bank group for all of our foreign projects (other than the Leyte project) in order to cover a portion of any loss that we may suffer upon the occurrence of certain political events covered by such insurance.

Development, Construction, and Acquisition. We have experienced significant growth in recent years, principally through the acquisition of geothermal power plants from third parties and the expansion and enhancement of our existing projects. In December 2003, we acquired the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, in February 2004, we acquired the Steamboat 2/3 project, in May 2004, we acquired the Steamboat Hills project and in June 2004, we acquired the Puna project. In total, we have increased our net ownership interest in generating capacity from 94 MW as of December 31, 2001 to 312 MW as of June 30, 2004. We currently expect to continue growing our power generation business through:

- the development and construction of new geothermal and recovered energy-based power plants;
- the expansion and enhancement of our existing projects; and
- the acquisition of additional geothermal and other renewable assets from third parties.

As part of these efforts, we regularly monitor requests for proposals from, and submit bids to, investor-owned electric utilities in the United States to provide additional generating capacity, primarily in the western

United States where geothermal resources are generally concentrated. We also respond to international tenders issued by foreign state-owned electric utilities for the development, construction and operation of new geothermal power plants. In addition, we apply our technological expertise to upgrade the facilities of our existing geothermal power plants and to continuously monitor and manage our existing geothermal resources in order to increase the efficiency and generating capacity of such facilities.

We are currently in varying stages of development or construction of new projects and enhancement of existing projects. Based on our current development and construction schedule, which is subject to change at any time and which we may not achieve, we expect to have approximately 66 additional MW in generating capacity in the United States by the end of 2006 and approximately 20 additional MW in Guatemala by June 2006. In addition, we have obtained exclusive rights to develop the geothermal resources of a project in China, which, if implemented, is expected to produce approximately 50 MW in generating capacity. We are also currently in discussions with the Kenyan government and Kenya Power & Lighting Co. Ltd. regarding, among other things, the construction of Phase II of the Olkaria III project in Kenya and the provision of certain collateral and government support. If implemented, Phase II would add approximately 35 MW in generating capacity to the current Olkaria III project. We are also in the early development stage of two new projects in El Salvador. We intend to pursue these opportunities to the extent they continue to meet our investment criteria and business strategy.

Our Products Business

We design, manufacture and sell the following products for electricity generation and provide the following services:

Power Units for Geothermal Power Plants. We design, manufacture and sell power units for geothermal electricity generation, which we refer to as Ormat Energy Converters or OECs. Our customers include contractors and geothermal plant owners and operators.

Power Units for Recovered Energy-Based Power Generation. We design, manufacture and sell power units used to generate electricity from recovered energy or so-called "waste heat" that is generated as a residual by-product of gas turbine-driven compressor stations and a variety of industrial processes such as cement manufacturing, and is not otherwise used for any purpose. Our existing and target customers include interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators, and other companies engaged in other energy-intensive industrial processes.

Remote Power Units and other Generators. We design, manufacture and sell fossil fuel powered turbo-generators with a capacity ranging between 200 watts and 5,000 watts, which operate unattended in extreme climate conditions, whether hot or cold. Our customers include contractors installing gas pipelines in remote areas. In addition, we design, manufacture and sell generators for various other uses, including heavy duty direct current generators.

Engineering, Procurement and Construction of Power Plants. We engineer, procure and construct (EPC), as an EPC contractor, geothermal and recovered energy power plants on a turnkey basis, using power units we design and manufacture. Our customers are geothermal power plant owners as well as the same customers described above that we target for the sale of our power units for recovered energy-based power generation. Unlike many other companies that provide EPC services, we have an advantage in that we are using our own manufactured equipment and thus have better control over the timing and delivery of required equipment and its costs.

Operation and Maintenance of Power Plants. We provide operation and maintenance services for geothermal power plants owned by us and by third parties.

In 2003, our actual revenues from our products business were \$41.7 million, constituting approximately 20.4% of our total pro forma revenues and approximately 34.9% of our actual revenues.

Market Opportunity

The geothermal energy industry in the United States experienced significant growth in the 1970s and 1980s, followed by a period of consolidation of owners and operators of geothermal assets in the 1990s. The industry, once dominated by large oil companies and investor-owned electric utilities, now includes several independent

power producers. During the 1990s, growth and development in the geothermal energy industry occurred primarily in foreign markets, and only minimal growth and development occurred in the United States. Since 2001, there has been renewed interest in geothermal energy in the United States as production costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel-based electricity generation, due to the increasing cost of natural gas, and as legislative and regulatory incentives, such as state renewable portfolio standards, have become more prevalent.

Electricity generation from geothermal resources in the United States constitutes a \$1 billion-a-year industry (in terms of revenues) and accounts for almost 20% of all non-hydropower renewable energy-based electricity generation in the United States (according to the Energy Information Administration, Annual Energy Outlook 2004). Although electricity generation from geothermal resources is currently concentrated in California, Nevada, Hawaii and Utah, there are opportunities for development in other states such as Alaska, Arizona, Idaho, New Mexico and Oregon due to the availability of geothermal resources and, in some cases, a favorable regulatory environment in such states.

A recent forecast of the U.S. Department of Energy projects the addition of geothermal installations with generating capacity totaling 6,800 MW by 2025, based on the assumption that natural gas prices will remain relatively stable at current levels. This forecast is based on existing, known geothermal resources and does not take into account any positive effects on generating capacity resulting from new technology, such as enhanced utilization of existing geothermal bases and engineered geothermal systems (according to the Energy Information Administration, Annual Energy Outlook 2004).

Much of this growth potential stems from growing global concerns about the environment. Power plants that use fossil fuels generate higher levels of air pollution and their emissions have been linked to acid rain and global warming. In response to an increasing demand for "green" energy, many countries have adopted legislation requiring, and providing incentives for, electric utilities to sell electricity generated from renewable energy sources. In the United States, Arizona, California, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, Pennsylvania, Rhode Island, Texas, and Wisconsin have all adopted renewable portfolio standards, renewable portfolio goals, or other similar laws requiring or encouraging electric utilities in such states to generate or buy a certain percentage of their electricity from renewable energy sources or recovered heat sources. Eleven of these seventeen states (including California, Nevada and Hawaii, where we have been the most active in our geothermal energy development and in which all of our U.S. projects are located) define geothermal resources as "renewables." Several other states are also considering the adoption of renewable portfolio standards, renewable portfolio goals or similar legislation.

We believe that these legislative measures and initiatives present a significant market opportunity for us. For example, California generally requires that the electricity supplied by its investor-owned electric utility companies operating within the state must be increased by at least 1% every year until it reaches 20% by 2017. Presently, 9% of the electricity supplied by the three main electric utility companies in California is derived from renewable resources. Nevada's renewable portfolio standard requires each Nevada electric utility to obtain 5% of its annual energy requirements from renewable energy sources in 2004, which requirement increases to 7% in 2005 and thereafter increases by 2% every two years until 2013, when 15% of such annual energy requirements must be provided from renewable energy sources. Hawaii's renewable portfolio standard requires each Hawaiian electric utility to obtain 8% of its net electricity sales from renewable energy sources by December 31, 2005 and 10% by December 31, 2010 and 20% by December 31, 2020.

In addition, in some states an entity generating electricity from renewable resources, such as geothermal energy, is awarded renewable energy credits, which we refer to as RECs, that can be sold for cash. RECs have been sold in the market for 0.5 cents to 2 cents a kWh during the past year.

Outside of the United States, the majority of power generating capacity has historically been owned and controlled by governments. During the past decade, however, many foreign governments have privatized their power generation industries through sales to third parties and have encouraged new capacity development and/or refurbishment of existing assets by independent power developers. These foreign governments have taken a variety of approaches to encourage the development of competitive power markets, including awarding long-term contracts for energy and capacity to independent power generators and creating competitive wholesale markets for selling and trading energy, capacity and related products. Different countries have also adopted active governmental programs designed to encourage clean renewable energy power generation. For example, China,

where we are currently developing a project, has in place a five-year Plan for New and Renewable Energy Commercialization Development. The plan's goals include increasing production of geothermal energy as well as providing electricity in remote areas. Several Latin American countries have rural electrification programs and renewable energy programs. For example, Nicaragua, where we operate the Momotombo project, is currently developing a national rural electrification plan with the support of the World Bank. One of the plan's primary goals is the reduction of market barriers to renewable energy technologies useful for remote areas not connected to the main electricity grid. Nicaragua also has a national master plan for geothermal energy, which is intended to facilitate the awarding of concessions for geothermal exploration and development in the country. Guatemala, another country in which we have ongoing operations (the Zunil project) and development activities (the Amatitlan project), recently approved a law which creates incentives for power generation from renewable energy sources by, among other things, providing economic and fiscal incentives such as exemptions from taxes on the importation of relevant equipment and various tax exemptions for companies implementing renewable energy projects. We believe that these developments and governmental plans

will create opportunities for us to acquire and develop geothermal power generation facilities internationally as well as create additional opportunities for us to sell our remote power units and other products.

In addition to our geothermal power generation activities, we have also identified recovered energy power generation as a significant market opportunity for us in the United States and internationally. We are initially targeting the North American market, where we expect that recovered energy-based power generation will be derived principally from compressor stations along interstate pipelines, from midstream gas processing facilities, and from processing industries in general. Several states, as well as the federal government, have recognized the environmental benefits of recovered energy-based power generation. For example, Nevada and Hawaii allow electric utilities to include recovered energy-based power generation in calculating their compliance with the state's renewable portfolio standards. In addition, North Dakota, South Dakota and the Department of Agriculture (through the Rural Electricity Service) have certified recovered energy-based power generation as "green" energy, which qualifies recovered energy-based power generators (whether in those two states or elsewhere in the United States) for federally subsidized, low cost funding. We believe that the European market has similar potential and we expect to leverage our early success in North America in order to expand into such market and other markets worldwide. In North America alone, we estimate the potential total market for recovered energy-based generation to be approximately 1000 MW.

Competitive Strengths

Competitive Assets. Our assets are highly competitive:

- *Contracted Generation .* All of the electricity generated by our geothermal power plants is currently sold pursuant to long-term power purchase agreements, providing generally predictable cash flows.
- *Baseload Generation .* All of our geothermal power plants supply a part of the baseload capacity of the electric system in their respective markets, meaning that they operate to serve all or a part of the minimum power requirements of the electric system in such market on an around-the-clock basis. Because our projects supply a part of the baseload needs of the respective electric system and are marginally weather dependent, we have a competitive advantage over other renewable energy sources, such as wind power, solar power, or hydro-electric power (to the extent dependent on rainfall), which compete with us to meet electric utilities' renewable portfolio requirements but which cannot serve baseload capacity because of the weather dependence and thus intermittent nature of these other renewable energy sources.
- *Competitive Pricing .* Geothermal power plants, while site specific, are economically feasible to develop, construct, own and operate in many locations, and the electricity they generate is generally price competitive as compared to electricity generated from fossil fuels or other renewable sources under existing economic conditions and existing tax and regulatory regimes.

Growing Legislative Demand for Environmentally-Friendly Renewable Resource Assets. All of our

existing projects produce electricity from geothermal energy sources. Geothermal energy is a clean, renewable and generally sustainable energy source. Unlike electricity produced by burning fossil fuels, electricity produced from geothermal energy sources is produced without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide. The characteristics of geothermal energy give us a competitive advantage over fossil fuel-based electricity generation as countries increasingly seek to balance environmental concerns with demands for reliable sources of electricity.

High Efficiency from Vertical Integration. Unlike any of our competitors in the geothermal industry, we are a fully-integrated geothermal equipment, services and power provider. We design,

develop and manufacture most of the equipment we use in our geothermal power plants. Our intimate knowledge of the equipment that we use in our operations allows us to operate and maintain our projects efficiently and to respond to operational issues in a timely and cost efficient manner. Moreover, given the efficient communications among our subsidiary that designs and manufactures the products we use in our operations and our subsidiaries that own and operate our projects, we are able to quickly and in a cost-effective manner identify and repair mechanical issues and to have technical assistance and replacement parts available to us as and when needed.

Highly Experienced Management Team. We have a highly qualified senior management team with extensive experience in the geothermal power sector. The key members of our senior management team have worked in the power industry for most of their careers and average over 20 years of industry experience.

Technological Innovation. We own or have rights to use more than 70 patents relating to various processes and renewable resource technologies. Our ability to draw upon internal resources from various disciplines related to the geothermal power sector, such as geological expertise relating to reservoir management and equipment engineering relating to power units, allows us to be innovative in creating new technologies and technological solutions.

No Exposure to Fuel Price Risk. A geothermal power plant does not need to purchase fuel (such as coal, natural gas, or fuel oil) in order to generate electricity. Thus, once the geothermal reservoir has been identified and estimated to be sufficient for use in a geothermal power plant and the drilling of wells is complete, the plant is not exposed to fuel price or fuel delivery risk.

Business Strategy

Our strategy is to continue building a geographically balanced portfolio of geothermal and recovered energy assets, and to continue to be a leading manufacturer and provider of products and services related to renewable energy. We intend to implement this strategy through:

- *Development and Construction of New Projects* — continuously seeking out commercially exploitable geothermal resources and developing and constructing new geothermal and recovered energy-based power projects in jurisdictions where the regulatory, tax and business environments encourage or provide incentives for such development and which meet our investment criteria;
- *Increasing Output from Our Existing Projects* — increasing output from our existing geothermal power projects by adding additional generating capacity, upgrading plant technology, and improving geothermal reservoir operations, including improving methods of heat source supply and delivery;
- *Acquisition of New Assets* — acquiring from third parties additional geothermal and other renewable assets that meet our investment criteria;
- *Technological Expertise* — investing in research and development of renewable energy technologies and leveraging our technological expertise to continuously improve power plant components, reduce operations and maintenance costs, develop competitive and environmentally friendly products for electricity generation and target new service opportunities;

- *Developing Recovered Energy* — establishing a first-to-market leadership position in recovered energy projects in North America and building on that experience to expand into other markets worldwide; and
- *Long-term Contracts* — entering into long-term contracts with energy purchasers that will provide stable cash flows.

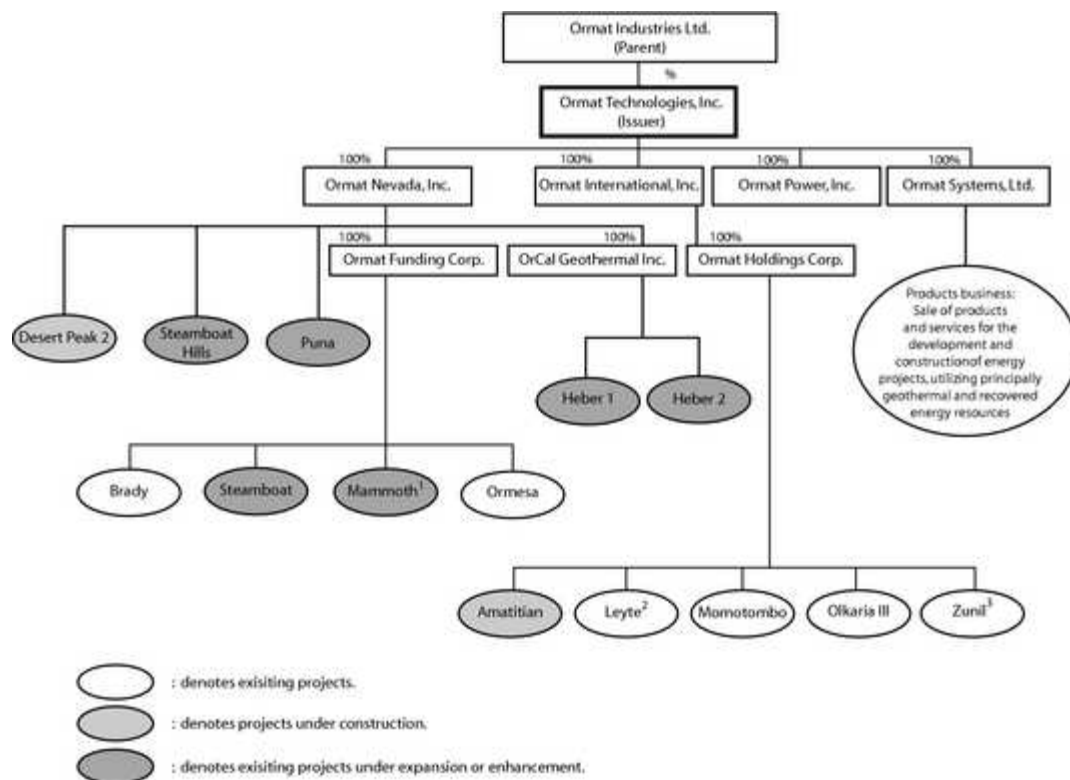
History

Ormat Industries is our parent company. Ormat Industries is an international power systems company whose predecessor, Ormat Turbines Ltd., was founded in 1965 by Lucien and Yehudit Bronicki for the principal purpose of developing equipment for the production of clean, renewable energy. Lucien and Yehudit Bronicki continue to be Ormat Industries' controlling shareholders. Ormat Industries and its subsidiaries have developed geothermal power plants, remote power units, industrial recovered energy systems and solar energy plants worldwide. At December 31, 2003, Ormat Industries and its subsidiaries had more than 600 employees worldwide, and had revenues of approximately \$119.8 million. Ormat Industries is listed on the Tel Aviv Stock Exchange under the symbol "ORMT." Ormat Industries and its subsidiaries have supplied, developed, constructed or rehabilitated over 700 MW of geothermal power plants in 22 countries, constituting approximately 10% of geothermal installed capacity worldwide.

We were formed by Ormat Industries in 1994 for the purpose of investing and holding ownership interests in power projects, as well as constructing and operating power plants owned by us and by third parties. We have served as the holding company for all of Ormat Industries' geothermal power projects. In December 2003, we acquired the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, in February 2004, we acquired the Steamboat 2/3 project, in May 2004, we acquired the Steamboat Hills project and in June 2004, we acquired the Puna project. On February 13, 2004, Ormat Funding, our wholly owned subsidiary, completed an offering of senior secured notes that raised gross proceeds of \$190 million. Pursuant to the terms of such offering, Ormat Funding is required to exchange the senior secured notes it issued thereunder for senior secured notes registered under the Securities Act of 1933, as amended, no later than January 2005. Effective as of July 1, 2004, Ormat Industries sold to us its business relating to the manufacturing and sale of energy-related equipment and services, which is based in Israel. Following this sale, we now hold all of Ormat Industries' power generation products business, and had, as of July 1, 2004, 676 employees. Upon completion of this offering, Ormat Industries will own % of our outstanding common stock.

Corporate Structure

A summary chart of our corporate structure showing our main subsidiaries and assets following the completion of this offering is depicted below.



- 1 We own a 50% ownership interest in the Mammoth project.
 2 We own an 80% ownership interest in the Leyte project.
 3 We own a 21% ownership interest in the Zunil project.

The Offering

Issuer	Ormat Technologies, Inc.
Common stock offered by Ormat Technologies, Inc.	shares
Underwriters' option to purchase additional shares	shares
Common stock outstanding after giving effect to this offering	shares
Use of proceeds	We estimate that the net proceeds we will receive from this offering will be approximately \$ million, or approximately \$ million if the underwriters exercise their over-allotment option in full, in each case, after deducting the underwriting discounts and commissions and estimated expenses of this offering payable by us. We expect to use the net proceeds from this offering to finance the continued growth of our business and for general corporate purposes, including for purposes of making investments or acquisitions. However, we have no present understanding or agreement

relating to any specific acquisition. Accordingly, management will have significant flexibility in applying the net proceeds of the offering. Pending the use of such proceeds as described above, we intend to invest such proceeds in interest-bearing instruments. See "Use of Proceeds."

Proposed New York Stock Exchange symbol ORA

Except as otherwise indicated, all common stock information in this prospectus is based on the number of shares of common stock outstanding on and:

- assumes an initial public offering price of \$ per share;
- excludes shares of common stock subject to outstanding stock options with a weighted average exercise price of \$ per share;
- excludes shares of common stock available for future grant or issuance under our 2004 Incentive Compensation Plan; and
- excludes the shares of common stock subject to the option granted to the underwriters to purchase additional shares of common stock in this offering to cover over-allotments.

Dividend Policy

We have adopted a dividend policy pursuant to which we currently expect, commencing with the first full fiscal quarter following the consummation of this offering, to distribute at least 20% of our annual profits available for distribution by way of quarterly dividends. Notwithstanding this policy, dividends will be paid only when, as and if determined by our board of directors out of funds legally

available therefor. Our board of directors may, from time to time, examine our dividend policy and may, in their absolute discretion, change such policy.

Risk Factors

Investing in our common stock involves a number of material risks. For a discussion of certain risk factors that should be considered in connection with your investment in our common stock, see "Risk Factors" beginning on page 16.

Corporate Information

Our principal executive offices are located at 980 Greg Street, Sparks, Nevada 89431. Our telephone number is (775) 356-9029. The majority of our senior management and all of our production and manufacturing facilities are located in Yavne, Israel.

Summary Historical and Unaudited Pro Forma Condensed Consolidated Financial Data

The following table sets forth our summary historical and unaudited pro forma condensed consolidated financial data for the periods ended and at the dates indicated in such table. We have derived the historical consolidated financial data as of and for the periods ended December 31, 2001, 2002 and 2003 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the historical consolidated financial data as of and for the three months ended March 31, 2003 and March 31, 2004 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, our unaudited historical condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position, results of operations and cash flows. The results of operations for the three-month periods ended March 31, 2003 and March 31, 2004 are not necessarily indicative of the operating results to be expected for the full fiscal years encompassing such periods. The pro forma data as of and for the fiscal year ended December 31, 2003 is derived from the unaudited pro forma condensed financial statements included elsewhere in this prospectus and gives effect to the acquisition of the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project that was consummated on December 18, 2003 and the acquisition of the Puna project that was consummated on June 3, 2004, as if such acquisitions were consummated on January 1, 2003, but not including the acquisitions of the Steamboat 1/1A project, Steamboat 2/3 project and the Steamboat Hills project that were consummated on June 30, 2003, February 13, 2004 and May 20, 2004, respectively.

The information set forth below should be read in conjunction with "Unaudited Pro Forma Condensed Financial Data", "Selected Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the financial statements relating to the Heber 1, Heber 2, Mammoth and Puna projects included elsewhere in this prospectus.

Summary Historical and Unaudited Pro Forma Condensed Consolidated Financial Data

	Year Ended December 31,				Three Months Ended March 31,		
				Pro Forma			Pro Forma
	2001	2002	2003	2003	2003	2004	2004
				(Unaudited)	(Unaudited)		(Unaudited)
Statement of Operations Data:							
Revenues:							
Electricity Segment	\$ 33,956	\$ 65,491	\$ 77,752	\$ 162,620	\$ 17,604	\$ 33,459	\$ 39,062
Products Segment	13,959	20,138	41,688	41,688	7,812	14,146	14,146
	47,915	85,629	119,440	204,308	25,416	47,605	53,208
Cost of Revenues:							
Electricity Segment	12,536	33,482	46,726	98,901	10,148	19,390	22,359
Products Segment	17,454	17,293	29,494	29,494	6,317	11,328	11,328
	29,990	50,775	76,220	128,395	16,465	30,718	33,687
Gross margin	17,925	34,854	43,220	75,913	8,951	16,887	19,521
Operating income	4,217	20,227	25,490	56,549	5,088	12,399	14,514
Interest expense	(4,451)	(6,889)	(8,055)	(40,343)	(1,720)	(8,523)	(12,283)
Income (loss) from continuing operations	(1,732)	8,514	15,659	46,123	1,987	2,737	2,917
Discontinued operations	(4,681)	(9,558)	—	—	—	—	—
Net income (loss)	<u>\$ (6,413)</u>	<u>\$ (1,044)</u>	<u>\$ 15,454</u>	<u>\$ 34,570</u>	<u>\$ 1,782</u>	<u>\$ 2,737</u>	<u>\$ 1,762</u>
Basic and diluted income (loss) per share	<u>\$ (0.21)</u>	<u>\$ (0.03)</u>	<u>\$ 0.50</u>	<u>\$ 1.12</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.06</u>

Income (loss) from continuing operations	\$	(0.06)	\$	0.28	\$	0.51	\$	1.12	\$	0.06	\$	0.09	\$	0.06
Loss from discontinued operations		(0.15)		(0.31)		—		—		—		—		
Net income (loss)		(0.21)		(0.03)		0.50		1.12		0.05		0.09		0.06
Weighted average number of shares outstanding		<u>30,769,230</u>		<u>30,769,230</u>		<u>30,769,230</u>		<u>30,769,230</u>		<u>30,769,230</u>		<u>30,769,230</u>		<u>30,769,230</u>

	March 31, 2004	
	Actual	Pro Forma
	(Unaudited)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 28,901	\$ 28,901
Working capital	24,239	25,839
Property, plant and equipment, net	398,630	465,389
Total assets	697,884	772,796
Long-term debt	427,576	427,576
Notes payable to Parent	150,504	223,335
Stockholder's equity	44,271	44,271

RISK FACTORS

You should carefully consider the risks described below together with the other information included in this Prospectus before deciding to invest in our common stock. Our business, financial condition, or results of operations could be adversely affected by any of these risks. If any of these risks occur, the value of our common stock could decline and you might lose all or part of your investment.

Risks Relating to Our Business and Industry

Our financial performance depends on the successful operation of our geothermal power plants which is subject to various operational risks.

We derive a significant portion of our revenues from, and we depend upon the successful operation of, our subsidiaries' geothermal power plants. The cost of operation and maintenance and the operating performance of geothermal power plants may be adversely affected by a variety of factors, including some which are discussed elsewhere in these risk factors and the following:

- regular and unexpected maintenance and replacement expenditures;
- shutdowns due to the breakdown or failure of our equipment or the equipment of the transmission serving utility;
- labor disputes;
- the presence of hazardous materials on our project sites; and
-

catastrophic events such as fires, explosions, earthquakes, floods, releases of hazardous materials, severe storms or similar occurrences affecting our projects or any of the power purchasers or other third parties providing services to our projects.

Any of these events could significantly increase the expenses incurred by our projects or reduce the overall generating capacity of our projects and could significantly reduce or entirely eliminate the revenues generated by one or more of our projects, which in turn would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

Our exploration, development, and operation of geothermal energy resources is subject to geological risks and uncertainties which may result in decreased performance or increased costs for our projects.

Our business involves the exploration, development and operation of geothermal energy resources. These activities are subject to uncertainties, which vary among different geothermal reservoirs and are in some respects similar to those typically associated with oil and gas exploration and development, such as dry holes, uncontrolled releases and pressure and temperature decline, all of which can increase our operating costs, capital expenditures or the efficiency of our power plants. Prior to our acquisition of the Steamboat Hills project, one of the wells related to such project experienced an uncontrolled release. In addition, the high temperature and high pressure in the Puna project's geothermal energy resource requires special reservoir management and monitoring. Further, the temperature of the geothermal resource at our Heber 1 project has declined since the project commenced operations and, as a result, the project currently operates at a level that is close to the minimum performance requirements set forth in the project's power purchase agreement. Because geothermal reservoirs are complex geological structures, we can only estimate their geographic area and sustainable output. The viability of geothermal projects depends on different factors directly related to the geothermal resource, such as the heat content (the relevant composition of temperature and pressure) of the geothermal reservoir, the useful life (commercially exploitable life) of the reservoir and operational factors relating to the extraction of geothermal fluids. Our geothermal energy projects may suffer an unexpected decline in the capacity of their respective geothermal wells and are exposed to a risk of geothermal reservoirs not being sufficient for sustained generation of the electrical power capacity desired over time. In addition, we may fail to find commercially viable geothermal resources in the expected quantities and temperatures which would adversely affect our development of geothermal power projects.

Additionally, geothermally active areas, such as the areas in which our projects are located, are subject to frequent low-level seismic disturbances. Serious seismic disturbances are possible and could result in damage to our projects or equipment or degrade the quality of our geothermal resources to such an extent that we could not perform under the power purchase agreement for the affected project, which in turn could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow. If we suffer a serious seismic disturbance, our business interruption and property damage insurance may not be adequate to cover all losses sustained as a result thereof. In addition, insurance coverage may not continue to be available in the future in amounts adequate to insure against such seismic disturbances.

Our business development activities may not be successful and our projects under construction may not commence operation as scheduled despite the expenditure of significant amounts of capital.

We are currently in the process of developing and constructing a number of new power plants. Our success in developing a particular project is contingent upon, among other things, negotiation of satisfactory engineering and construction agreements and power purchase agreements, receipt of required governmental permits, obtaining adequate financing, and the timely implementation and satisfactory completion of construction. We may be unsuccessful in accomplishing any of these matters or doing so on a timely basis. Although we may attempt to minimize the financial risks attributable to the development of a project by securing a favorable power purchase agreement, obtaining all required governmental permits and approvals and arranging adequate financing prior to the commencement of construction, the development of a power project may require us to incur significant expenses for preliminary engineering, permitting and legal and other expenses before we can determine whether a project is feasible, economically attractive or capable of being financed.

Currently, we have power plants under development or construction in the United States, Kenya, Guatemala, China and El Salvador, and we intend to pursue the expansion of some of our existing plants and the development of other new plants. Our completion of these facilities is subject to substantial risks, including:

- unanticipated cost increases;
- shortages and inconsistent qualities of equipment, material and labor;
- work stoppages;
- inability to obtain permits and other regulatory matters;
- failure by key contractors and vendors to timely and properly perform;
- adverse environmental and geological conditions (including inclement weather conditions); and
- our attention to other projects,

any one of which could give rise to delays, cost overruns, the termination of the plant expansion, construction or development or the loss (total or partial) of our interest in the project under development, construction or expansion.

We may be unable to obtain the financing we need to pursue our growth strategy and any future financing we receive may be less favorable to us than our current financing arrangements, either of which may adversely affect our ability to expand our operations.

Our geothermal power plants generally have been financed using leveraged financing structures, consisting of non-recourse or limited recourse debt obligations. As of March 31, 2004, we had approximately \$427.6 million of total consolidated indebtedness, of which approximately 88.5% represented non-recourse debt and limited recourse debt held by our subsidiaries. Each of our projects under development or construction and those projects and businesses we may seek to acquire or construct will require substantial capital investment. Our continued access to capital with acceptable terms is necessary for the success of our growth strategy. Our attempts to obtain future financings may not be successful or on favorable terms.

Market conditions and other factors may not permit future project and acquisition financings on terms similar to those our subsidiaries have previously received. Our ability to arrange for financing on a substantially non-recourse or limited recourse basis and the costs of such capital are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of current projects, the credit quality of the projects being financed, the political situation in the country where the project is located and the continued existence of tax and securities laws which are conducive to raising capital. If we are not able to obtain financing for our projects on a substantially non-recourse or limited recourse basis, we may have to finance them using recourse capital such as direct equity investments, parent company loans or the incurrence of additional debt by us.

Also, in the absence of favorable financing options, we may decide not to build new plants or acquire facilities from third parties. Any of these alternatives could have a material adverse effect on our growth prospects.

Our foreign projects expose us to risks related to the application of foreign laws, taxes, economic conditions, labor supply and relations, political conditions and policies of foreign governments which risks may delay or reduce our ability to profit from such projects.

We have substantial operations outside of the United States. Our foreign operations are subject to regulation by various foreign governments and regulatory authorities and are subject to the application of foreign laws. Such foreign laws or regulations may not provide for the same type of legal certainty and rights, in connection with our contractual relationships in such countries, as are afforded to our projects in the United States, which may adversely affect our ability to receive revenues or enforce our rights in connection with such foreign operations.

In addition, the laws and regulations of some countries may limit our ability to hold a majority interest in some of the projects that we may develop or acquire, thus limiting our ability to control the development, construction and operation of such projects. Our foreign operations are also subject to significant political, economic and financial risks, which vary by country, and include:

- changes in government policies or personnel;
- changes in general economic conditions;
- restrictions on currency transfer or convertibility;
- changes in labor relations;
- political instability and civil unrest;
- changes in the local electricity market;
- breach or repudiation of important contractual undertakings by governmental entities; and
- expropriation and confiscation of assets and facilities.

In particular, the Philippines is in the midst of an ongoing privatization of the electric industry, and in Guatemala the electricity sector was partially privatized and it is currently unclear whether further privatization will occur in the future. Such developments may affect our existing Leyte and Zunil projects and the Amatitlan project currently under construction if, for example, they result in changes to the prevailing tariff regime or in the identity and creditworthiness of our power purchasers. In Nicaragua, there is potential labor unrest and strengthening of labor unions, which may adversely affect our Momotombo project. In Kenya, the new government that was elected in 2002 is making an effort to deliver on campaign promises to reduce the price for electricity and is applying pressure on independent power producers, such as our Olkaria III project, to lower their tariffs. In addition, Kenya's new government is considering a further restructuring and privatization of the electricity industry in Kenya and may divide Kenya Power & Lighting Co. Ltd., the power purchaser for our Olkaria III project, into separate entities and then privatize one or more of such resulting entities. A material tariff reduction or any break-up and potential privatization of Kenya Power & Lighting Co. Ltd. may adversely affect our Olkaria III project. We are also currently in discussions with the Kenyan

government and Kenya Power & Lighting Co. Ltd. regarding, among other things, the construction of Phase II of the Olkaria III project in Kenya and the provision of certain collateral and government support. We must notify Kenya Power & Lighting Co. Ltd., by April 17, 2005, whether we will proceed to construct Phase II of the Olkaria III project and, if we notify Kenya Power & Lighting Co. Ltd. that we will not proceed with such construction, then the portion of the current power purchase agreement applicable to Phase II of the Olkaria III project will be terminated (but the current portion applicable to Phase I will be unaffected). If we fail to provide such notification we will be required to construct Phase II and reach commercial operations by May 31, 2007 in order to avoid the application of financial penalties, or at the latest by April 17, 2008 in order to avoid termination of the entire power purchase agreement. In addition, if we do not proceed with the construction of Phase II, we may lose some or all of our investment relating to Phase II, which is approximately \$22.2 million.

Although we generally obtain political risk insurance in connection with our foreign projects, such political risk insurance does not mitigate all of the above-mentioned risks. In addition, insurance proceeds received pursuant to our political risk insurance policies, where applicable, may not be adequate to cover all losses

sustained as a result of any covered risks and may at times be pledged in favor of the lenders to a project as collateral. Also, insurance may not be available in the future with the scope of coverage and in amounts of coverage adequate to insure against such risks and disturbances.

Our foreign projects and foreign manufacturing operations expose us to risks related to fluctuations in currency rates, which may reduce our profits from such projects and operations.

Risks attributable to fluctuations in currency exchange rates can arise when any of our foreign subsidiaries borrow funds or incur operating or other expenses in one type of currency but receive revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary or increase such subsidiary's overall expenses. In addition, the imposition by foreign governments of restrictions on the transfer of foreign currency abroad or restrictions on the conversion of local currency into foreign currency would have an adverse effect on the operations of our foreign projects and foreign manufacturing operations and may limit or diminish the amount of cash and income that we receive from such foreign projects and operations.

A significant portion of our net revenue is attributed to payments made by power purchasers under power purchase agreements. The failure of any such power purchaser to perform its obligations under the relevant power purchase agreement or the loss of a power purchase agreement due to a default would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

A significant portion of our net revenue is attributed to revenues derived from power purchasers under the relevant power purchase agreements. Southern California Edison Company, Hawaii Electric Light Company, PNOG-Energy Development Corporation and Sierra Pacific Power Company have accounted for 48.3%, 9.2%, 6.2% and 5.6% of our pro forma revenues, respectively, for the fiscal year ended December 31, 2003. Based on publicly available information, as of June 30, 2004, the issuer ratings of Southern California Edison Company, Sierra Pacific Power Company and Nevada Power Company (a potential power purchaser for the Desert Peak 2 and Desert Peak 3 projects) were Baa3 (under review), B1 (negative outlook) and B1 (negative outlook), respectively, from Moody's Investors Services and BBB (stable outlook), B+ (negative outlook), and B+ (negative outlook), respectively, from Standard & Poor's Ratings Services and the issuer rating of Hawaii Electric Light Company was BBB+ (stable outlook) by Standard & Poor's Ratings Services. The credit ratings of any power purchaser may decrease from time to time. There is no publicly available information with respect to the credit ratings or stability of the power purchasers under the power purchase agreements for our foreign projects.

Neither we nor any of our affiliates make any representations as to the financial condition or creditworthiness of any purchaser under a power purchase agreement and nothing in this prospectus should be construed as such a representation.

There is a risk that any one or more of the power purchasers may not fulfill their respective payment obligations under their power purchase agreements. For example, as a result of the energy crisis in California, Southern California Edison Company withheld payments it owed under various of its power purchase agreements with a number of power generators (such as the Ormesa, Heber 1, Heber 2, and Mammoth projects) payable for certain energy delivered between November 2000 and March 2001 under such power purchase agreements until March 2002. In the case of our Ormesa project (which we acquired in April 2002), the payment withheld by Southern California Edison Company totaled \$21.2 million. If any of the power purchasers fails to meet its payment obligations under its power purchase agreements, it could materially and adversely affect our business, financial condition, future results and cash flow.

In connection with the power purchase agreements for the Ormesa project, Southern California Edison Company has raised an issue regarding a potential breach by the Ormesa project of such power purchase agreements as a result of the use of power from the GEM 2 and GEM 3 plants by the Ormesa project for auxiliary purposes. The loss of a power purchase agreement as a result of a default would materially and adversely affect our business, financial condition, future results and cash flow.

Seasonal variations may cause significant fluctuations in our cash flows, which may cause the market price of our common stock to fall in certain periods.

Our results of operations are subject to seasonal variations. This is primarily because some of our domestic projects receive higher capacity payments under the power purchase agreements during the summer months and

due to the generally higher short run avoided costs in effect during the summer months. Some of our other projects may experience reduced generation during warm periods due to the lower heat differential between the geothermal fluid and the ambient surroundings. Such seasonal variations could materially and adversely affect our business, financial condition, future results and cash flow. If our operating results fall below the public's or analysts' expectations in some future period or periods, the market price of our common stock will likely fall in such period or periods.

Pursuant to the terms of some of our power purchase agreements with investor-owned electric utilities in states that have renewable portfolio standards, the failure to supply the contracted capacity thereunder may result in the imposition of penalties.

Pursuant to the terms of certain of the power purchase agreements that we have entered into and under which we will sell electricity from certain projects that are currently under development and construction, we may be required to make payments to the relevant power purchaser in an amount equal to such purchaser's replacement costs for renewable energy relating to any shortfall amount of renewable energy that we do not provide as required under the power purchase agreement and which such power purchaser is forced to obtain from an alternate source. In addition, we may be required to make payments to the relevant power purchaser in an amount equal to its replacement costs relating to any renewable energy credits we do not provide as required under the relevant power purchase agreement. We may also be required to pay liquidated damages if certain minimum performance requirements are not met under certain of our power purchase agreements, all of which could materially and adversely affect our business, financial condition, future results and cash flow. Our Puna project was not in compliance with the minimum performance requirements of its power purchase agreement at the time we acquired such project and is currently not in compliance with such requirements. Such non-compliance has resulted in the imposition of sanctions that have reduced, and as long as such non-compliance continues to exist, will continue to reduce, the aggregate amount of revenues payable to us from the power purchaser. Further, the temperature of the geothermal resource at our Heber 1 project has declined from the date on which the project has commenced operations and, as a result, the project currently operates at a level that is close to the minimum performance requirements set forth in such project's power purchase agreement.

The short run avoided cost for our power purchasers may decline, which would reduce our project revenues and could materially and adversely affect our business, financial condition, future results and cash flow.

Under the power purchase agreements for our projects in California, the price that Southern California Edison Company pays for energy is based upon its short run avoided costs, which are the incremental costs that it would have incurred had it generated the relevant electrical energy itself or purchased such energy from others. Under settlement agreements between Southern California Edison Company and a number of Qualifying Facility power generators in California, including our subsidiaries, the energy price component payable by Southern California Edison Company has been fixed through April 2007, and thereafter will be based on Southern California Edison Company's short run avoided costs, as determined by the California Public Utilities Commission, which we refer to as CPUC. These short run avoided costs are made available by Southern California Edison Company to the public and may vary substantially on a monthly basis, based primarily on gas prices and other factors. The levels of short run avoided cost prices paid by Southern California Edison Company may decline following the expiration date of the settlement agreements, which in turn would reduce our project revenues derived from Southern California Edison Company under our power purchase agreements with it and could materially and adversely affect our business, financial condition, future results and cash flow.

In addition, under certain of the power purchase agreements for our projects in Nevada, the price that Sierra Pacific Power Company pays for energy and capacity is based upon its short run avoided costs. These short run avoided costs, and in turn the rates payable by Sierra Pacific Power Company, may decline, which in turn would reduce the aggregate amount of project revenues recovered by our Nevada projects pursuant to the relevant Nevada project power purchase agreements. Such a decrease in project revenues could adversely affect our business, financial condition, future results and cash flow.

In response to an order issued by a California State Court of Appeal, the CPUC has commenced an administrative proceeding in order to address short run avoided cost pricing for Qualifying Facilities for the period spanning from December 2000 to March 2001. The court directed the CPUC to modify short run avoided cost pricing on a retroactive basis to the extent that the CPUC determined that short run avoided cost prices were not sufficiently "accurate" or "correct." If the short run avoided cost prices charged during the period in question

were determined by the CPUC not to be "accurate" or "correct," retroactive price adjustments could be required for any of our Qualifying Facilities in California whose payments are tied to short run avoided cost pricing, including the Heber 1, Mammoth and Ormesa projects. Currently, it is not possible to predict the outcome of such proceeding, however, any retroactive price adjustment required to be made in relation to any of our projects may require such projects to make refund payments or charge less for future sales, which could materially and adversely affect our business, financial condition, future results and cash flow.

If any of our domestic projects loses its Qualifying Facility status under PURPA, or if amendments to PURPA are enacted that substantially reduce the benefits currently afforded to our Qualifying Facilities, our domestic operations could be adversely affected.

The operations of most of our domestic projects are subject to, and benefit from, the Public Utility Regulatory Policies Act of 1978, as amended, which we refer to as PURPA, are subject to limited provisions of the Federal Power Act, which we refer to as FPA, and are potentially subject to the provisions of various other energy laws and regulations, including the Public Utility Holding Company Act of 1935, as amended, which we refer to as PUHCA, other provisions of the FPA and certain state and local laws and regulations regarding rates and financial and organizational requirements for electric utilities.

Qualifying Facility status under PURPA exempts our projects from PUHCA, most of the provisions of the FPA, and certain state laws concerning rates and the financial and organizational regulation of electric utilities. If any of our domestic projects in which we have an interest loses its

Qualifying Facility status and no regulatory exemptions apply or if amendments to PURPA are enacted that substantially reduce the benefits currently afforded Qualifying Facilities, our operations could be adversely affected.

In the event that one of our domestic projects loses its Qualifying Facility status, such project and we would become subject to PUHCA and such project would become subject to the full scope of the FPA and applicable state regulations unless an exemption or waiver applies, such as "exempt wholesale generator" ("EWG", as defined under PUHCA) status or "utility geothermal small power production facility" (as defined under PURPA regulations) status, for such project. The application of PUHCA and such other regulations to our projects would require our operations to comply with an increasingly complex regulatory regime that may be costly and greatly reduce our operational flexibility. In the unlikely event that none of the PUHCA exemptions or waivers are available, we could become a public utility holding company under PUHCA, which could be deemed to occur prospectively or retroactively to the date that any of our projects lost its Qualifying Facility status. In addition, our other domestic projects could lose Qualifying Facility status because our interests in such projects could be considered to be electric utility holding company interests for purposes of the 50% limit on ownership of Qualifying Facilities by electric utilities or electric utility holding companies. As a result of such loss of Qualifying Facility status and in the absence of an applicable exemption or waiver, the Federal Energy Regulatory Commission, which we refer to as FERC, or relevant state regulators, whichever had jurisdiction, may order partial refunds of past amounts paid by the relevant power purchaser or order a reduction of the rate pursuant to the power purchase agreement prospectively, or both, and thus could cause the loss of some or all of our revenues payable pursuant to the related power purchase agreement, result in significant liability for refunds of past amounts paid, or otherwise impair the value of our projects.

A loss of Qualifying Facility status also could permit the power purchaser, pursuant to the terms of the particular power purchase agreement, to cease taking and paying for electricity from the relevant project or, consistent with FERC precedent, to seek refunds of past amounts paid. This could cause the loss of some or all of our revenues payable pursuant to the related power purchase agreement, result in significant liability for refunds of past amounts paid, or otherwise impair the value of our project. If a power purchaser were to cease taking and paying for electricity or seek to obtain refunds of past amounts paid, there can be no assurance that the costs incurred in connection with the project could be recovered through sales to other purchasers or that we would have sufficient funds to make such payments. In addition, the loss of Qualifying Facility status would be an event of default under the financing arrangements currently in place for some of our projects, which would enable the lenders to exercise their remedies and enforce the liens on the relevant project.

The United States Congress is considering proposed legislation that would amend PURPA by limiting the mandatory purchase obligations of power purchasers under new power purchase agreements. The enactment of such legislation could adversely affect our new projects or enhancements of existing projects that do not have a

current power purchase agreement.

An adverse FERC ruling related to the use by the Ormesa project of power generated from another Qualifying Facility for auxiliary purposes may adversely affect our operations and financial results.

Our Ormesa project uses electricity generated by two of our power plants for pumps that help reinject its geothermal brine after it has been used for power generation. According to a recent FERC decision involving such project, a geothermal Qualifying Facility that obtains electricity for the operation of its reinjection pumps from an electric utility must reduce its net capacity available for sale by an equivalent amount, unless such electricity is obtained from another Qualifying Facility. FERC has recently granted a rehearing of its decision for further consideration. If FERC were to reverse its ruling regarding electricity provided by another Qualifying Facility for reinjection pumps, our Ormesa project would be required to reduce its capacity for sale by the amount of power used for such purposes. Such a reversal by FERC could have an adverse effect on the revenues that our Ormesa project receives from its power sales and may impact the operations at some of our other projects.

Our Heber 1 and Mammoth projects purchase electricity for their reinjection pumps from Southern California Edison Company. If FERC were to uphold its ruling that electricity obtained from third parties that are not Qualifying Facilities for use by reinjection pumps must be subtracted from geothermal projects' net capacity, and if such ruling was to be sustained on appeal, this could have an adverse effect on the revenues that our Heber 1 and Mammoth projects receive from their power sales. Although FERC has not previously applied rulings such as these retroactively in similar cases, if FERC were to apply such rulings retroactively, our subsidiaries may owe Southern California Edison Company a refund for prior sales of electricity in amounts that correspond to the historical power purchases for reinjection pumping.

Our financial performance is significantly dependent on the successful operation of our projects which is subject to changes in the legal and regulatory environment affecting our projects.

All of our projects are subject to extensive regulation and therefore changes in applicable laws or regulations, or interpretations of those laws and regulations, could result in increased compliance costs, the need for additional capital expenditures or the reduction of certain benefits currently available to our projects. The structure of federal and state energy regulation is currently, and may continue to be, subject to challenges, modifications, the imposition of additional regulatory requirements, and restructuring proposals. We and our power purchasers may not be able to obtain all regulatory approvals that may be required in the future, or any necessary modifications to existing regulatory approvals, or maintain all required regulatory approvals. In addition, the cost of operation and maintenance and the operating performance of geothermal power plants may be adversely affected by changes in certain laws and regulations, including tax laws.

The federal government also encourages production of electricity from geothermal resources through certain tax subsidies. We are permitted to claim in our consolidated federal tax returns approximately 10% of the construction cost of each new geothermal power plant as a credit against our consolidated federal income taxes. We are also permitted to deduct, as a depreciation expense on our consolidated federal tax returns, up to 95% of the cost of the power plant over five years on an accelerated basis, which results in more of the cost being deducted in the first few years than during the remainder of the depreciation period. In addition, we have the ability to obtain value from these tax incentives through lease financing transactions even when we are not in a position to use them directly. Any reduction in such tax incentives or any restrictions on such lease financing transactions would materially and adversely affect our business, financial condition, future results and cash flow.

Any such changes could significantly increase the regulatory-related compliance and other expenses incurred by the projects and could significantly reduce or entirely eliminate the revenues generated by one or more of the projects, which in turn would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

The costs of compliance with environmental laws, which currently are significant, may increase in the future and could materially and adversely affect our business, financial condition, future results and cash flow and any non-compliance with such laws or regulations may result in the imposition of liabilities which could materially and adversely affect our business, financial condition, future results and cash flow.

Our projects are required to comply with numerous domestic and foreign federal, regional, state and local statutory and regulatory environmental standards and to maintain numerous environmental permits and governmental approvals required for construction and/or operation. Some of the environmental permits and

governmental approvals that have been issued to the projects contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If we fail to satisfy these conditions or comply with these restrictions, or with any statutory or regulatory environmental standards, we may become subject to regulatory enforcement action and the operation of the projects could be adversely affected or be subject to fines, penalties or additional costs. In addition, we may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of the projects, as a result of which the operation of the projects may be

limited or suspended. Environmental laws, ordinances and regulations affecting us can be subject to change and such change could result in increased compliance costs, the need for additional capital expenditures, or otherwise adversely affect us.

We could be exposed to significant liability for violations of hazardous substances laws because of the use or presence of such substances at our projects.

Our projects are subject to numerous domestic and foreign federal, regional, state and local statutory and regulatory standards relating to the use, storage and disposal of hazardous substances. We use isobutane, isopentane, industrial lubricants and other substances at our projects which are or could become classified as hazardous substances. If any hazardous substances are found to have been released into the environment at or by the projects, we could become liable for the investigation and removal of those substances, regardless of their source and time of release. If we fail to comply with these laws, ordinances or regulations (or any change thereto), we could be subject to civil or criminal liability, the imposition of liens or fines, and large expenditures to bring the projects into compliance. Furthermore, in the United States, we can be held liable for the cleanup of releases of hazardous substances at other locations where we arranged for disposal of those substances, even if we did not cause the release at that location. The cost of any remediation activities in connection with a spill or other release of such substances could be significant.

We believe that there may have at one time been a gas station located on the Mammoth project site, but because of significant surface disturbance and construction since that time further physical evaluation of the former gas station site has been impractical. There may be soil or groundwater contamination and related liability exposure of which we are unaware related to this site which may be significant and may adversely and materially affect our operations and revenues.

We may not be able to successfully integrate companies that we have acquired or which we may acquire in the future, which could materially and adversely affect our business, financial condition, future results and cash flow.

We recently acquired our Heber 1, Heber 2, Mammoth, Steamboat 2/3, Steamboat Hills and Puna projects. Our strategy is to continue to expand in the future, including through acquisitions. Integrating acquisitions is often costly, and we may not be able to successfully integrate our acquired companies with our existing operations without substantial costs, delays or other adverse operational or financial consequences. Integrating our acquired companies involves a number of risks that could materially and adversely affect our business, including:

- failure of the acquired companies to achieve the results we expect;
- inability to retain key personnel of the acquired companies;
- risks associated with unanticipated events or liabilities; and
- the difficulty of establishing and maintaining uniform standards, controls, procedures and policies, including accounting controls and procedures.

If any of our acquired companies suffers customer dissatisfaction or performance problems, the same could

adversely affect the reputation of our group of companies and could materially and adversely affect our business, financial condition, future results and cash flow.

The power generation industry is characterized by intense competition, and we encounter competition from electric utilities, other power producers, and power marketers that could materially and adversely affect our business, financial condition, future results and cash flow.

The power generation industry is characterized by intense competition from electric utilities, other power producers and power marketers. In recent years, there has been increasing competition in the sale of electricity, in part due to excess capacity in a number of U.S. markets and an emphasis on short-term or "spot" markets, and competition has contributed to a reduction in electricity prices. For the most part, we expect that power purchasers interested in long-term arrangements with a capacity

price component will engage in "competitive bid" solicitations to satisfy new capacity demands. This competition could adversely affect our ability to obtain power purchase agreements and the price paid for electricity by the relevant power purchasers. There is also increasing competition between electric utilities, particularly in California where the CPUC has launched an initiative designed to give all electricity consumers the ability to choose between competing suppliers of electricity. This competition has put pressure on electric utilities to lower their costs, including the cost of purchased electricity, and increasing competition in the future will put further pressure on power purchasers to reduce the prices at which they purchase electricity from us.

The existence of a prolonged force majeure event or a forced outage affecting a project could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow.

If a project experiences a force majeure event, our subsidiary owning that project would be excused from its obligations under the relevant power purchase agreement. However, the relevant power purchaser may not be required to make any capacity and/or energy payments with respect to the affected project or plant so long as the force majeure event continues and, pursuant to certain of our power purchase agreements, will have the right to prematurely terminate the power purchase agreement. Additionally, to the extent that a forced outage has occurred, the relevant power purchaser may not be required to make any capacity and/or energy payments to such project and if as a result the project fails to attain certain performance requirements under certain of our power purchase agreements, the purchaser may have the right to permanently reduce the contract capacity (and, correspondingly, the amount of capacity payments due pursuant to such agreements in the future), seek refunds of certain past capacity payments, and/or prematurely terminate the power purchase agreement. As a consequence, we may not receive any net revenues from the affected project or plant other than the proceeds from any business interruption insurance that applies to the force majeure event or forced outage after the relevant waiting period and may incur significant liabilities in respect of past amounts required to be refunded. Accordingly, our business, financial condition, future results and cash flows could be materially and adversely affected.

The existence of a force majeure event or a forced outage affecting the transmission system of the Imperial Irrigation District could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow.

If the transmission system of the Imperial Irrigation District experiences a force majeure event or a forced outage which prevents it from transmitting the electricity from certain of our projects to the relevant power purchaser, the relevant power purchaser would not be required to make energy payments for such non-delivered electricity and may not be required to make any capacity payments with respect to the affected project so long as such force majeure event or forced outage continues, thus reducing or eliminating the revenues of such project.

Some of our leases will terminate if we do not extract geothermal resources in "commercial quantities," thus requiring us to enter into new leases or secure rights to alternate geothermal resources, none of which may be available on terms as favorable to us as any such terminated lease, if at all.

Most of our geothermal resource leases are for a fixed primary term, and then continue for so long as geothermal resources are extracted in "commercial quantities" or pursuant to other terms of extension. The land covered by some of our leases is undeveloped and has not yet produced geothermal resources in "commercial quantities." Leases that cover land which remains undeveloped and does not produce, or does not continue to produce, geothermal resources in commercial quantities or leases that we allow to expire, will terminate. In the event that a lease is terminated and we determine that we will need that lease once the applicable project is

operating, we would need to enter into one or more new leases with the owner(s) of the premises that are the subject of the terminated lease(s) in order to develop geothermal resources from or inject geothermal resources into such premises or secure rights to alternate geothermal resources or lands suitable for injection, all of which may not be possible or could result in increased cost to us which could materially and adversely affect our business, financial condition, future results and cash flow.

Our Bureau of Land Management leases may be terminated if we fail to comply with any of the provisions of the Geothermal Steam Act of 1970 or if we fail to comply with the terms or stipulations of such leases, which may materially and adversely affect our business and operations.

Pursuant to the terms of our Bureau of Land Management (which we refer to as BLM) leases, we are required to conduct our operations on BLM-leased land in a workmanlike manner and in accordance with all applicable laws and BLM directives and to take all mitigating actions required by the BLM to protect the surface of and the environment surrounding the relevant land. Additionally, certain BLM leases contain additional requirements, some of which relate to the mitigation or avoidance of disturbance of any antiquities, cultural values or threatened or endangered plants or animals, the payment of royalties for timber and the imposition of certain restrictions on residential development on the leased land. In the event of a default under any BLM lease, or the failure to comply with such requirements, or any non-compliance with any of the provisions of the Geothermal Steam Act of 1970 or regulations issued thereunder, the BLM may, 30 days after notice of default is provided to our relevant project subsidiary, suspend operations until the requested action is taken or terminate the lease, either of which could materially and adversely affect our business, financial condition, future results and cash flows.

Some of our leases (or subleases) could terminate if the lessor (or sublessor) under any such lease (or sublease) defaults on any debt secured by the relevant property, thus terminating our rights to access the underlying geothermal resources at that location.

The fee interest in the land which is the subject of each of our leases (or subleases) may currently be or may become subject to encumbrances securing loans from third party lenders to the lessor (or sublessor). Our rights as lessee (or sublessee) under such leases (or subleases) are or may be subject and subordinate to the rights of any such lender. Accordingly, a default by the lessor (or sublessor) under any such loan could result in a foreclosure on the underlying fee interest in the property and thereby terminate our leasehold interest and result in the shutdown of the project located on the relevant property and/or terminate our right of access to the underlying geothermal resources required for our operations.

In addition, a default by a sublessor under its lease with the owner of the property which is the subject of our sublease could result in the termination of such lease and thereby terminate our sublease interest and our right to access the underlying geothermal resources required for our operations.

We depend on key personnel for the success of our business.

Our success is largely dependent on the skills, experience and efforts of our senior management team and other key personnel. In particular, our success depends on the continued efforts of Lucien Bronicki, Yehudit Bronicki, Hezy Ram, Nadav Amir and other key employees. The loss of the services of any key employee could materially harm our business, financial condition, future results and cash flow. Although we have been, to date, successful in retaining the services of senior management, we may not be able to locate or employ on acceptable terms qualified replacements for our senior management or key employees if their services were no longer available.

Our projects have generally been financed through a combination of parent company loans and limited- or non-recourse project finance debt. If our project subsidiaries default on their obligations under such limited- or non-recourse debt, we may be required to make certain payments to the relevant debt holders and if the collateral supporting such leveraged financing structures is foreclosed upon, we may lose certain of our projects.

Our projects have generally been financed using a combination of parent company loans and limited- or non-recourse project finance debt. Non-recourse project finance debt refers to debt that is repaid solely from the project's revenues and is secured by the project's physical assets, major contracts, cash accounts and, in many cases, our ownership interest in the project subsidiary. Limited recourse project finance debt refers to our additional agreement, as part of the financing of a project,

to provide limited financial support for the project subsidiary in the form of limited guarantees, indemnities, capital contributions and agreements to pay certain debt service deficiencies. If our project subsidiaries default on their obligations under the relevant debt documents, creditors of a limited recourse project financing will have direct recourse to us, to the extent of our limited recourse obligations, which may require us to use distributions received by us from other projects, as well as other sources of cash available to us, in order to satisfy such obligations. In addition, if our project subsidiaries default on their obligations under the relevant debt documents and the creditors foreclose on the relevant collateral, we may lose our ownership interest in the relevant project subsidiary or our project subsidiary owning the project would only retain an interest in the physical assets, if any, remaining after all debts and obligations were paid in full.

Changes in costs and technology may significantly impact our business by making our power plants and products less competitive.

A basic premise of our business model is that generating baseload power at central geothermal power plants achieves economies of scale and produces electricity at a competitive price. However, traditional coal-fired systems and gas-fired systems may under certain economic conditions produce electricity at lower average prices than our geothermal plants. In addition, there are other technologies that can produce electricity, most notably fuel oil systems, hydroelectric systems, fuel cells, microturbines, windmills and photovoltaic (solar) cells. Some of these alternative technologies currently produce electricity at a higher average price than our geothermal plants, however research and development activities are ongoing to seek improvements in such alternate technologies and their cost of producing electricity is gradually declining. It is possible that advances will further reduce the cost of alternate methods of power generation to a level that is equal to or below that of most geothermal power generation technologies. If this were to happen, the competitive advantage of our projects may be significantly impaired.

Our expectations regarding the market potential for the development of recovered energy-based power generation may not materialize and as a result we may not derive any significant revenues from this line of business.

We have identified recovered energy-based power generation as a significant market opportunity for us. Demand for our recovered energy-based power generation units may not materialize or grow at the levels that we expect. We currently face competition in this market from manufacturers of conventional steam turbines and may face competition from other related technologies in the future. If this market does not materialize at the levels that we expect, such failure may materially and adversely affect our business, financial condition, future results and cash flow.

Our intellectual property rights may not be adequate to protect our business.

Our intellectual property rights may not be adequate to protect our business. While we occasionally file patent applications, such patents may not be issued on the basis of such applications or, if such patents are issued, they may not be sufficiently broad to protect our technology. In addition, any patents issued to us or for which we have use rights may be challenged, invalidated or circumvented.

In order to safeguard our unpatented proprietary know-how, trade secrets and technology, we rely primarily upon trade secret protection and non-disclosure provisions in agreements with employees and others having access to confidential information. These measures may not adequately protect us from disclosure or misappropriation of our proprietary information.

Even if we adequately protect our intellectual property rights, litigation may be necessary to enforce these rights, which could result in substantial costs to us and a substantial diversion of management attention. Also, while we have attempted to ensure that our technology and the operation of our business do not infringe other parties' patents and proprietary rights, our competitors or other parties may assert that certain aspects of our business or technology may be covered by patents held by them. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming and can divert management's attention from our core business.

We are subject to risks associated with a changing economic and political environment which may adversely affect our financial stability or the financial stability of our counterparties.

The risk of terrorist attacks in the United States or elsewhere continues to remain a potential source of disruption to the nation's economy and financial markets in general. The availability and cost of capital for our business and that of our competitors has been adversely affected by the bankruptcy of Enron Corp. and events related to the California electric market crisis. Additionally, the recent rise in fuel costs may make it more expensive for our customers to operate their businesses. These events could constrain the capital available to our industry and could adversely affect our financial stability and the financial stability of our counterparties in transactions.

Possible fluctuations in the cost of raw materials may materially and adversely affect our business, financial condition, future results and cash flow.

Our manufacturing operations are dependent on the supply of various raw materials including primarily steel and aluminum, and are also dependent on the supply of various industrial equipment components that we use. We currently obtain all such materials and equipment at prevailing market prices. Supply interruptions or future cost increases of such raw materials and equipment, to the extent not otherwise passed along to our customers, could adversely affect our profit margins.

Conditions in Israel, where the majority of our senior management and all of our production and manufacturing facilities are located, may adversely affect our operations and may limit our ability to produce and sell our products or manage our projects.

Operations in Israel accounted for approximately 61.3%, 56.3%, and 51.0% of our operating expenses in fiscal year 2001, fiscal year 2002 and fiscal year 2003, respectively. Political, economic and security conditions in Israel directly affect our operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and the continued state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Since October 2000, there has been a significant increase in violence, primarily in the West Bank and Gaza Strip, and more recently Israel has experienced a significant increase in terrorist incidents within its borders. As a result, negotiations between Israel and representatives of the Palestinian Authority have been sporadic and have failed to result in peace. We could be adversely affected by hostilities involving Israel, the interruption or curtailment of trade between Israel and its trading partners, or a significant downturn in the economic or financial condition of Israel. In addition, the sale of products manufactured in Israel may be adversely affected in certain countries by restrictive laws, policies or practices directed toward Israel or companies having operations in Israel.

In addition, some of our employees in Israel are subject to being called upon to perform military service in Israel, and their absence may have an adverse effect upon our operations. Generally, unless exempt, male adult citizens of Israel under the age of 41 are obligated to perform up to 36 days of military reserve duty annually. Additionally, all such citizens are subject to being called to active duty at any time under emergency circumstances.

These events and conditions could disrupt our operations in Israel, which could materially harm our business, financial condition, future results and cash flow.

Failure to comply with certain conditions and restrictions associated with tax benefits provided to Ormat Systems by the Government of Israel as an "approved enterprise" may require us to refund such tax benefits and pay future taxes in Israel at higher rates.

Our subsidiary, Ormat Systems, has received "approved enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959, with respect to two of its investment programs. As an approved enterprise, our subsidiary is exempt from Israeli income taxes with respect to revenues derived from the approved investment program for a period of two years commencing on the year it first generates profits from the approved investment program and, thereafter, such revenues are

subject to reduced Israeli income tax rates of 25% for an additional five years. These benefits are subject to certain conditions set forth in the certificate of approval from Israel's Investment Center, that include, among other things, a requirement that Ormat Systems comply with Israeli intellectual property law, that all transactions between Ormat Systems and our affiliates be at arms length, and that there will be no change in control of, on a cumulative basis, more than 49% of Ormat Systems' capital stock (including by way of a public or private

offering) without the prior written approval of the Investment Center. If Ormat Systems does not comply with these conditions, in whole or in part, it would be required to refund the amount of tax benefits (as adjusted by the Israeli consumer price index and for accrued interest) and would no longer benefit from the reduced Israeli tax rates, which could have an adverse effect on our financial condition, future results and cash flow. If Ormat Systems distributes dividends out of revenues derived during the tax exemption period from the approved investment program, it will be subject, in the year in which such dividend is paid, to Israeli income tax on the distributed dividend.

If our parent defaults on its lease agreement with the Israel Land Administration, or is involved in a bankruptcy or similar proceeding, our rights and remedies under certain agreements pursuant to which we acquired our products business and pursuant to which we sublease our land and manufacturing facilities from our parent may be adversely affected.

We acquired our business relating to the manufacturing and sale of products for electricity generation and related services from our parent, Ormat Industries. In connection with that acquisition, we entered into a sublease with Ormat Industries for the lease of the land and facilities where our manufacturing and production operations are conducted and where our Israeli offices are located. Under the terms of our parent's lease agreement with the Israel Land Administration, any sublease for a period of more than five years may require the prior approval of the Israel Land Administration. As a result, the initial term of our sublease with Ormat Industries is for a period of four years and eleven months, extendable to twenty-five years (which includes the initial term) should our parent obtain the approval of the Israel Land Administration, to the extent necessary. If such an approval is required and our parent fails to obtain the Israel Land Administration's approval, our sublease will terminate on June 1, 2009, at which time we will have to renegotiate the terms of a new sublease. We may not be successful in reaching an agreement with our parent as to the terms of a new sublease or in obtaining such sublease on favorable terms, both of which circumstances will adversely affect our manufacturing activities and our financial position. Additionally, if our parent was to breach its obligations to the Israel Land Administration under its lease agreement, the Israel Land Administration may terminate the lease agreement and consequently, our sublease will terminate as well.

As part of the acquisition described in the preceding paragraph, we also entered into a patent license agreement with Ormat Industries, pursuant to which we were granted an exclusive license for certain patents and trademarks relating to certain technologies that are used in our business. If a bankruptcy case were commenced by or against our parent, it is possible that performance of all or part of the agreements entered into in connection with such acquisition (including the lease of land and facilities described above) could be stayed by the bankruptcy court in Israel or rejected by a liquidator appointed pursuant to the Bankruptcy Ordinance in Israel and thus not be enforceable. Any of these events could have a material and adverse effect on our business, financial condition, future results and cash flow.

We are a holding company and our revenues depend substantially on the performance of our subsidiaries and the projects they operate, most of which are subject to restrictions and taxation on dividends and distributions.

We are a holding company whose primary assets are our ownership of the equity interests in our subsidiaries. We conduct no other business and, as a result, we depend entirely upon our subsidiaries' earnings and cash flow.

The agreements pursuant to which most of our subsidiaries have incurred debt restrict the ability of these subsidiaries to pay dividends, make distributions or otherwise transfer funds to us prior to the

satisfaction of other obligations, including the payment of operating expenses, debt service and replenishment or maintenance of cash reserves. In the case of some of our projects, such as the Mammoth project, there may be certain additional restrictions on dividend distributions pursuant to our agreements with our partners. Further, if we elect to receive distributions of earnings from our foreign operations, we may incur United States taxes on account of such distributions, net of any available foreign tax credits. In all of the foreign countries where our existing projects are located, dividend payments to us are also subject to withholding taxes. Each of the events described above may reduce or eliminate the aggregate amount of revenues we can receive from our subsidiaries.

Risks Relating to this Offering

Our controlling stockholders may take actions that conflict with your interests.

Immediately following this offering, _____ % of our common stock will be held by Ormat Industries, Ltd. (_____ % if the underwriters exercise their over-allotment option in full), which is controlled by Bronicki Investments Ltd. Bronicki Investments Ltd. is a privately held Israeli company and is controlled by Lucien and Yehudit Bronicki. Because of these holdings, our parent company and its controlling stockholders will be able to exercise control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions, and they will have significant control over our management and policies. The directors elected by these stockholders will be able to significantly influence decisions affecting our capital structure. This control may have the effect of delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in their best interest. For example, our controlling stockholders will be able to control the sale or other disposition of our products business to another entity or the transfer of such business outside of the State of Israel, as such action requires the affirmative vote of at least 75% of our outstanding shares.

Some of our directors that also hold positions with our parent may have conflicts of interest with respect to matters involving both companies.

Two of our three directors are directors and/or officers of Ormat Industries. These directors will have fiduciary duties to both companies and may have conflicts of interest on matters affecting both us and our parent and in some circumstances may have interests adverse to our interests. Our Chairman, Director and Chief Technology Officer, Mr. Bronicki, will continue to be Chairman of our parent following the offering. In addition, our Chief Executive Officer and Director, Mrs. Bronicki, will continue to be the Chief Executive Officer of our parent following the offering.

There has been no prior market for our common stock and an active trading market may not develop.

Prior to this offering, there has been no public market for our common stock. An active trading market may not develop following the closing of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares of common stock at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of your shares of common stock. An inactive market may also impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other companies or technologies by using our shares of common stock as consideration.

The price of our common stock may fluctuate substantially and your investment may decline in value.

The initial public offering price for the shares of our common stock sold in this offering will be determined by negotiation between the representatives of the underwriters and us. This price may not reflect the market price of our common stock following this offering. In addition, the market price of our common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

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- actual or anticipated fluctuations in our results of operations including as a result of seasonal variations in our electricity-based revenues;
 - variance in our financial performance from the expectations of market analysts;
 - conditions and trends in the end markets we serve and changes in the estimation of the size and growth rate of these markets;
 - announcements of significant contracts by us or our competitors;
 - changes in our pricing policies or the pricing policies of our competitors;

- loss of one or more of our significant customers;
- legislation;
- changes in market valuation or earnings of our competitors;
- the trading volume of our common stock; and
- general economic conditions.

In addition, the stock market in general, and the New York Stock Exchange and the market for energy companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources, which could materially harm our business, financial condition, future results and cash flow.

Our management team may invest or spend the proceeds of this offering in ways with which you may not agree or in ways that may not yield a positive return.

Presently, anticipated uses of the proceeds to us of this offering include funding business growth and expansion, providing additional working capital, and for other general corporate purposes. We cannot specify with certainty how we will use the net proceeds of this offering. Accordingly, our management will have considerable discretion in the application of these proceeds, and you will not have the opportunity to assess whether these proceeds are being used appropriately. These proceeds may be used for corporate purposes that do not increase our operating results or market value. Until the net proceeds are used, they may be placed in investments that do not produce income or that lose value.

Future sales of our common stock may depress our share price.

After this offering, we will have _____ shares of common stock outstanding. The _____ shares sold in this offering (or _____ shares if the underwriters' over-allotment is exercised in full) will be freely tradable without restriction or further registration under federal securities laws unless purchased by our affiliates. The remaining shares of common stock outstanding after this offering are subject to lock-up agreements, will be available for sale in the public market beginning 180 days after the date of this prospectus, and will be subject to certain volume limitations under Rule 144 of the Securities Act of 1933, as amended. Lehman Brothers Inc. may waive the lock-up provisions in its sole discretion.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that these sales may occur, could cause the market price of our common stock to decline. At or prior to the closing of this offering, we will enter into a registration rights agreement with Ormat Industries. See "Certain Relationships and Related Transactions" for more information.

This offering will cause substantial dilution in the net tangible book value of your shares of common stock.

The initial public offering price of our common stock is considerably more than the net tangible book value per share of our outstanding common stock. Accordingly, investors purchasing shares of

common stock in this offering will contribute _____ % of the total amount invested to fund our company, but will own only _____ % of the shares of common stock outstanding after this offering. To the extent outstanding stock options are exercised, there will be further dilution to new investors. See "Dilution" for more information.

Provisions in our charter documents and Delaware law may delay or prevent acquisition of us, which could adversely affect the value of our common stock.

Our restated certificate of incorporation and our bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions do not permit actions by our stockholders by written consent. In addition, these provisions include procedural requirements relating to stockholder meetings and stockholder proposals that could make stockholder actions more difficult. Our board of directors will be classified into three classes of directors serving staggered, three-year terms and may be removed only for cause. Any vacancy on the board of directors may be filled only by the vote of the majority of directors then in office. Our board of directors has the right to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more for our outstanding common stock. Although we believe these provisions provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our board of directors, these provisions apply even if the offer may be considered beneficial by some stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements made in this prospectus are forward-looking statements. These forward looking statements are based upon our current expectations and projections about future events. When used in this prospectus, the words "believe", "anticipate", "intend", "estimate", "expect", "will", "should", "may" and similar expressions, or the negative of such words and expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this prospectus are primarily located in the material set forth under the headings "Prospectus Summary", "Risk Factors", "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business", but are found in other locations as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect. We will not update forward-looking statements even though our situation may change in the future.

Specific factors that might cause actual results to differ from our expectations or may affect the value of our common stock include, but are not limited to:

- significant considerations and risks discussed in this prospectus;
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- geothermal resource risk (such as the heat content of the reservoir, useful life and geological formation);
- environmental constraints on operations and environmental liabilities arising out of past or present operations;
- project delays or cancellations;
- financial market conditions and the results of financing efforts;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in

the United States and other countries in which we operate;

- the enforceability of the long-term power purchase agreements for our projects;
- contract counterparty risk;
- weather and other natural phenomena;
- impact of recent and future federal and state regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, and incentives for the production of renewable energy, changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;
- current and future litigation;
- our ability to successfully identify, integrate and complete acquisitions;
- competition from other similar geothermal energy projects, including any such new geothermal energy projects developed in the future, and from alternative electricity producing technologies;
- the effect of and changes in economic conditions in the areas in which we operate;
- market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate; and
- the direct or indirect impact on our company's business resulting from terrorist incidents or responses to such incidents, including the effect on the availability of and premiums on insurance.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately \$ million, or approximately \$ million if the underwriters exercise their over-allotment option in full, in each case, after deducting the underwriting discounts and commissions and estimated expenses of this offering payable by us. We expect to use the net proceeds from this offering to finance the continued growth of our business and for general corporate purposes, including for purposes of making investments or acquisitions. However, we have no present understanding or agreement relating to any specific acquisition. Accordingly, management will have significant flexibility in applying the net proceeds of the offering. Pending the use of such proceeds as described above, we intend to invest such proceeds in interest-bearing instruments.

DIVIDEND POLICY

We have adopted a dividend policy pursuant to which we currently expect, commencing with the first full fiscal quarter following the consummation of this offering, to distribute at least 20% of our annual profits available for distribution by way of quarterly dividends. In determining whether there are profits available for distribution, our board of directors will take into account our business plan and current and expected obligations and no distribution will be made that in the judgment of our board of directors would prevent us from meeting such business plan or obligations.

Notwithstanding this policy, dividends will be paid only when, as and if approved by our board of directors out of funds legally available therefor. The actual amount and timing of dividend payments will depend upon our financial condition, results of operations, business prospects and such other matters as the board may deem relevant from time to time. Even if profits are available for the payment of dividends, the board of directors could determine that such profits should be retained for an extended period of time, used for working capital purposes, expansion or acquisition of businesses or any other appropriate purpose. As a holding company, we are dependent upon the earnings and cash flow of our subsidiaries in order to fund any dividend distributions, and, as a result, we may not be able to pay dividends in accordance with our policy. Our board of directors may, from time to time, examine our dividend policy and may, in its absolute discretion, change such policy.

CAPITALIZATION

The following table summarizes our capitalization as of March 31, 2004 on:

- a historical basis; and
- as adjusted to give effect to the completion of this offering, including the application of the estimated net proceeds to us from this offering as described under "Use of Proceeds."

You should read the following table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of March 31, 2004	
	Actual	Pro Forma Consolidated
	(unaudited)	
	(in thousands)	
Cash and cash equivalents	\$ 28,901	\$
Debt:		
Parent company loans	150,504	
Long term debt	427,576	
Total debt	578,080	
Shareholders' equity:		
Common stock, \$0.001 par value; 200,000,000 shares authorized and 30,769,230 shares issued and outstanding, historical; shares authorized and shares issued and outstanding, pro forma consolidated	31	
Additional paid-in capital	6,994	
Unearned stock-based compensation	(76)	
Retained Earnings	37,322	
Total shareholders' equity	44,271	
Total capitalization	\$ 622,351	\$

The discussion and tables above exclude shares of our common stock available for future grant or issuance under our stock option plan(s). See "Management—Stock Option Plan."

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DILUTION

At March 31, 2004, the net tangible book value of our common stock was approximately \$8.4 million, or approximately \$0.27 per share of our common stock. After giving effect to the sale of shares of our common stock in this offering at an assumed initial public offering price of \$ per share, and after deducting estimated underwriting discounts and commissions paid by us and the estimated offering expenses of this offering, the net tangible book value at March 31, 2004 attributable to common stockholders would have been approximately \$ million, or approximately \$ per share of our common stock. This represents an immediate increase in net tangible book value of \$ per share, and an immediate dilution in net tangible book value of \$ per share to new stockholders. The following table illustrates this per share dilution to new stockholders:

Assumed initial public offering price per share	\$
Net tangible book value per share before the offering	\$
Net increase in tangible book value per share attributable to new stockholders	\$
Net tangible book value per share after the offering	\$
Dilution in net tangible book value per share to new stockholders	\$

The table below summarizes, as of , the differences for our existing stockholders and new stockholders in this offering, with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting fees and expenses.

	Shares Issued		Total Consideration		Average Price
	Number	Percentage	Amount	Percentage	Per Share
(in thousands, except per share data)					
Our existing stockholders					
New stockholders in this offering					
Total					

The discussion and tables above exclude shares of our common stock available for future grant or issuance under our stock plans. See "Management—Stock Option Plans."

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected consolidated financial and other data for the periods ended and at the dates indicated in such table. We have derived the selected consolidated financial and other data as of and for the periods ended December 31, 2001, 2002 and 2003 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated financial data as of and for the periods ended December 31, 1999 and 2000 from our unaudited consolidated financial statements not included in

this prospectus. We have derived the selected consolidated financial and other data as of and for the three months ended March 31, 2003 and March 31, 2004 from our unaudited consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, our unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position, results of operations and cash flows. The results of operations for the three months ended March 31, 2003 and March 31, 2004 are not necessarily indicative of the operating results to be expected for the full fiscal years encompassing such periods.

The information set forth below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(unaudited)					(unaudited)	
Statement of Operations Data:							
Revenues:							
Electricity	\$15,169	\$20,780	\$33,956	\$65,491	\$ 77,752	\$ 17,604	\$ 33,459
Products	64,388	27,780	13,959	20,138	41,688	7,812	14,146
	79,557	48,560	47,915	85,629	119,440	25,416	47,605
Cost of revenues:							
Electricity	6,847	8,556	12,536	33,482	46,726	10,148	19,390
Products	40,644	22,709	17,454	17,293	29,494	6,317	11,328
	47,491	31,265	29,990	50,775	76,220	16,465	30,718
Gross margin	32,066	17,295	17,925	34,854	43,220	8,951	16,887
Operating Expenses:							
Research and development expenses	3,289	2,260	1,729	1,503	1,391	439	302
Selling and marketing expenses	6,593	3,624	6,535	6,051	7,087	1,367	1,854
General and administrative expenses	7,614	6,632	5,444	7,073	9,252	2,057	2,332
Operating income	14,570	4,779	4,217	20,227	25,490	5,088	12,399
Other income (expense):							
Interest income	982	1,606	1,441	1,319	542	109	244
Interest expense	(3,814)	(3,807)	(4,451)	(6,889)	(8,055)	(1,720)	(8,523)
Foreign currency translation and transaction gain (loss)	(9)	25	305	(323)	(316)	(114)	(321)
Equity in income investees	4	69	166	314	559	89	787
Other non-operating income	223	7,884	300	1,195	464	133	(24)
Income from continuing operations before minority interest and income taxes	11,956	10,556	1,978	15,843	18,684	3,585	4,562
Minority interest in earnings of subsidiaries	277	550	645	1,194	519	201	108
Income from continuing operations before income taxes	11,679	10,006	1,333	14,649	18,165	3,384	4,454
Income tax provision	(2,786)	(494)	(3,065)	(6,135)	(2,506)	(1,397)	(1,717)
Income (loss) from continuing operations	8,893	9,512	(1,732)	8,514	15,659	1,987	2,737
Discontinued operations:							
Loss from operations of discontinued activities in Kazakhstan	(3,374)	(2,911)	(4,681)	(3,114)	—	—	—
Loss on sale of Kazakhstan operations	—	—	—	(6,444)	—	—	—
Income (loss) before cumulative effect of change in accounting principle	5,519	6,601	(6,413)	(1,044)	15,659	1,987	2,737

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(unaudited)					(unaudited)	
Cumulative effect of change in accounting principle (net of tax benefit of \$125)	—	—	—	—	(205)	(205)	—
Net income (loss)	\$ 5,519	\$ 6,601	\$ (6,413)	\$ (1,044)	\$ 15,454	\$ 1,782	\$ 2,737
Basic and diluted income (loss) per share	\$ 0.18	\$ 0.21	\$ (0.21)	\$ (0.03)	\$ 0.50	\$ 0.05	\$ 0.09
Weighted average number of shares outstanding	30,769,230	30,769,230	30,769,230	30,769,230	30,769,230	30,769,230	30,769,230
Balance Sheet Data (at end of period):							
Cash and cash equivalents	\$ 7,803	\$ 10,071	\$ 17,669	\$ 36,684	\$ 8,873	\$ 23,573	\$ 28,901
Working capital (deficit)	(864)	(18,676)	(49,867)	(81,659)	7,226	(71,444)	24,239
Property, plant and equipment, net	60,167	90,946	132,369	152,342	344,015	151,949	398,630
Total assets	139,266	167,940	219,390	287,378	547,536	268,440	697,884
Long-term debt	51,118	61,358	91,321	95,807	260,488	106,803	427,576
Notes payable to Parent	—	—	—	—	177,004	—	150,504
Stockholder's equity	26,849	33,450	25,904	26,031	41,524	27,823	44,271

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Overview

The unaudited pro forma condensed combined balance sheet, as of March 31, 2004, is based on our consolidated financial statements and the financial statements of the Puna project, which was acquired by us on June 3, 2004, and adjusted to give effect to the acquisition of the Puna project as if it had occurred on March 31, 2004. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2003 and for the three months ended March 31, 2004 are based on our consolidated financial statements and the financial statements of the Puna, Heber 1, Heber 2 and Mammoth projects, which Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project were acquired on December 18, 2003, and adjusted to give effect to the acquisition thereof as if each had occurred at the beginning of the periods presented.

The unaudited pro forma condensed combined financial data gives effect to the acquisitions of the Puna, Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, acquisitions which are accounted for using the purchase method of accounting. Pursuant to such method, the purchase price has been allocated to the principal categories of assets and liabilities in the accompanying pro forma financial data based on independent valuations related to the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, and on preliminary estimates of fair value related to the Puna project acquisition. The actual fair value and allocation of the purchase price of the Puna project acquisition will be determined upon the completion of an independent valuation. The actual allocation of the purchase price and the resulting effect on income from operations may differ for the estimate included herein for the Puna project. It should be noted that because the acquisitions of the (i) Steamboat 1/1A project on June 30, 2003, (ii) Steamboat 2/3 Project on February 11, 2004, and (iii) Steamboat Hills project on May 20, 2004 are not material under applicable Securities Act rules, such transactions have not been included in the accompanying pro forma balance sheet or results of operations.

The unaudited pro forma condensed combined financial data also give effect to (i) Ormat Funding's issuance of 8¼% senior secured notes in the amount of \$190 million, which offering was completed on February 13, 2004, and (ii) Orcal Geothermal's entering into a loan agreement with Beal Bank amounting to \$154.5 million in connection with the acquisition of the Heber 1, Heber 2 and Mammoth projects.

The unaudited pro forma condensed combined financial data presented herein does not necessarily reflect what our actual results of operations or financial position would have been had the transactions occurred at the

dates indicated, or project our results of operations or financial position for any future date or period.

The unaudited pro forma condensed combined financial data should be read in conjunction with our historical consolidated financial statements and the historical financial statements of the Heber 1, Heber 2, Mammoth and Puna projects included elsewhere in this prospectus.

Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2004
(in thousands)

	Ormat Technologies Consolidated	Puna Project	Pro Forma Adjustments	Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 28,901	\$ 5,112	\$ (5,112)(a)	\$ 28,901
Restricted cash and cash equivalents	50,645	3,069	(3,069)(a)	50,645
Receivables	29,683	1,881	(281)(a)	31,283
Inventory	4,285	4,512	(4,512)(a)	4,285
Costs and estimated earnings in excess of billings on uncompleted contracts	4,211	—		4,211
Prepaid expenses and other	2,446	77	(77)(a)	2,446
Total current assets	120,171	14,651		121,771
Restricted cash and cash equivalents	25,800	—		25,800
Investments	52,210	—		52,210
Deposits and other	27,098	1,161	(1,161)(a)	27,098
Property, plant and equipment, net	398,630	136,039	(69,280)(b)	465,389
Construction-in-process	37,990	53		38,043
Intangible assets, net	35,985	—	6,500(b)	42,485
Total assets	<u>\$ 697,884</u>	<u>\$ 151,904</u>		<u>\$ 772,796</u>
Liabilities and Stockholder's Equity				
Current liabilities:				
Short-term debt	\$ —	\$ 3,024	\$ (3,024)(a)	\$ —
Accounts payable, accrued expenses and other	36,236	1,975	(1,975)(a)	36,236
Billings in excess of costs and estimated earnings on uncompleted contracts	6,301	—		6,301
Current portion of long-term debt	53,395	—		53,395
Total current liabilities	95,932	4,999		95,932
Long-term debt, net of current portion	374,181	40,295	(40,295)(a)	374,181
Deferred income taxes	14,903	—		14,903
Note payable to Parent	150,504	—	72,831(b)	223,335
Liabilities for severance pay and other	11,272	2,769	(2,769)(a)	11,272
Asset retirement obligation	6,752	2,081		8,833
Total liabilities	653,544	50,144		728,456
Minority interest in net assets of subsidiaries	69	—		69
Stockholder's equity:				
Common stock	31	—		31
Additional paid-in capital	6,994	—		6,994
Unearned stock-based compensation	(76)	—		(76)
Retained earnings	37,322	101,760	(101,760)(a)	37,322

Total stockholder's equity	44,271	101,760	44,271
Total liabilities and stockholder's equity	<u>\$ 697,884</u>	<u>\$ 151,904</u>	<u>\$ 772,796</u>

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**Unaudited Pro Forma Condensed
Combined Statement of Operations
For the Three Months Ended March 31, 2004
(in thousands)**

	Ormat Technologies Consolidated	Puna Project for the three months ended March 31, 2004	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Electricity segment	\$ 33,459	\$ 5,603		\$ 39,062
Products segment	14,146	—		14,146
	<u>47,605</u>	<u>5,603</u>		<u>53,208</u>
Cost of revenues:				
Electricity segment	19,390	3,655	(756)(c) 70(d)	22,359
Products segment	11,328	—		11,328
	<u>30,718</u>	<u>3,655</u>		<u>33,687</u>
Gross margin	<u>16,887</u>	<u>1,948</u>		<u>19,521</u>
Operating expenses:				
Selling, general and administrative	4,488	519		5,007
Operating income	<u>12,399</u>	<u>1,429</u>		<u>14,514</u>
Other income (expense):				
Interest income	244	—		244
Interest expense	(8,523)	(803)	803(e) (2,798)(f) (962)(h)	(12,283)
Equity in income of investees	787	—		787
Foreign currency translation and transaction loss	(321)	—		(321)
Miscellaneous income	<u>(24)</u>	<u>—</u>		<u>(24)</u>
Income from continuing operations before minority interest and income taxes	4,562	626		2,917
Minority interest in earnings of subsidiaries	108	—		108
Income from continuing operations	<u>4,454</u>	<u>626</u>		<u>2,809</u>
Income tax provision	<u>(1,717)</u>	<u>(238)</u>	908(j)	<u>(1,047)</u>
Net income	<u>\$ 2,737</u>	<u>\$ 388</u>		<u>\$ 1,762</u>

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**Unaudited Pro Forma Condensed
Combined Statement of Operations
For the Year Ended December 31, 2003**

(in thousands)

	Ormat Technologies Consolidated	Heber Projects for the period from January 1, 2003 to December 17, 2003	Puna Project	Pro Forma Adjustments	Pro Forma Combined
Revenues:					
Electricity segment	\$ 77,752	\$ 66,131	\$ 18,737		\$ 162,620
Products segment	41,688	—	—		41,688
	<u>119,440</u>	<u>66,131</u>	<u>18,737</u>		<u>204,308</u>
Cost of revenues:					
Electricity segment	46,726	37,483	14,735	(1,588)(c) 1,545(d)	98,901
Products segment	29,494	—	—		29,494
	<u>76,220</u>	<u>37,483</u>	<u>14,735</u>		<u>128,395</u>
Gross margin	43,220	28,648	4,002		75,913
Operating expenses:					
Selling, general and administrative	17,730	29	1,605		19,364
Operating income	<u>25,490</u>	<u>28,619</u>	<u>2,397</u>		<u>56,549</u>
Other income (expense):					
Gain on discharge of liabilities subject to compromise	—	31,460	—		31,460
Reorganization costs	—	(4,029)	—		(4,029)
Interest income	542	99	45		686
Interest expense	(8,055)	(1,794)	(3,468)	5,217(e) (16,785)(f) (11,608)(g) (3,850)(h)	(40,343)
Equity in income of investees	559	—	—	1,612(i)	2,171
Foreign currency translation and transaction loss	(316)	—	—		(316)
Miscellaneous income	<u>464</u>	<u>—</u>	<u>—</u>		<u>464</u>
Income from continuing operations before minority interest and income taxes	18,684	54,355	(1,026)		46,642
Minority interest in earnings of subsidiaries	519	—	—		519
Income from continuing operations	<u>18,165</u>	<u>54,355</u>	<u>(1,026)</u>		<u>46,123</u>
Income tax provision	<u>(2,506)</u>	<u>(20,655)</u>	<u>390</u>	10,148(j)	<u>(12,623)</u>
Income before cumulative effect of change in accounting principle	<u>\$ 15,659</u>	<u>\$ 33,700</u>	<u>\$ (636)</u>		<u>\$ 33,500</u>

Notes to Unaudited Pro Forma Condensed Combined Financial Data

The following adjustments were applied to our historical financial statements and those of the Puna, Heber 1, Heber 2 and Mammoth projects in order to prepare the pro forma condensed combined financial data.

Balance Sheet Footnotes:

The unaudited pro forma condensed combined balance sheet at March 31, 2004 is based on our consolidated financial statements and the financial statements of the Puna project and adjusted to give effect to the acquisition of the Puna project as if it had occurred on March 31, 2004 by combining our balance sheet with the balance sheet of the Puna project at March 31, 2004.

(a) Reflects an adjustment to eliminate assets and liabilities not acquired by us, and to eliminate the former owners' equity in the Puna project.

(b) The preliminary allocation of the purchase price for the Puna project, assuming the acquisition occurred on March 31, 2004, is as follows (in thousands):

Cash purchase price	\$ 72,600
Acquisition costs	231
Total purchase price	<u>\$ 72,831</u>
Property, plant and equipment	<u>\$ 66,812</u>
Power purchase agreement	6,500
Accounts receivable, net	1,600
Asset retirement obligation	(2,081)
Total purchase price allocation	<u>\$ 72,831</u>
Step-down of fixed assets included in net tangible assets	<u>\$ 69,280</u>
Step-up for power purchase agreement	<u>\$ 6,500</u>

Statements of Operations Footnotes:

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2003 and for the three months ended March 31, 2004 are based on our consolidated financial statements and the financial statements of the Puna, Heber 1, Heber 2 and Mammoth projects, and adjusted to give effect to the acquisitions as if they had occurred at the beginning of the periods presented by: (1) combining our results of operations for the year ended December 31, 2003 and the three months ended March 31, 2004, with (i) the Puna project's operations for the year ended December 31, 2003 and for the three months ended March 31, 2004, and (ii) the Heber 1 and Heber 2 projects' operations for the period from January 1, 2003 to December 17, 2003, and (2) recording our 50% equity in the income of the Mammoth project for the period from January 1, 2003 to December 17, 2003, with our results for the year ended December 31, 2003.

(c) Represents the recording of the change in depreciation resulting from the (step-down)/step-up in basis of \$(69.3) million, and \$110 million of property, plant and equipment to their respective fair values related to the acquisitions of the Puna, Heber 1, and Heber 2 projects, respectively. Property, plant and equipment are being depreciated using the straight-line method over the estimated service period of 15 to 23 years.

(d) Represents the recording of the change in amortization resulting from the step-up in basis of \$6.5 million and \$25.3 million of power purchase agreements to their respective fair values related to the acquisition of the Puna, Heber 1 and Heber 2 projects, respectively, using the straight-line method over the estimated contract periods of 15 to 23 years.

(e) Represents the elimination of interest expense related to the Puna, Heber 1, and Heber 2 projects related to project financing and capital leases that have been terminated as part of the acquisitions.

(f) Represents the recording of interest expense, prior to February 13, 2004, associated with the gross proceeds of \$190 million pursuant to the issuance by Ormat Funding of the senior secured notes with an interest rate of 8.25%, including the amortization of debt issue costs.

(g) Represents the recording of interest expense associated with the gross proceeds of \$154.5 million from Beal Bank with an interest rate of 7.125%, including the amortization of debt issue costs. Such debt was incurred for the acquisition of the Heber 1 and Heber 2 projects.

(h) Represents the recording of interest expense related to shareholder loans and short-term loans aggregating \$72.8 million at an interest rate of 5.5% associated with the acquisition of the Puna project.

(i) Represents the recording of our 50% equity in the income of the Mammoth project, increased by the amortization of the equity basis difference, and has been presented as "Equity in income of investee." As the purchase price is less than the underlying net equity of the Mammoth project by \$9.5 million, the equity basis will be amortized over the remaining useful life of the property, plant and equipment and the power purchase agreements, which is approximately 12 to 17 years.

Summarized statement of operations information of the Mammoth project for the period from January 1, 2003 to December 17, 2003 is as follows (in thousands):

Revenues	\$ 16,353
Gross margin	4,288
Net income	2,024
Company's equity in income of the Mammoth project:	
50% of the Mammoth project net income	\$ 1,012
Plus amortization of the equity basis difference	600
	<u>\$ 1,612</u>

(j) Represents the recording of income tax expenses to reflect an effective tax rate of 40% on the pro forma adjustments, which is our expected effective tax rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our results of operations, financial condition and liquidity in conjunction with our consolidated financial statements and the related notes. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business, and the other non-historical statements contained herein are forward-looking statements. See "Special Note Regarding Forward-Looking Statements." You should also review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements. Unless specifically stated otherwise, references to balances and results of operations in this section are to our continuing operations and do not include our discontinued operations discussed below. In addition, financial information presented herein for periods on and prior to March 31, 2004 does not reflect the acquisitions of the Puna project, the Steamboat 2/3 project (with respect to periods prior to February 11, 2004) and the Steamboat Hills project. For a discussion of the effect of our significant acquisitions, please see "Unaudited Pro Forma Condensed Combined Financial Data" included elsewhere in this prospectus, which does not include the acquisition of the Steamboat 2/3 project and Steamboat Hills project.

Overview

We are a leading vertically integrated company engaged in the geothermal and recovered energy power business. We design, develop, build, own and operate clean, environmentally friendly geothermal power plants, and we also design, develop and build, and plan to own and operate, recovered energy-based power plants, in each case, using equipment that we design and manufacture. In addition, we sell the equipment we design and manufacture for geothermal electricity generation, recovered energy-based electricity generation, and other equipment for electricity generation to third parties. Our operations consist of two principal business segments. The first consists of the sale of electricity from our power plants, which we refer to as the Electricity Segment, while the second consists of the design, manufacturing and sale of equipment for electricity generation, the installation thereof and the provision of related operation and maintenance services, which we refer to as the Products Segment.

Our Electricity Segment currently consists of our investment in power plants producing electricity from geothermal resources. It will also include our planned investment in power plants producing electricity from recovered energy resources. Our geothermal power plants include both power plants that we have built and power plants that we have acquired. Our Products Segment consists of the design, manufacture and sale of equipment that generates electricity, principally, from geothermal and recovered energy resources, but also using other fuel sources as well. Our Products Segment also includes, to the extent requested by our customers, the installation of our equipment and other related power plant installations and the provision of operation and maintenance services. For the three months ended March 31, 2004, our Electricity Segment represented approximately 70.3% of our total revenues, while our Products Segment represented approximately 29.7% of our total revenues during such period.

Our Electricity Segment operations are conducted in the United States and throughout the world. We are the fastest growing geothermal power generation company in the United States, measured by growth in generating capacity. Since January 1, 2001, we have completed various acquisitions of geothermal power plants in the United States with an aggregate acquisition cost, net of cash received, of \$410.8 million. Such acquisitions have increased our net ownership in our generating capacity from 94 MW, as of December 31, 2001, to 312 MW, as of June 30, 2004. We also own (or control) and operate geothermal power plants in Guatemala, Kenya, Nicaragua and the Philippines. In 2003, pro forma revenues from the sale of electricity by our power plants were \$162.6 million. Such revenues do not include any revenues attributable to our Steamboat 2/3 project and Steamboat Hills project that were acquired in 2004, which we estimate (based on, in the case of the Steamboat 2/3 project, \$14.0

million of revenues generated by such project in 2003 and, in the case of the Steamboat Hills project, \$3.0 million based on the current revenue generation of such project, computed on an annualized basis) to be approximately \$17.0 million for the fiscal year ended December 31, 2004.

Our Products Segment operations are also conducted in the United States and throughout the world. For the fiscal year ended December 31, 2003, revenues attributable to our Products Segment were \$41.7 million. Such revenues included approximately \$5.0 million received from the construction of a recovered energy-based power plant in a gas processing plant in the United States. We expect that an important component of our Products Segment will be the design, manufacturing and sale of recovered energy products, which is a market opportunity we have identified that we expect will allow us (in our Electricity Segment) and potential customers (in our Products Segment) to utilize waste heat for the purpose of producing electricity.

Our Electricity Segment is characterized by relatively predictable revenues generated by our power plants pursuant to long-term power purchase agreements, with terms which are generally up to 20 years. By contrast, revenues attributable to our Products Segment, which are based on the sale of equipment and the provision of various services to our customers are far less predictable and may vary significantly from period to period. Our management assesses the performance of our two segments of operation differently. In the case of our Electricity Segment, when making decisions about potential acquisitions or the development of new projects, our management typically focuses on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. Additionally, as part of our Electricity Segment, our management evaluates our operating projects based on the performance of such projects in terms of revenues and expenses in contrast to projects that are under development, which our management evaluates based on costs attributable to each such project. Our management evaluates the performance of our Products Segment based on the timely delivery of our products, performance quality of our products and costs actually incurred to complete customer orders as compared to the costs originally budgeted for such orders.

Recent Developments

In December 2003, we acquired our Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project for a total cost of approximately \$256.8 million. The acquisition of our Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project was financed with a combination of parent company loans, project finance debt provided by Beal Bank and short-term loans. We accounted for such acquisition pursuant to the purchase method of accounting in accordance with Statement of Financial Accounting Standards (which we refer to as SFAS) No. 141.

In February 2004, we acquired the Steamboat 2/3 project for a total cost of approximately \$82.8 million. The acquisition of the Steamboat 2/3 project was financed with a portion of the proceeds received from the

issuance of the 8¼% senior secured notes by Ormat Funding. Such acquisition was accounted for pursuant to the purchase method of accounting in accordance with SFAS No. 141.

At the end of May 2004, we acquired the Steamboat Hills project for a total cost of approximately \$20.2 million and in early June 2004, we acquired the Puna project for a total cost of approximately \$72.8 million. The acquisition of the Steamboat Hills project was financed with internally generated cash while the acquisition of the Puna project was financed with parent company loans and short-term loans. We accounted for the acquisitions of both of the Puna and Steamboat Hills projects pursuant to the purchase method of accounting in accordance with SFAS No. 141.

As a result of our recent acquisitions, our results of operations for the various periods covered by our financial statements attached hereto may not be comparable with each other or indicative of future results.

Trends and Uncertainties

The geothermal industry in the United States has historically experienced significant growth followed by a consolidation of owners and operators of geothermal power plants. During the 1990s,

growth and development in the geothermal industry occurred primarily in foreign markets and only minimal growth and development occurred in the United States. Since 2001, there has been increased demand for energy generated from geothermal resources in the United States as production costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel generation due to increasing gas prices and as a result of newly enacted legislative and regulatory incentives, such as state renewable portfolio standards. We see the increasing demand for energy generated from geothermal and other renewable resources in the United States and the further introduction of renewable portfolio standards as the most significant trends affecting our industry today and in the immediate future. Our operations and the trends that from time to time impact our operations are subject to market cycles.

Although other trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee, we believe that our results of operations and financial condition for the foreseeable future will be affected by the following trends, factors and uncertainties:

- We have experienced significant growth through the acquisition and enhancement of geothermal power plants. On a pro forma basis, the Heber 1 and Heber 2 projects and the Puna project accounted for 33.3% and 9.2% of our pro forma revenues, respectively, and 45.9% and 10.8% of our operating profits, respectively, for the fiscal year ended December 31, 2003. As a result of such acquisitions, we expect an increase in our revenues and operating profits for the current fiscal year, as compared to our consolidated revenues and operating profits for the fiscal year ended December 31, 2003. We also expect an increase in our revenues and operating profits for the current fiscal year as a result of the acquisition of the Steamboat 2/3 project and the Steamboat Hills project this year.
- In the United States, we expect to continue to benefit from the increasing demand for renewable energy as a result of favorable legislation adopted by 17 states, including California, Nevada and Hawaii (where we have been the most active in our geothermal development and in which all of our U.S. projects are located). In each of these states, relevant legislation currently requires that an increasing percentage of the electricity supplied by electric utility companies operating in such states be derived from renewable energy resources until certain pre-established goals are met. We expect that the additional demand for renewable energy from utilities in such states will create additional opportunities for us to expand existing projects and build new power plants.
- Outside of the United States, we expect that a variety of governmental initiatives, including the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products and the adoption of programs designed to encourage "clean" renewable and sustainable energy sources, will create new opportunities for the development of new projects as well as create additional markets for our remote power units and other products.

- We have identified recovered energy-based power generation as a significant market opportunity for us in the United States and throughout the world. We are initially targeting the North American market and, thereafter, we intend to leverage our success in such market in order to expand such operations throughout the world. If our expectations regarding the growth in demand for our recovered energy units are not met, we may not be able to generate the revenues we expect from such operations.
- In the short term, we may experience a decline in our revenues attributable to our Products Segment as we currently do not have any new orders to replace large existing contracts.
- We expect to continue to generate the majority of our revenues from the sale of electricity from our power plants. All of our current revenues from the sale of electricity are derived from fully-contracted payments under long-term power purchase agreements.
- We expect that our financing expenses during the current fiscal year will increase, as compared to our financing expenses for the fiscal year ended December 31, 2003, as we financed the majority of our recent acquisitions with long-term non- and limited-recourse financing.

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- The viability of the geothermal resources utilized by our power plants that generate electricity depends on various factors such as the heat content of the geothermal reservoir, useful life of the reservoir (the term during which such geothermal reservoir has sufficient extractable fluids for our operations) and operational factors relating to the extraction of the geothermal fluids. Our geothermal power plants may experience an unexpected decline in the capacity of their respective geothermal wells. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties we face in connection with our operations.
 - Our foreign operations are subject to significant political, economic and financial risks, which vary by country. Such risks include the ongoing privatization of the electricity industry in the Philippines, the partial privatization of the electricity sector in Guatemala, labor unrest and strengthening of unions in Nicaragua and the political uncertainty currently prevailing in Kenya. Although we maintain political risk insurance as an attempt to mitigate such risks, such insurance does not provide complete coverage with respect to all such risks.
 - We do not expect the current low interest rate environment to continue in the foreseeable future. As a result, any increases in interest rates that impact our existing financings or future financings could increase the aggregate amount of our interest expenses and thus could have an adverse effect on our results of operations.
 - We have experienced recent increases in the cost of raw materials required for our equipment manufacturing activities, which we believe have resulted primarily from increased demand in the Chinese market for such raw materials and in the cost of transportation of our products. An increase in such costs may have an adverse effect on our financial condition and results of operations.

Revenues

We generate our revenues primarily from the sale of electricity from our geothermal power plants and the design, manufacturing and sale of equipment for electricity generation and the construction, installation and engineering of power plant equipment.

Revenues attributable to our Electricity Segment are relatively predictable as they are derived from the sale of electricity from our power plants pursuant to long-term power purchase agreements, however, such revenues

are subject to seasonal variations, as more fully described below in the section entitled "Seasonality". Our power purchase agreements generally provide for the payment of capacity payments, energy payments, or both. Generally, capacity payments are payments calculated based on the amount of time that our power plants are available to generate electricity. Some of our power purchase agreements provide for bonus payments in the event that we are able to exceed certain target levels and the potential forfeiture of payments if we fail to meet minimum target levels. Energy payments, on the other hand, are payments calculated based on the amount of electrical energy delivered to the relevant power purchaser at a designated delivery point. The rates applicable to such payments are either fixed (subject, in certain cases, to certain adjustments) or are based on the relevant power purchaser's short run avoided costs (the incremental costs that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others).

Revenues attributable to our Products Segment are generally unpredictable because larger customer orders for our products are typically a result of our participating in, and winning, tenders issued by potential customers in connection with projects they are developing. Such projects often take a long time to design and develop and are often subject to various contingencies such as the customer's ability to raise the necessary financing for such project. As a result, we are generally unable to predict the timing of such orders for our products and may not be able to replace existing orders that we have completed with new ones. As a result, our revenues from our Products Segment fluctuate (and at times, extensively) from period to period.

The following table sets forth a breakdown of our revenues for the periods indicated:

	Revenues (in thousands)					% of revenues for period indicated				
	Year ended December 31,			Three months ended March 31,		Year ended December 31,			Three months ended March 31,	
	2001	2002	2003	2003	2004	2001	2002	2003	2003	2004
				(unaudited)					(unaudited)	
Revenues										
Electricity Segment	\$ 33,956	\$ 65,491	\$ 77,752	\$ 17,604	\$ 33,459	70.9%	76.5%	65.1%	69.3%	70.3%
Products Segment	13,959	20,138	41,688	7,812	14,146	29.1	23.5	34.9	30.7	29.7
Total	\$ 47,915	\$ 85,629	\$119,440	\$ 25,416	\$ 47,605	100%	100%	100%	100%	100%

Geographical breakdown

11.7%, 48.0% and 56.4% of the revenues attributable to our Electricity Segment were generated in the United States in 2001, 2002, and 2003, respectively. For the three months ended March 31, 2004, 74.7% of our revenues attributable to our Electricity Segment were generated in the United States, as compared to 50.9% for the same period in 2003. During the past three fiscal years, the percentage of our total revenues attributable to the sale of electricity in the United States has increased significantly, as compared to the percentage of our total revenues that is attributable to the sale of electricity by our foreign projects that has declined commensurately. Such increase is largely attributable to our recent acquisition of various projects in the United States. The following table sets forth the geographic breakdown of the revenues attributable to our Electricity Segment for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2001	2002	2003	2003	2004
United States	11.7%	48.0%	56.4%	50.9%	74.7%
Foreign	88.3%	52.0%	43.6%	49.1%	25.3%

Historically, revenues attributable to our Products Segment, after giving effect to the elimination of intercompany balances, have been derived primarily from outside of the United States, which is reflective of the historical demand in the United States described elsewhere in this prospectus. Since 2003, we have begun to generate revenues attributable to our Products Segment in the United States as well. However, as a result of the volatility and unpredictability of the revenues attributable to our Products Segment and the impact that a few sales or EPC contracts can have on the geographic distribution of such revenues, the geographical distribution of such revenues may not be indicative of any developing trends and of our future results.

Seasonality

The demand for the electricity generated by our domestic projects and the prices paid for such electricity pursuant to our power purchase agreements are subject to seasonal variations. The demand for electricity from the Heber 1 project and Heber 2 project, the Mammoth project and the Ormesa project is the highest in the summer months of June through September, because the power purchaser for those projects, Southern California Edison Company, delivers more electricity to its California markets during such period in order to meet demand for air conditioning and other energy-intensive cooling systems utilized during such summer months. The demand for electricity from the Steamboat complex and the Brady project is more balanced, consisting of both summer and winter peaks that reflect the greater temperature variation in Nevada. Similarly, the demand for electricity from the Puna project is balanced due to the equatorial temperature in Hawaii (with less pronounced temperature variations during the year). In California, the capacity rates payable pursuant to the applicable power purchase agreement are higher in the summer months and as a result we receive higher revenues during such months. In contrast, there are no significant changes in prices during the year payable pursuant to our power purchase agreement for the Puna project and the Nevada

projects. In the winter, due principally to the lower ambient temperature, our power plants produce more energy and as a result we receive higher energy revenues. However, the higher capacity payments payable by the power purchaser in California in the summer months as a result of the increase in demand and in prices has a more significant impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency, and as a result our revenues are generally higher in the summer than in the winter.

Expenses

Electricity Segment

The principal expenses attributable to our operating projects include operation and maintenance expenses such as labor expenses, equipment expenses, cost of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes and insurance and, for the California projects, transmission charges, scheduling charges and purchases of sweet water for use in our plant cooling towers. Some of these expenses such as parts and third party services, are not incurred on a regular basis, which results in fluctuations in our expenses and our results of operations for individual projects from quarter to quarter.

Our partner in the Mammoth project reimburses us for 50% of the actual costs associated with the operation and maintenance of the project, plus certain general and administrative expenses.

Lease expenses are included as a component of operating expenses and principally consist of payments made to government agencies and private entities as compensation for the use of the relevant geothermal resources and site leases where plants are located.

Royalty payments are payments made as compensation for the right to use certain geothermal resources and are included as a component of operating expenses and are paid as a percentage of the revenues derived from the associated geothermal resources.

Products Segment

The principal expenses attributable to our Products Segment include materials, salaries and related employee benefits, expenses related to subcontracting activities, transportation expenses, and royalties pertaining to government participation in our research and development programs at a rate of 3.5% of the proceeds recovered from the sale of products which were developed pursuant to such research and development programs.

Some of the principal expenses attributable to our Products Segment, such as a portion of the costs related to labor, utilities and other support services, are fixed and, in order to maintain our current production and construction capability, must be incurred, notwithstanding the revenues attributable to our Products Segment. As a result, the cost of revenues attributable to our Products Segment, expressed as a percentage of total revenues, is often very volatile. To date, our management has made the strategic decision to maintain our production and construction capacity, and therefore maintain the fixed cost component of the total costs attributable to our Products Segment at the current level. Another reason for such volatility is that in responding to bids for our products, we price our products and services in relation to existing competition and other prevailing market conditions, which may vary substantially from order to order.

Critical Accounting Policies

Our critical accounting policies are more fully described in Note 1 to our audited consolidated financial statements. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Such estimates are based on management's historical experience, the terms of existing contracts, management's observance of trends in the geothermal industry, information provided by our customers and information available to management from other outside sources, as appropriate. Such estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include:

- *Revenues* . Revenues related to the sale of electricity from our geothermal power plants and capacity payments paid in connection with such sale are recorded based upon output delivered and capacity provided by such power plants at rates specified pursuant to the relevant power purchase agreements. Revenues generated from engineering and operating services and sales of products and parts are recorded once the service is provided or product delivery is made, as applicable. Revenues generated from the construction of geothermal power plant equipment, on behalf of third parties, is recognized on the percentage completion method, which is the relationship between costs actually incurred and total estimated costs to completion. Such cost estimate is made by management in part based on prior operations and in part based on specific project characteristics and designs. If management's estimates utilized with respect to our Products Segment of total estimated costs to completion are inaccurate, then the percentage of completion will also be inaccurate and thus lead management to over- or under-estimate the gross margins for our Products Segment. Selling, general and administrative costs are charged as and when incurred. Provisions for estimated losses relating to contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from the application of penalty provisions in relevant contracts and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.
- *Impairment of Long-lived Assets and Long-lived Assets to Be Disposed of* . Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the relevant asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. We believe that no impairment exists for our long-lived assets, however future estimates as to the recoverability of such assets may change based on revised circumstances.
- *Obligations Associated with the Retirement of Long-Lived Assets* . Effective January 1, 2003, we adopted SFAS No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets* . Pursuant to SFAS No. 143, entities are required to record the fair market value of any legal liability related to the retirement of any of its assets in the period in which such liability is incurred. Our liabilities related to the retirement of our assets include our obligation to capping wells upon termination of our operating activities, the dismantling of our geothermal power plants upon cessation

of our operations and the performance of certain remedial measures related to the land on which such operations were conducted. When a new liability for an asset retirement obligation is recorded, we capitalize the costs of such liability by increasing the carrying amount of the related long-lived asset. Such liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, an entity either settles the obligation for its recorded amount or incurs a gain or a loss with respect thereto, as applicable. We estimate the costs related to such liabilities and if such estimates are incorrect, then the capitalized costs and carrying amount of the related long-lived asset will change and as a result may affect our financial condition.

- *Derivative Instruments.* SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted by other related accounting literature, establishes accounting and reporting standards for derivative instruments (including certain derivative instruments embedded in other contracts). SFAS No. 133 requires companies to record derivatives on their balance sheets as either assets or liabilities measured at their fair value unless such instruments are exempted from derivative treatment as a normal purchase and normal sale. All changes in the fair value of derivatives are recognized currently in earnings

unless specific hedge criteria are met which requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

We maintain a risk management strategy that incorporates the use of interest rate swaps and interest rate caps to minimize significant fluctuation in cash flows and/or earnings that are caused by interest rate volatility. Gain or loss on contracts that initially qualify for cash flow hedge accounting is included as a component of other comprehensive income and are subsequently reclassified into earnings when interest on the related debt is paid. Gain or loss on contracts that are not designated to qualify as a cash flow hedge is included as a component of interest expense.

We were required to adopt and have become subject to the provisions of SFAS No. 133 Derivative Implementation Group ("DIG") Issue No. C15 (DIG Issue No. C15), *Normal Purchases and Normal Sales Exception for Certain Option-Type Contracts and Forward Contracts in Electricity*, which expands the requirements for the normal purchase and normal sales exception to include electricity contracts entered into by a utility company when certain criteria are met. Also, pursuant to DIG Issue No. C15, contracts that have a price adjustment clause based on an index that is not directly related to the electricity generated, as defined in SFAS No. 133, do not meet the requirements for the normal purchases and normal sales exception. We have power sales agreements that qualify as derivative instruments under DIG Issue No. C15 and do not meet the exception as they have a price adjustment clause based on an index that does not directly relate to the sources of the power used to generate the electricity. Our adoption of the provisions of DIG Issue No. C15 in 2002 did not have a material impact on our consolidated financial position and results of operations.

In June 2003, the FASB issued DIG Issue No. C20, *Scope Exceptions: Interpretation of the Meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature*. DIG Issue No. C20 specified additional circumstances in which a price adjustment feature in a derivative contract would not be an impediment to qualifying for the normal purchases and normal sales scope exception under SFAS No. 133. DIG Issue No. C20 was effective as of the first day of the fiscal quarter beginning after July 10, 2003, or October 1, 2003 for us. DIG Issue No. C20 requires contracts that did not previously qualify for the normal purchases and normal sales scope exception, and do qualify for the exception under DIG Issue No. C20, to freeze the fair value of the contract as of the date of the initial application, and amortized such fair value over the remaining contract period. Upon our adoption of DIG Issue No. C20, we elected the normal purchase and normal sales scope exception under FAS No. 133 related to our power purchase agreements. Such adoption did not have a material impact on our consolidated financial position and results of operations.

- *Accounting for Income Taxes* . As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax in each of the jurisdictions in which we operate. This process requires us to estimate our actual current tax exposure and make an assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. Such differences result in deferred tax assets and liabilities which are included on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that such recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase such allowance in a period, we must include an expense within the tax provision in our statement of operations. Management uses significant judgment in determining our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. In the event that we generate taxable income in a particular jurisdiction in which we operate and in which we have net operating loss carry-forwards for which a deferred tax valuation allowance has been established, we may be required to adjust our valuation allowance.
- *Stock Based Compensation* . We account for stock-based compensation based on the provisions of Accounting Board Opinion No. 25, *Accounting for Stock Issued to Employees* ,

which we refer to as APB 25, which states that no compensation expense is required to be recorded for stock options or other stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of common stock on the relevant grant date. In the event that stock options are granted at a price that is lower than the fair market value on the relevant date, the difference between the fair market value of the common stock and the exercise price of the stock options is recorded as unearned compensation. Unearned compensation is amortized to compensation expense over the vesting period applicable to the stock option. We have adopted the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation* , as it relates to stock options granted to employees, which requires pro-forma net income to be disclosed based on the fair value of the options granted at the date of the relevant grant.

- *New Accounting Pronouncements*

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board, which we refer to as FASB, issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB 51* , which we refer to as FIN No. 46, as amended by FIN No. 46R in December 2003. Among other things, FIN No. 46R generally deferred the effective date of FIN No. 46 to the quarter ended March 31, 2004. The objectives of FIN No. 46R are to provide guidance on the identification of Variable Interest Entities, which we refer to as VIEs, for which control is achieved through means other than ownership of a majority of the voting interest of an entity, and how to determine which company (if any), as the primary beneficiary, should consolidate such VIE. A variable interest in a VIE, by definition, is an asset, liability, equity, contractual arrangement or other economic interest that absorbs the entity's economic variability.

Effective as of March 31, 2004, we adopted FIN No. 46R. In connection with the adoption of FIN No. 46R, we concluded that Ormat-Leyte Co. Ltd., in which we have an 80% ownership interest, should be deconsolidated. Ormat-Leyte Co. Ltd.'s operating results continue to be accounted for using the consolidated method of accounting for the three month period ending March 31, 2004 and, effective April 1, 2004, our ownership interest in Ormat-Leyte Co. Ltd. will be accounted for using the equity method of accounting.

Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* . SFAS No. 149 amends and clarifies the accounting and reporting treatment for derivative instruments, including certain derivatives embedded in other contracts, and hedging activities under SFAS No. 133. The amendments set forth in SFAS No. 149 require that contracts with

comparable characteristics be accounted for as derivative instruments. SFAS No. 149 clarifies the circumstances under which a contract meets the characteristics of a derivative instrument according to SFAS No. 133 and clarifies when a derivative instrument contains a financing component that warrants special reporting in the statement of cash flows. The requirements of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging arrangements designated after June 30, 2003. We adopted the provisions of SFAS No. 149 effective July 1, 2003, which did not have a material impact on our consolidated results of operations and financial position as of December 31, 2003.

Accounting for Certain Financial Instruments with Characteristics of both Liability and Equity

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how a company classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that a company classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the company. The requirements of SFAS No. 150 are

effective for financial instruments entered into or modified after May 31, 2003, effective the first interim period beginning after June 15, 2003. For financial instruments created prior to the issuance date of SFAS No. 150, a transition is achieved by reporting the cumulative effect of a change in accounting principle. We adopted the provisions of SFAS No. 150 effective July 1, 2003, which did not have a material impact on our consolidated results of operations and financial position as of December 31, 2003.

Obligations Associated with the Retirement of Long-Lived Assets.

For a discussion of SFAS No. 143, please see the discussion set forth above.

Results of Operations

Our historical operating results, as a percentage of total revenues are presented below. A comparison of the different periods described below may be of limited value, as a result of the effects that (i) our recent acquisitions and enhancements of acquired projects, (ii) the sale of our investment in Karaganda Holding Company, which we refer to as KHC, in the third quarter of 2002, which owned and operated two coal fired power plants in Kazakhstan, and (iii) volatility in revenues of our Products Segment, in each case, have had on our historical operating results.

	Year ended December 31,			Three Months ended March 31,	
	2001	2002	2003	2003	2004
Statements of Operations Data:					
Revenues:					
Electricity Segment	70.9	76.5	65.1	69.3	70.3
Products Segment	<u>29.1</u>	<u>23.5</u>	<u>34.9</u>	<u>30.7</u>	<u>29.7</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Cost of revenues:					
Electricity Segment	36.9	51.1	60.1	57.6	58.0
Products Segment	<u>125.0</u>	<u>85.9</u>	<u>70.7</u>	<u>80.9</u>	<u>80.1</u>
	<u>62.6</u>	<u>59.3</u>	<u>63.8</u>	<u>64.8</u>	<u>64.5</u>
Gross margin:					
Electricity Segment	63.1	48.9	39.9	42.4	42.0
Products Segment	<u>(25.0)</u>	<u>14.1</u>	<u>29.3</u>	<u>19.1</u>	<u>19.9</u>
	<u>37.4</u>	<u>40.7</u>	<u>36.2</u>	<u>35.2</u>	<u>35.5</u>
Operating expenses:					

Research and development	3.6	1.8	1.2	1.7	0.6
Selling and marketing	13.6	7.1	5.9	5.4	3.9
General and administrative	<u>11.4</u>	<u>8.3</u>	<u>7.7</u>	<u>8.1</u>	<u>4.9</u>
Operating income	8.8	23.5	21.4	20.0	26.1
Other income (expense):					
Interest income	3.0	1.5	0.5	0.4	0.5
Interest expense	(9.3)	(8.0)	(6.8)	(6.8)	(17.9)
Foreign currency translation and transaction gain (loss)	0.6	(0.4)	(0.3)	(0.4)	(0.7)
Equity of income of investees	0.3	0.4	0.5	0.4	1.7
Miscellaneous income	<u>0.6</u>	<u>1.5</u>	<u>0.4</u>	<u>0.5</u>	<u>(0.1)</u>
Income from continuing operations before minority interest and income taxes	4.0	18.5	15.7	14.1	9.6
Minority interest in earnings of subsidiaries	<u>1.2</u>	<u>1.4</u>	<u>0.5</u>	<u>0.8</u>	<u>0.2</u>
Income (loss) from continuing operations before income taxes	2.8	17.1	15.2	13.3	9.4
Income tax provision	<u>(6.4)</u>	<u>(7.2)</u>	<u>(2.1)</u>	<u>(5.5)</u>	<u>(3.6)</u>
Income (loss) from continuing operations	(3.6)	9.9	13.1	7.8	5.8

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	Year ended December 31,			Three Months ended March 31,	
	2001	2002	2003	2003	2004
Discontinued operations:					
Loss from operations of discontinued activities in Kazakhstan	(9.8)	(3.6)	—	—	—
Loss of sale of Kazakhstan operations	<u>—</u>	<u>(7.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income (loss) before cumulative effect of change in accounting principle	(13.4)	(1.2)	13.1	7.8	5.8
Cumulative effect of change in accounting principle net of tax benefit	<u>—</u>	<u>—</u>	<u>(0.2)</u>	<u>(0.8)</u>	<u>—</u>
Net income (loss)	<u>(13.4)</u>	<u>(1.2)</u>	<u>12.9</u>	<u>7.0</u>	<u>5.8</u>

Comparison of the Three Months Ended March 31, 2004 and the Three Months Ended March 31, 2003

Total Revenues

Total revenues for the three months ended March 31, 2004 were \$47.6 million, as compared with \$25.4 million for the three months ended March 31, 2003, which represented an 87.4% increase in total revenues. Such increase was attributable to additional revenues being generated from the Heber 1 project and the Heber 2 project that were acquired in December of 2003 and the Steamboat 2/3 project that was acquired on February 13, 2004. Such increase in revenues was also due to an additional \$6.3 million received from the sale of products during such period.

Electricity Segment

	Three Months ended March 31,	
	2003	2004
	(in millions)	
Heber 1 and Heber 2 Project	\$ —	\$ 13.0
Steamboat Project	—	3.0

Other Projects	17.6	17.5
Total	<u>\$ 17.6</u>	<u>\$ 33.5</u>

Revenues attributable to our Electricity Segment for the three months ended March 31, 2004 were \$33.5 million, as compared with \$17.6 million for the three months ended March 31, 2003, which represented a 90.3% increase in such revenues. Such period included \$13.0 million of revenues generated by the Heber 1 project and Heber 2 project and \$3.0 million of revenues generated by the Steamboat 1/1A and Steamboat 2/3 projects, as compared to the same period in 2003, during which we did not record any revenues from such projects.

Products Segment

Revenues attributable to our Products Segment for the three months ended March 31, 2004 were \$14.1 million, as compared with \$7.8 million for the three months ended March 31, 2003, which represented an 80.8% increase in such revenues. This increase resulted from added revenues of \$6.3 million, principally attributable to two large projects (Mokai and Wairakei) during the three-month period ended March 31, 2004. Such increase reflects the volatility of the revenues generated from our Products Segment.

Total Cost of Revenues

Total cost of revenues for the three months ended March 31, 2004 was \$30.7 million, as compared with \$16.5 million for the three months ended March 31, 2003, which represented an 86.1% increase in total cost of revenues. As a percentage of total revenues, our total cost of revenues for the three months ended March 31, 2004 and the three months ended March 31, 2003 were 64.5% and 64.8%, respectively.

Electricity Segment

Total cost of revenues attributable to our Electricity Segment for the three months ended March 31, 2004 was \$19.4 million, as compared with \$10.1 million for the three months ended March 31, 2003, which represented a 92.1% increase in cost of revenues for such segment. The three months ended March 31, 2004 included \$8.3 million and \$1.2 million, respectively, of cost of revenues attributable to the Heber 1 project and the Heber 2 project and the Steamboat 1/1A and Steamboat 2/3 projects, as compared to the three months ended March 31, 2003, during which such projects were not included in our results of operations. As a percentage of total revenues, total cost of revenues attributable to our Electricity Segment for the three months ended March 31, 2004 (58.0%) remained consistent with such percentage for the three months ended March 31, 2003 (57.6%) because as a percentage of revenues, total cost of revenues for our newly acquired projects were substantially the same as those for the projects in our portfolio prior to such acquisitions.

Products Segment

Total cost of revenues attributable to our Products Segment for the three months ended March 31, 2004 was \$11.3 million, as compared with \$6.3 million for the three months ended March 31, 2003, which represented a 79.4% increase in cost of revenues related to such segment. Such \$5.0 million increase in cost of revenues was attributable to an increase in revenues received during the relevant period in 2004, as compared to the relevant period in 2003. As a percentage of total revenues, our total cost of revenues for the three months ended March 31, 2004 and the three months ended March 31, 2003 were substantially the same.

Research and Development Expenses

Research and development expenses for the three months ended March 31, 2004 were \$0.3 million, as compared with \$0.4 million for the three months ended March 31, 2003, which represented a 25.0% decrease in research and development expenses. Such decrease was in the ordinary course of our operations and does not represent any significant change in our research and development program or our ability to maintain and continue to develop our technologies and operations.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2004 were \$1.9 million, as compared with \$1.4 million for the three months ended March 31, 2003, which represented a 35.7% increase in selling and marketing expenses. Selling and marketing expenses for the three months ended March 31, 2004 constituted

3.9% of total revenues for such period, as compared with 5.4% for the three months ended March 31, 2003. Such 1.5% decrease is attributable to the fixed cost nature of certain of our selling and marketing expenses as compared to a larger revenue base. The larger revenue base was principally attributable to an increase in the revenues generated by our Electricity Segment. Once a project is in operation and generates electricity, selling and marketing expenses attributable to such project are relatively insignificant.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2004 were \$2.3 million, as compared with \$2.1 million for the three months ended March 31, 2003, which represented a 9.5% increase in general and administrative expenses. Such increase was principally attributable to an increase in professional services fees related to our business development activities in the United States. General and administrative expenses for the three months ended March 31, 2004 constituted 4.9% of total revenues for such period, as compared with 8.1% for the three months ended March 31, 2003. Such 3.3% decrease is attributable to the fixed cost nature of certain of our general and administrative expenses as compared to a larger revenue base.

Interest Expense

Interest expense for the three months ended March 31, 2004 was \$8.5 million, as compared with \$1.7 million for the three months ended March 31, 2003, which represented a 400.0% increase in such

interest expense. Approximately \$2.8 million of such increase was attributable to the interest expenses incurred by certain of our subsidiaries in connection with the Beal Bank financing and approximately \$2.2 million of such increase was attributable to the interest expenses incurred in connection with the issuance by Ormat Funding, on February 13, 2004, of \$190.0 million of senior secured notes. The remaining \$1.8 million increase was attributable to an increase in parent company loans. Interest on the senior secured notes of Ormat Funding for a full quarter would be \$3.9 million.

Income Taxes

Income taxes for the three months ended March 31, 2004 were \$1.7 million, as compared with \$1.4 million for the three months ended March 31, 2003, which represented a 21.4% increase in such income taxes. The effective tax rate for periods ended March 31, 2004 and March 31, 2003 was 38.5% and 41.3%, respectively. The higher effective rate for the period ended March 31, 2003 is primarily due to net losses of Ormat Systems for which no tax benefit was recognized because a deferred tax valuation allowance was applied to the related net operating losses in both periods. The net losses related to the operations of Ormat Systems were higher for the period ended March 31, 2003 than those for the corresponding period in 2004.

Equity in Income of Investees

Our participation in the income generated from our investees for the three months ended March 31, 2004 was \$0.8 million, as compared with \$0.1 million for the three months ended March 31, 2003, which represented a 700% increase. Such increase was principally attributable to the income generated in connection with our 50.0% equity interest in the Mammoth project, which was acquired in December, 2003 and which accounted for \$0.6 million of such income for the three months ended March 31, 2004.

Net Income

Net income for the three months ended March 31, 2004 was \$2.7 million, as compared with \$1.8 million for the three months ended March 31, 2003, which represented an increase of 50.0% in our net income. Our net income was reduced by the increase in our interest expenses incurred for the three months ended March 31, 2004. Net income as a percentage of our total revenues for the three months ended March 31, 2004 was 5.7%, as compared with 7.0% for the three months ended March 31, 2003. Such decrease was attributable to an increase in our financing expenses relating to the financing of the acquisition of the Heber 1 project, Heber 2 project and Steamboat 2/3 project.

Comparison of the Year Ended December 31, 2003 and the Year Ended December 31, 2002

Total Revenues

Total revenues for the year ended December 31, 2003 were \$119.4 million, as compared with \$85.6 million for the year ended December 31, 2002, which represented a 39.5% increase in our total revenues. Such increase was principally attributable to the receipt of additional revenues generated by the Ormesa project that was acquired on April 15, 2002 and the increase in revenues generated from the sale and installation of equipment to power plants worldwide.

Electricity Segment

	Year Ended December 31,	
	2002	2003
	<i>(in millions)</i>	
Ormesa Project	\$ 21.8	\$ 30.5
Heber 1 and Heber 2 Projects	—	2.0
Steamboat 1/1A Project	—	1.0
Leyte Project	15.6	12.6
Momotombo Project	9.2	11.6
Other Projects	18.9	20.1
Total	<u>\$ 65.5</u>	<u>\$ 77.8</u>

Revenues from the sale of electricity for the year ended December 31, 2003 were \$77.8 million, as compared with \$65.5 million for the year ended December 31, 2002, which represented a 18.8% increase in such revenues. Such increase was a result of: (i) the acquisition of the Ormesa project in April of 2002, which for the full fiscal year ended December 31, 2003 generated \$30.5 million of revenues, as compared to \$21.8 million for the eight-months of operation in 2002 following its acquisition; (ii) \$2.0 million of revenues generated by the Heber 1 project and the Heber 2 project for the 13-day period ended December 31, 2003, as compared with no revenues attributable to such projects in 2002; and (iii) \$1.0 million of revenues generated by the Steamboat 1/1A project as compared with no revenues attributable to such project in 2002. The increase in our revenues for the fiscal year ended December 31, 2003, as compared to the fiscal year ended December 31, 2002 would have been higher, but for the one-time addition to the revenues received in 2002 in the amount of \$2.7 million, as a result of a disputed performance bonus that was resolved and recognized in 2002.

Products Segment

Revenues from our Products Segment for the year ended December 31, 2003 were \$41.7 million, as compared with \$20.1 million for the year ended December 31, 2002, which represented a 107.5% increase in such revenues. Such increase resulted primarily from \$14.0 million of revenues primarily attributable to two large projects (Mokai and Miravalles) and the sale of products, services and parts for the year ended December 31, 2003. Such increase reflects the volatility of the revenues generated from our Products Segment.

Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2003 was \$76.2 million, as compared with \$50.8 million for the year ended December 31, 2002, which represented a 50.0% increase. As a percentage of total revenues, our total cost of revenues for the year ended December 31, 2003 was 63.8% as compared to 59.3% for the year ended December 31, 2002. This increase is explained below.

Electricity Segment

Cost of revenues attributable to our Electricity Segment for the year ended December 31, 2003 was \$46.7 million, as compared with \$33.5 million for the year ended December 31, 2002, which represented a 39.4% increase for such cost of revenues. Such increase was principally attributable to the acquisition of the Ormesa project, as cost of revenues for the year ended December 31, 2003 included expenses of the Ormesa project in the amount of \$23.3 million, as compared to \$15.7 million for the year ended December 31, 2002. The Ormesa project had higher operating expenses than the other projects we operated at such time due to additional

transmission costs relating to the transmission of electricity over the Imperial Irrigation District transmission system and the type of equipment used in the Ormesa project, which is more costly to operate and maintain than the equipment used in our other projects that existed at the time of such acquisition. As a percentage of total revenues, the total cost of revenues attributable to our Electricity Segment was 60.1% for the

year ended December 31, 2003 as compared to 51.1% for the year ended December 31, 2002. Such increase, on a percentage basis, was partially attributable to \$2.7 million of revenues received as a result of a one-time disputed performance bonus that was resolved and recognized in 2002.

Products Segment

Cost of revenues attributable to our Products Segment for the year ended December 31, 2003 was \$29.5 million, as compared with \$17.3 million for the year ended December 31, 2002, which represented a 70.5% increase in such cost of revenues. Such \$12.2 million increase in cost of revenues was attributable to the generation of additional revenues from the sale of our equipment during the year ended December 31, 2003. As a percentage of our total revenues, our cost of revenues attributable to our Products Segment for the year ended December 31, 2003 was 70.7% as compared to 85.9% for the year ended December 31, 2002. Such 15.2% decrease reflects the fixed nature of our cost of revenues as compared to a larger revenue base.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2003 were \$1.4 million, as compared with \$1.5 million for the year ended December 31, 2002, which represented a 6.7% decrease in such research and development expenses. Such decrease reflects a fluctuation in the ordinary course of our business and does not represent a significant change in our research and development program or our ability to maintain and continue to develop our technologies and operations.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2003 were \$7.1 million, as compared with \$6.1 million for the year ended December 31, 2002, which represented a 16.4% increase in such selling and marketing expenses. Selling and marketing expenses for the year ended December 31, 2003 represented 5.9% of our total revenues, as compared to 7.1% for the year ended December 31, 2002. Such 1.2% decrease is a result of the effect of the fixed cost component of our selling and marketing expenses over a larger revenue base. The larger revenue base was principally attributable to an increase in the revenues generated by our Electricity Segment. Once a project is in operation and generates electricity, selling and marketing expenses are relatively insignificant.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2003 were \$9.3 million, as compared with \$7.1 million for the year ended December 31, 2002, which represented a 31.0% increase in general and administrative expenses. Such increase was attributable to costs related to an increase in our personnel, wages and professional services and other costs related to our business development activities in the United States. As a percentage of our total revenues, general and administrative expenses were 7.7% of such revenues for the year ended December 31, 2003 and 8.3% of such revenues for the year ended December 31, 2002.

Interest Expense

Interest expense for the year ended December 31, 2003 was \$8.1 million, as compared with \$6.9 million for the year ended December 31, 2002, which represented an increase of 17.4% in our total interest expense. Such increase resulted from \$1.9 million of interest expense incurred in connection with the United Capital project finance loan incurred on December 31, 2002 by our project subsidiary to refinance the Ormesa acquisition, \$0.8 million of interest expense incurred in connection with outstanding parent company loans, and \$0.4 million of interest expense incurred in connection with the Beal Bank loan incurred on December 18, 2003, in order to finance the acquisition of the Heber 1 project, the Heber 2 project and the Mammoth project. Interest expenses related to certain other bank loans decreased by \$1.2 million for the fiscal year ended December 31, 2003 due to a decrease in outstanding corresponding balances.

Income Taxes

Income taxes for the year ended December 31, 2003 were \$2.5 million, as compared with \$6.1 million for the year ended December 31, 2002, which represented a decrease of 59.0% in such income taxes. The effective tax rate for the years ended December 31, 2003 and 2002 was 13.8% and 41.9%, respectively. For the year ended December 31, 2003, our effective tax rate was reduced by approximately 8.0% as a result of the application of investment tax credits. In addition, our foreign tax rates were substantially lower than our U.S. tax rates due primarily to the tax holiday in the Philippines that applied to us and the reversal of a deferred tax valuation allowance related to the realization of net operating losses in Ormat Systems which decreased our effective tax rate by approximately 5.6%. For the year ended December 31, 2002, our effective tax rate was reduced by approximately 2.7% as a result of the application of investment tax credits and increased by approximately 8.5% related to a deferred tax valuation allowance applied to the net operating losses in Ormat Systems.

Equity in Income of Investees

Our participation in the income generated from our investees for the year ended December 31, 2003 was \$0.6 million, as compared with \$0.3 million for the year ended December 31, 2002, which represented an increase of 100%. Such increase was principally attributable to an increase in our income derived from our 21.0% ownership of the Zunil project, which had lower debt service and therefore higher net income.

Discontinued Operations

Losses from operations of discontinued activities in Kazakhstan and losses from the sale of our Kazakhstan operations were \$3.1 million and \$6.4 million, respectively for the year ended December 31, 2002. The sale of our Kazakhstan operations (consisting of coal fired power plants and related assets), occurred on September 16, 2002. Such losses were recorded and reflected in our financial statements for the fiscal year ended December 31, 2002.

Net Income

Our income from continuing operations was \$15.7 million in the fiscal year ended December 31, 2003, as compared to \$8.5 million in fiscal year ended December 31, 2002, representing 13.1% of revenues in 2003 as compared to 9.9% of revenues in 2002. Such increase was attributable to increased revenues in both segments. Net income in 2002 was equal to a loss of \$1.0 million as a result of the loss from discontinued operations in Kazakhstan and the loss from the sale of our Kazakhstan assets. Net income in 2003 was \$15.5 million.

Comparison of the Year Ended December 31, 2002 and the Year Ended December 31, 2001

Total Revenues

Total revenues for the year ended December 31, 2002 were \$85.6 million, as compared with \$47.9 million for the year ended December 31, 2001, which represented a 78.7% increase in such total revenues. Such increase in total revenues was principally attributable to the revenues generated by the acquired Ormesa project and Brady project and is also due to an increase in the revenues generated by our Products Segment.

Electricity Segment

	Year Ended December 31,	
	2001	2002
	(in millions)	
Brady Project	\$ 4.0	\$ 9.6

Ormesa Project	—	21.8
Leyte Project	12.5	15.6
Other Projects	17.5	18.5
Total	<u>\$ 34.0</u>	<u>\$ 65.5</u>

Revenues attributable to our Electricity Segment for the year ended December 31, 2002 were \$65.5 million, as compared with \$34.0 million for the year ended December 31, 2001, which represented a 92.6% increase in such revenues. Such increase in revenues was principally attributable to the acquisition of the Ormesa project, as total revenues for the year ended December 31, 2002 included \$21.8 million of revenues generated from the Ormesa project, as compared with the year ended December 31, 2001, during which no revenues from the Ormesa project were recorded. Additionally, the acquisition of the Brady project on June 29, 2001 also contributed additional revenues, as total revenues for the year ended December 31, 2002 included Brady project revenues in the amount of \$9.6 million, while the period from June 29, 2001 to December 31, 2001 only included \$4.0 million of Brady project revenues. Lastly, our increased revenues were partially attributable to \$2.7 million of revenues received as a result of a one-time disputed performance bonus that was resolved and recognized in 2002.

Products Segment

Revenues from our Products Segment for the year ended December 31, 2002 were \$20.1 million, as compared with \$14.0 million for the year ended December 31, 2001, which represented a 43.6% increase in such revenues. Such increase resulted from revenues of \$7.0 million attributable to the Miravalles power plant during the year ended December 31, 2002, as compared with no revenues from any large project during 2001. Such difference reflects the volatility of the revenues generated from our Products Segment.

Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2002 was \$50.8 million, as compared with \$30.0 million for the year ended December 31, 2001, which represented a 69.3% increase in total cost of revenues. As a percentage of our total revenues, our total cost of revenues for the year ended December 31, 2002 was 59.3%, as compared with 62.6% for the year ended December 31, 2001.

Electricity Segment

Cost of revenues attributable to our Electricity Segment for the year ended December 31, 2002 was \$33.5 million, as compared with cost of revenues of \$12.5 million for the year ended December 31, 2001, which represented a 168.0% increase in such cost of revenues. Such increase was principally attributable to the acquisition of the Ormesa project, as cost of revenues for the year ended December 31, 2002 included expenses of the Ormesa project equal to \$15.7 million, as compared to operating expenses relating to the Ormesa project during the year ended December 31, 2001. In addition to the acquisition of the Ormesa project, as a result of the acquisition of Brady project, operating expenses for the year ended December 31, 2002 included expenses for the Brady project equal to \$5.3 million, as compared to the fiscal year ended December 31, 2001, which included \$2.6 million of such expenses. As a percentage of our total revenues, our cost of revenues attributable to our Electricity Segment was 51.1% for the fiscal year ended December 31, 2002, as compared with 36.9% for the fiscal year ended December 31, 2001. Such increase was primarily attributable to the cost of revenues for the Ormesa project which were substantially higher than the cost of revenues of

our other existing projects at the time of such acquisition which are due to additional transmission costs relating to the transmission of electricity over the Imperial Irrigation District transmission system and the type of equipment used in the Ormesa project, which is more costly to operate and maintain than the equipment used in our other projects that existed at the time of such acquisition.

Products Segment

Cost of revenues attributable to our Products Segment for the year ended December 31, 2002 was \$17.3 million, as compared with \$17.5 million for the year ended December 31, 2001, which represented a 1.1% decrease in such cost of revenues. As a percentage of our total revenues, our cost of revenues attributable to our Products Segment for the fiscal year ended December 31, 2002 was 85.9%, as compared with 125.0% for the

fiscal year ended December 31, 2001. Such reduction was primarily attributable to a higher volume of product sales which was sufficient to absorb the related fixed costs whereas in 2001, cost of revenues attributable to our Products Segment exceeded revenues generated from our Products Segment.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2002 were \$1.5 million, as compared with \$1.7 million for the year ended December 31, 2001, which represented a 11.8% decrease in research and development expenses. Such decrease was in ordinary course of our operations and does not represent a significant change in our research and development program or our ability to maintain and continue to develop our technologies and operations.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2002 were \$6.1 million, as compared with \$6.5 million for the year ended December 31, 2001, which represented a 6.2% decrease in such selling and marketing expenses. Selling and marketing expenses for the year ended December 31, 2002 represented 7.1% of our total revenues, as compared with 13.6% for the year ended December 31, 2001. Such 6.5% decrease is attributable to the fixed cost nature of certain of our selling and marketing expenses as compared to a larger revenue base. The larger revenue base was principally attributable to an increase in the revenues generated by our Electricity Segment. Once a project is in operation and generates electricity, selling and marketing expenses attributable to such project are relatively insignificant.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2002 were \$7.1 million, as compared with \$5.4 million for the year ended December 31, 2001, which represented a 31.5% increase in general and administrative expenses. Such increase was principally attributable to an increase in our business development activities in the United States. General and administrative expenses for the year ended December 31, 2002 constituted 8.3% of our total revenues, as compared to 11.3% for the year ended December 31, 2001.

Interest Expense

Interest expense for the year ended December 31, 2002 was \$6.9 million, as compared with \$4.5 million for the year ended December 31, 2001, which represented a 53.3% increase in our total interest expense. Such increase was primarily attributable to an increase in interest expense and related guarantee fees of \$1.9 million relating to short term bank loans, and an increase in interest expense of approximately \$0.5 million relating to medium term corporate loans.

Income Taxes

Income taxes for the year ended December 31, 2002 were \$6.1 million, as compared with \$3.1 million for the year ended December 31, 2001, which represented an increase of 96.8% in such income taxes. The effective tax rate for the years ended December 31, 2002 and 2001 was 41.9% and

229.9%. For the year ended December 31, 2002, our effective tax rate was reduced by approximately 2.7% as a result of the application of investment tax credits and increased by approximately 8.5% related to a deferred tax valuation allowance applied to the net operating losses of Ormat Systems. For the year ended December 31, 2001, our effective tax rate was increased by a deferred tax valuation allowance applied to the net operating losses in Ormat Systems.

Equity in Income of Investees

Our participation in the income generated from our investees for the year ended December 31, 2002 was \$0.3 million, as compared with \$0.2 million for the year ended December 31, 2001, which represented an increase of 50.0%. Such increase was principally attributable to an increase in our income derived from our 21.0% ownership interest of the Zunil project, which had lower debt service and therefore higher net income.

Discontinued Operations

Losses from operations of discontinued activities in Kazakhstan and losses from the sale of our operations in Kazakhstan were \$3.1 million and \$6.4 million, respectively, for the year ended December 31, 2002. Losses from operations of discontinued activities in Kazakhstan for the year ended December 31, 2001 were \$4.7 million.

Net Income (Loss)

Our income from continuing operations was \$8.5 million in the fiscal year ended December 31, 2002, as compared to a loss of \$1.7 million for the fiscal year ended December 31, 2001. Such increase was attributable to increased revenues generated by both segments. Loss from discontinued operations amounted to \$3.1 million compared with \$4.7 million in 2001. In 2002, we also recorded a loss on the sale of our Kazakhstan assets of \$6.4 million. The net income was a loss of \$1 million in 2002, compared to a loss of \$6.4 million in 2001.

Quarterly Results of Operations

The table below sets forth unaudited consolidated statement of operations data for each of the five consecutive quarters ended March 31, 2004. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements included elsewhere in this prospectus and include all adjustments, consisting only of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial information. The operating results for any quarter described below are not necessarily indicative of our future results of operations for any fiscal quarter or year.

	Three Months ended				
	March 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	March 31, 2004
			(unaudited)		
			(in thousands)		
Revenues:					
Electricity Segment	\$ 17,604	\$ 18,047	\$ 21,494	\$ 20,607	\$ 33,459
Products Segment	7,812	8,210	10,907	14,759	14,146
	<u>25,416</u>	<u>26,257</u>	<u>32,401</u>	<u>35,366</u>	<u>47,605</u>
Cost of revenues:					
Electricity Segment	10,148	12,017	10,837	13,724	19,390
Products Segment	6,317	3,493	8,684	11,000	11,328
	<u>16,465</u>	<u>15,510</u>	<u>19,521</u>	<u>24,724</u>	<u>30,718</u>
Gross margin	8,951	10,747	12,880	10,642	16,887

	Three Months ended				
	March 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	March 31, 2004
			(unaudited)		
			(in thousands)		
Operating expenses:					
Research and development	439	432	325	195	302
Selling and marketing	1,367	1,799	2,563	1,358	1,854
General and administrative	<u>2,057</u>	<u>2,367</u>	<u>1,245</u>	<u>3,583</u>	<u>2,332</u>
Operating income	5,088	6,149	8,747	5,506	12,399
Other income (expense):					
Interest income	109	178	229	26	244
Interest expense	(1,720)	(2,115)	(2,277)	(1,943)	(8,523)
Equity in income of investees	89	99	106	265	787

Foreign currency translation and transaction loss	(114)	(38)	(65)	(99)	(321)
Other non-operating income	<u>133</u>	<u>145</u>	<u>48</u>	<u>138</u>	<u>(24)</u>
Income from continuing operations before minority interest and income taxes	3,585	4,418	6,788	3,893	4,562
Minority interest in earnings of subsidiaries	<u>201</u>	<u>197</u>	<u>162</u>	<u>(41)</u>	<u>108</u>
Income from continuing operations before income taxes	3,384	4,221	6,626	3,934	4,454
Income tax provision	<u>(1,397)</u>	<u>(776)</u>	<u>(2,134)</u>	<u>1,801</u>	<u>(1,717)</u>
Income before cumulative effect of change in accounting principle	1,987	3,445	4,492	5,735	2,737
Cumulative effect of change in accounting principle (net of tax benefit of \$124,740)	<u>(205)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>\$ 1,782</u>	<u>\$ 3,445</u>	<u>\$ 4,492</u>	<u>\$ 5,735</u>	<u>\$ 2,737</u>

Liquidity and Capital Resources

Since our inception, we have funded our operations through a combination of internally generated cash and parent company loans, supplemented with third party debt.

Our third-party debt is composed of two principal categories. The first consists of project finance debt or acquisition financing that we or our subsidiaries have incurred for the purpose of developing and constructing our projects or for the acquisition of our projects. The second consists of debt incurred by us or our subsidiaries for general corporate purposes. Orcal Geothermal, one of our subsidiaries, has incurred a non-recourse project finance loan from Beal Bank, for the purpose of financing, in part, the acquisition of the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, of which \$154.5 million was outstanding as of March 31, 2004, bearing an interest rate of the greater of 7.125% or LIBOR plus 5.125% per annum. On February 13, 2004, Ormat Funding, one of our subsidiaries, issued 8¾% senior secured notes in a capital markets offering subject to Rule 144A and Regulation S of the Securities Act, for the purpose of the refinancing of the acquisition cost of the Brady, Ormesa and Steamboat 1/1A projects, and the financing of the acquisition cost of the Steamboat 2/3 project, of which \$190.0 million was outstanding as of March 31, 2004. The Bank Hapoalim project finance debt, of which \$19.2 million was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 2.375% per annum on tranche one of the loan and LIBOR plus 3.0% per annum on tranche two of the loan, and the Export-Import Bank of the United States project finance debt, of which \$17.8 million was outstanding as of March 31, 2004, bearing an interest rate of 6.54% per annum, were each incurred by our relevant subsidiaries to finance the Momotombo project and Leyte project, respectively. All of the agreements described in this section are described in more detail under "Description of Certain Material Agreements — Financing Agreements."

The second category of our third party debt includes the following loans: (i) a \$20.0 million credit facility from United Mizrahi Bank, of which no amount was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 1.2% per annum, (ii) a \$20 million credit facility from Bank Leumi, of which \$14.9 million was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 5% per annum, (iii) medium term loans from Bank Continental, of which \$6.8 million was outstanding as of March 31, 2004, and which we are obligated to repay no later than January 14, 2005 or otherwise refinance with Bank Continental or one of its affiliates, bearing an interest rate of LIBOR plus 1% per annum; (iv) a medium term loan from Bank Hapoalim, of which \$5.0 million was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 1.7% per annum; (v) a medium term loan from Discount Bank, of which \$4.6 million was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 1.7% per annum and (vi) a medium term loan from Israel's Industrial Development Bank, of which \$5.8 million was outstanding as of March 31, 2004, bearing an interest rate of LIBOR plus 1.8% per annum. Our payment obligation under such credit facilities are all currently guaranteed by our parent.

From time to time, Bank Leumi has issued, as security for certain of our obligations, performance letters of credit in favor of our customers. Our parent is the counterparty with respect to such letters of credit. Pursuant to certain existing agreements described elsewhere in this prospectus, we are required to pay to our parent a guarantee fee with respect to such letters of credit (and other guarantees) and are responsible to reimburse our parent for any draw or payment made under these letters of credit or guarantees. As of March 31, 2004, the outstanding aggregate amount available to be drawn under these letters of credit was \$8.5 million.

In connection with the acquisition transaction between Ormat Systems and our parent, we have entered into certain agreements with each of Bank Hapoalim, Bank Leumi, Bank Continental, United Mizrahi Bank and Israel's Industry Development Bank pursuant to which, in exchange for such banks' release of our parent's guarantee and a release of their security interest over the assets our subsidiary, Ormat Systems, acquired from our parent, we will, and Ormat Systems will, agree to certain negative pledge covenants and, in some cases, comply with certain financial ratios such as a debt service coverage ratio and a debt to equity ratio. We do not expect that these covenants or ratios, which will apply to us on a consolidated basis, will materially limit our ability to execute our future business plans or our operations. In addition, as part of the consideration for the acquisition transaction between Ormat Systems and our parent, we will assume approximately \$5.4 million of our parent's outstanding loan with Continental Bank.

We have also entered into an agreement with Bank Hapoalim pursuant to which we have assumed our parent's existing obligations to Bank Hapoalim with respect to approximately \$17.2 million of outstanding letters of credit.

We do not expect that any third party debt that we, or any of our subsidiaries, will incur in the future will be guaranteed by our parent.

We are currently evaluating different options for the refinancing of the acquisition cost of the Puna project, which may include the issuance by Ormat Funding of an additional tranche of its senior secured notes or the incurrence by our project subsidiary that owns the Puna project of project finance debt, lease financing, or other form of leverage financing. If we are successful in acquiring the remaining 50% ownership of the Mammoth project, we will also be able to finance such acquisition with the issuance by Ormat Funding of an additional tranche of its senior secured notes.

Our management believes that we are in material compliance with our covenants with respect to our third-party debt.

We estimate that the net proceeds we will receive from this offering will be approximately \$ million, or approximately \$ million if the underwriters exercise their over-allotment option in full, in each case, after deducting the underwriting discounts and commissions and estimated expenses of this offering payable by us.

We expect to use the net proceeds of this offering to finance the continued growth of our business and for general corporate purposes, including by making other investments or acquisitions. However,

we have no present understanding or agreement relating to any specific acquisition. Accordingly, management will have significant flexibility in applying the net proceeds of this offering. Pending the use of such proceeds, we intend to invest such proceeds in interest-bearing instruments. Our management believes that the sources of liquidity described above, together with the proceeds of this offering, will be sufficient to address our near and short term liquidity and other investment requirements.

Historical Cash Flows

The following table sets forth the components of our cash flows for the relevant periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2001	2002	2003	2003	2004
	(in thousands)			(unaudited)	
Net cash provided by operating activities	\$ 11,392	\$ 11,545	\$ 46,019	\$ 8,929	\$ 22,496
Net cash used in investing activities	(62,436)	(60,521)	(285,180)	(6,183)	(151,446)
Net cash provided by (used in) financing activities	54,468	72,509	211,350	(15,858)	148,978
Effect of foreign currency translation adjustments	(293)	(51)	—	—	—
Net increase (decrease) in cash and cash equivalents	\$ 3,131	\$ 23,482	\$ (27,811)	\$ (13,112)	\$ 20,028

For the Three Months Ended March 31, 2004

Net cash provided by operating activities for the three months ended March 31, 2004 was \$22.5 million, as compared with \$8.9 million for the three months ended March 31, 2003. Such increase was principally attributable to the addition of cash flows from the operating activities of the Heber 1 project and Heber 2 project.

Net cash used in investing activities for the three months ended March 31, 2004 was \$151.4 million, as compared with \$6.2 million for the three months ended March 31, 2003. The principal factors that affected the increase in the use of our cash flow for investing activities during such period were the aggregate amount of cash paid for acquisitions, net of cash received, which, for the three months ended March 31, 2004, as a result of the acquisition of the Steamboat 2/3 project, was equal to \$82.8 million and the increase in our restricted cash and cash equivalents during such period, which was equal to \$64.3 million resulting primarily from the issuance by Ormat Funding of its 8¼% senior secured notes in the amount of \$190.0 million. A portion of the proceeds from the issuance of the such senior secured notes was escrowed and reserved for additional investments for the Galena project and for the purpose of repayment of the loan extended by United Capital to fund the acquisition of the Ormesa project.

Net cash provided by financing activities for the three months ended March 31, 2004 was \$149.0 million, as compared with \$15.9 million used in financing activities for the three months ended March 31, 2003. The principal factors that affected the cash flow provided by financing activities during the three months ended March 31, 2004 were the use of the proceeds from the issuance of the senior secured notes in order to finance the acquisition of the Steamboat 2/3 project and to refinance the acquisition of the Ormesa, Brady, and Steamboat 1/A projects, and a repayment of outstanding parent company loans in the amount of \$27.0 million.

For the Year Ended December 31, 2003

Net cash provided by operating activities for the year ended December 31, 2003 was \$46.0 million, as compared with \$11.5 million for the year ended December 31, 2002. Such change was principally attributable to an increase in revenues as a result of the acquisition of the Ormesa project and an increase in revenues generated from our Products Segment.

Net cash used in investing activities for the year ended December 31, 2003 was \$285.2 million, as compared with \$60.5 million for the year ended December 31, 2002. The principal factors that affected the increase in the use of our cash flow for investing activities during such period included:

-
- Cash paid for acquisitions (net of cash received) in the amount of \$256.6 million, relating to the acquisition of the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project; and
 - Capital expenditures spent in connection with the Ormesa project in an amount equal to \$17.0 million for the installation of new power units and the modification of the geothermal fluid gathering and electrical systems, in order to increase the capacity, reliability and availability of the Ormesa project.

Net cash provided by financing activities for the year ended December 31, 2003 was \$211.4 million, as compared with \$72.5 million for the year ended December 31, 2002. The principal factors that impacted our cash flow provided by financing activities during the year ended December 31, 2003 were the incurrence of a loan by Orcal in an amount of \$154.5 million from Beal Bank in December 2003, and the receipt of \$126.3 million of proceeds from parent company loans, less a repayment of \$55.0 million of short-term debt.

For the Year Ended December 31, 2002

Net cash provided by operating activities for the year ended December 31, 2002 was \$11.5 million, as compared with \$11.4 million for the year ended December 31, 2001. Such increase was principally attributable to the acquisition of the Ormesa project.

Net cash used in investing activities for the year ended December 31, 2002 was equal to \$60.5 million, as compared to \$62.4 million for the year ended December 31, 2001. The principal factors that impacted the use of our cash flow from investing activities during such period included:

Cash paid for acquisitions (net of cash received) in the amount of \$39.7 million, relating to the acquisition of the Ormesa project in 2002, as compared to the cash paid for acquisitions (net of cash received) in the amount of \$30.5 million, relating to the acquisition of the Brady project in 2001; and

- Capital expenditures incurred in connection with the Brady project and the Momotombo project in the amount of \$19.7 million and the Ormesa project in the amount of \$1.7 million.

Net cash provided by financing activities for the year ended December 31, 2002 was \$72.5 million, as compared with \$54.5 million for the year ended December 31, 2001. The principal factors that impacted our cash flow provided by financing activities were \$55.0 million of proceeds received pursuant to short term lines of credit and \$18.4 million of proceeds received in connection with the loan made to the Ormesa project.

Capital Expenditures

Our capital expenditures primarily relate to two principal components, the enhancement of our existing power plants and the development of new power plants. In addition, we have budgeted approximately \$5.0 million for purposes of the acquisition of machinery and equipment and for an office building for the next two to three years.

Enhancement of existing plants

To the extent not otherwise described below, we expect that the following enhancements of our existing power plants will be funded from internally generated cash or other available corporate resources, which we expect to subsequently refinance with non- or limited-resource debt at the project level.

Galena Re-powering . We have commenced the design and construction phase of the re-powering of the Galena project and expect to complete the project by the end of 2005. The estimated \$23.0 million of costs attributable to such enhancement will be funded from proceeds received by Ormat Funding in connection with its issuance of its senior secured notes, which are currently deposited in an escrow account, and will be released in accordance with the progress of the construction phase for such enhancement. We expect that the investment will increase the total output of the Steamboat complex by 13MW.

Mammoth Project Enhancement . Mammoth-Pacific, L.P. plans to commence a \$5.0 million enhancement program of the Mammoth project, consisting primarily of drilling activities, which we believe will result in an increase in such output of the project of 30,500 MWh per year and is expected to be completed by January of 2006. A substantial portion of the funds required for such enhancement have been earmarked by us and our partners for such enhancement program.

Heber Project Enhancement . In connection with the Heber 1 and Heber 2 projects, we are currently pursuing an enhancement program consisting of geothermal field optimization and the drilling of an additional well at the Heber 2 project and the adding of additional OEC units at the Heber 1 and Heber 2 projects, in order to increase the generating capacity of the Heber 1 and Heber 2 projects by 18 MW, for a total budgeted investment of approximately \$28.0 million. Such enhancement program will be funded from cash generated by the Heber 1 and Heber 2 projects and other liquidity sources.

Steamboat Hills Project Enhancement . In connection with the Steamboat Hills project, we plan to add a further OEC unit and perform associated work in order to increase the output of the power plant by 7.5 MW for a total budgeted investment of approximately \$10.0 million, which is currently scheduled to be completed in 2006.

Puna Project Enhancement . In connection with the Puna project, an approximately \$22.0 million dollar enhancement program is currently planned and is intended to increase the output of the project by 6.5 MW and to improve its reliability. We expect that such enhancement program will be completed in 2007. We are currently exploring various financing options for the refinancing of the acquisition cost of the Puna project.

Construction of new projects

Initially, we intend to fund the construction projects described below from internally generated cash, parent company loans and short-term debt.

Desert Peak 2 and Desert Peak 3 Projects . In connection with the Desert Peak 2 and Desert Peak 3

projects, we have already drilled the necessary production wells and expect to begin the manufacturing and construction of the associated power plant shortly, which manufacturing and construction is expected to be completed in 2006. The total construction cost for the construction of the 15 MW power plant is estimated to be between \$30.0 million and \$35.0 million.

Amatitlan Project . The Amatitlan project, which is in its final engineering stage, is scheduled to be completed in 2006 and the aggregate construction cost related to such project is estimated at approximately \$40 million.

Other than the enhancements described above, we do not anticipate any other material capital expenditures in the near term for any of our operating projects, other than ordinary maintenance requirements, which we typically fund with internally generated cash.

Exposure To Market Risks

One market risk to which power plants are typically exposed is the volatility of electricity prices. However, our exposure to such market risk is not significant, principally because our long-term power purchase agreements have fixed or escalating rate provisions that limit our exposure to changes in electricity prices. However, beginning in May 2007, the energy payments payable under the power purchase agreements for the Heber 1 project and Heber 2 project, the Ormesa project and the Mammoth project will be determined by reference to the relevant power purchaser's short run avoided costs. In addition, under certain of the power purchase agreements for our projects in Nevada, the price that Sierra Pacific Power Company pays for energy and capacity is based upon its short run avoided cost. We estimate that energy payments will represent approximately two-thirds of those projects' revenues after 2007 and as a result, expect that there will be some volatility in the revenues received from such projects. 44.4% of our consolidated long-term debt (excluding amounts owed to our parent) is currently in the form of fixed rate securities and is therefore not subject to

interest rate fluctuation risk. However, 55.6% of our debt is currently in the form of a floating rate which exposes us to changes in interest rates in connection therewith. In order to mitigate such risks, we have acquired an interest rate cap of 6.0% with respect to the LIBOR component of the interest rate applicable to the Beal Bank loan from 2007 to 2011. Ormat Systems has also entered into an interest rate swap transaction relating to the Bank Continental loan in order to mitigate the risk of LIBOR fluctuations in connection with such loan. Pursuant to such swap, Ormat Systems pays a fixed interest rate of 2.26% instead of the three-month LIBOR rate applicable to the loan. The outstanding balance of such loan as at March 31, 2004 was \$6.8 million. Giving effect to such financial instruments, as of March 31, 2004, \$194.5 million of our debt is subject to some floating rate risk. As such, we are exposed to changes in interest rates with respect to our long term obligations. The detrimental effect on our pre-tax earnings of a hypothetical 50 basis point increase in interest rates would be approximately \$970,000. See "— Liquidity and Capital Resources" for further discussion of our debt instruments.

Another market risk to which we are exposed is primarily related to potential adverse changes in foreign currency exchange rates, in particular the fluctuation of the U.S. dollar versus the new Israeli shekel. Risks attributable to fluctuations in currency exchange rates can arise when any of our foreign subsidiaries borrows funds or incurs operating or other expenses in one type of currency but receives revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary or increase such subsidiary's overall expenses. Risks attributable to fluctuations in foreign currency exchange rates can arise when the currency-denomination of a particular contract is not the U.S. dollar. All of our power purchase agreements in the international markets are either U.S. dollar-denominated or linked to the U.S. dollar. Our construction contracts from time to time contemplate costs which are incurred in local currencies. The way we often mitigate such risk is to receive part of the proceeds from the sale contract in the currency in which the expenses are incurred. Currently, we have not used any material foreign currency exchange contracts or other derivative instruments to reduce our exposure to this risk. In the future, we may use such foreign currency exchange contracts and other derivative instruments to reduce our foreign currency exposure to the extent we deem such instruments to be the appropriate tool for managing such exposure. We do not believe that our exchange rate exposure has or will have a material adverse effect on our financial condition, results of operations or cash flows.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits and Preferred Auctioned Rate Securities, which we refer to as PARS (deposits of entities with a minimum investment grade

rating of AA (by Standard & Poor's Ratings Services)). Upon completion of this offering, pending further application, we may invest a portion of the net proceeds we derive from this offering in interest-bearing investment-grade instruments or bank deposits. We do not expect that a 300 basis point increase or decrease from current interest rates would have a material adverse effect on our financial position, but will have an effect on our results of operations and cash flows.

Effects of Inflation

We do not expect that the low inflation environment of recent years in most of the countries in which we operate will continue. To address rising inflation, some of our contracts include certain mitigating factors against any inflation risk. In connection with the Electricity Segment, inflation may directly impact an expense incurred for the operation of our projects, hence increasing the overall operating cost to us. The negative impact of inflation may be partially offset by price adjustments built into some of our power purchase agreements that could be triggered upon such occurrences. As energy payments pursuant to the power purchase agreements for the Mammoth project (after April 2007), Ormesa project (after April 2007), Heber 1 project, Heber 2 project (after April 2007) and Steamboat 1/1A project change our power purchasers' underlying short run avoided cost, to the extent that inflation causes an increase in the short run avoided cost of our power purchaser, higher energy payments could have an offsetting impact to any inflation-driven increase in our expenses. Similarly, the energy payments pursuant to the power purchase agreements for the Brady project, Steamboat 2/3 project, the Steamboat Hills project and the Galena project increase every year through the end of the

relevant terms of such agreements, however, such increases are not directly linked to the CPI. Lease payments are generally fixed, while royalty payments are generally determined as a percentage of revenues and therefore are not significantly impacted by inflation.

The recent price increase in the cost of raw materials that we use in our Products Segment has not been due to inflation but rather to a high demand for such raw materials, which we believe mainly to result from demand generated by the Chinese market. This may cause a reduction in the profitability of our Products Segment, as well as an increase in the capital cost of our projects under construction and enhancements.

Overall, we believe that the impact of inflation on our business will not be significant.

Contractual Obligations and Commercial Commitments

The following table sets forth our material contractual obligations as of March 31, 2004, excluding interest:

	Remaining Total	Payment Due By Period					
		2004	2005	2006	2007	2008	Thereafter
Long-Term non-recourse & limited recourse debt	\$188,573	\$ 9,292	\$ 19,141	\$ 9,456	\$ 11,386	\$ 12,931	\$126,367
Long-Term recourse debt	49,003	27,942	10,490	5,771	1,700	1,700	1,400
Non-recourse Senior Secured Notes due 2020	190,000	511	6,090	9,611	8,932	7,835	157,021
Unconditional purchase obligations	—	—	—	—	—	—	—
Ormat Industries notes payable	150,504	—	—	—	—	—	150,504
Total contractual obligations	<u>\$578,080</u>	<u>\$ 37,745</u>	<u>\$ 35,721</u>	<u>\$ 24,838</u>	<u>\$ 22,018</u>	<u>\$ 22,466</u>	<u>\$435,292</u>

Off Balance Sheet Arrangements

Letters of Credit

On June 30, 2004, our subsidiary, Ormat Nevada, entered into a Letter of Credit Agreement with Hudson United Bank, pursuant to which Hudson United Bank agreed to issue one or more letters of credit in an aggregate face amount of up to \$15.0 million. As of the date hereof, two letters of credit have been issued pursuant to this

facility. The first was issued in favor of the trustee for the 8¼% senior secured notes, for a face amount of \$8.1 million, which will be increased by an additional amount of \$2.7 million as of December 31, 2004. The second was issued in favor of Beal Bank, for a face amount of \$3.6 million. Such letters of credit have been issued to substitute for current cash balances in respective reserve accounts. We will use the available cash, in the amount of \$11.7 million, that will be released from such reserve accounts either for working capital, repayment of parent company loans, or reductions of outstanding bank debt.

On July 15, 2004, we entered into a reimbursement agreement with Ormat Industries, pursuant to which we agreed to reimburse Ormat Industries for any draws made on any standby letter of credit issued by Ormat Industries that is subject to the guarantee fee agreement between us and Ormat Industries and any payments made under any guarantee provided by Ormat Industries subject to such agreement. Interest on any amounts owing pursuant to the reimbursement agreement is paid in U.S. dollars at a rate per annum equal to Ormat Industries' average effective cost of funds plus 0.3%.

Some of our customers require our project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. We are also required to post letters of credits to secure our obligations under various leases and licenses and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. In addition, our subsidiary, Ormat Systems, is required from time to time to post performance letters of credit in favor of our customers with respect to orders of products.

Bank Hapoalim has issued such performance letters of credit in favor of our customers from time to time. Initially, our parent, Ormat Industries, was Bank Hapoalim's counterparty on such letters of credit and we paid our parent a guarantee fee and were responsible to reimburse our parent for any draw under these letters of credit. In connection with the acquisition transaction between Ormat Systems and our parent, we have assumed such letters of credit and are now the direct counterparty of Bank Hapoalim on such letters of credit. As of March 31, 2004 the aggregate amount available to be drawn under these letters of credit was \$17.2 million. The amount that can be drawn under some of these letters of credit may be increased from time to time subject to the satisfaction of certain conditions.

As of the date hereof, we have not had a draw presented against any letter of credit issued or provided on our behalf and do not believe that it is likely that any claims will be made under a letter of credit in the foreseeable future.

Prior to 2003, our research and development efforts were partially funded through grants from the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade. We currently have no such grants available or outstanding. Under Israeli law, we are required to pay royalties to the Israeli government based on revenues derived from the sale of products developed with the assistance of such grants. The applicable royalty rate is between 3.0% to 5.0%, and the amount of royalties required to be paid are capped at the amount of the grants received (in U.S. dollars). The outstanding balance of grants provided after January 1, 1999 accrue interest at a rate equal to the 12-month LIBOR, as published on the first day of the calendar year in which the particular grant was approved. Because the royalties are payable only from revenues, if any, derived from the relevant products, we only recognize a royalty expense to the government upon delivery of the product to our customers.

Concentration of Credit Risk

Our credit risk is currently concentrated with a limited number of major customers, Sierra Pacific Power Company, Southern California Edison Company, Hawaii Electric Light Company, PNOC-Energy Development Corporation, The Kenya Power and Lighting Company Limited and two electric distribution companies who are assignees of Empresa Nicaraguense de Electricidad. If any of these electric utilities fails to make payments under its power purchase agreements with us, such failure would have a material adverse impact on our financial condition.

Historically, Southern California Edison Company accounted for 27.1%, 25.5% and 0% of our total revenues for the three years ended December 31, 2003, 2002 and 2001, respectively, and 40.6% and 24.0% of our total revenues for the three months ended March 31, 2004 and 2003, respectively. Southern California Edison Company is also the power purchaser and revenue source for our Mammoth project, which we account for separately under the equity method of accounting.

Sierra Pacific Power Company accounted for 9.5%, 11.2% and 8.3% of our total revenues for the three years ended December 31, 2003, 2002 and 2001, respectively, and 12.5% and 11.3% of our total revenues for the three months ended March 31, 2004 and 2003, respectively.

PNOC-Energy Development Corporation accounted for 10.6%, 18.2% and 26.0% of our total revenues for the three years ended December 31, 2003, 2002 and 2001, respectively, and 6.5% and 12.6% of our total revenues for the three months ended March 31, 2004 and 2003, respectively.

The two electric distribution companies who are assignees of Empresa Nicaraguense de Electricidad accounted for 9.7%, 10.8% and 18.6% of our total revenues for the three years ended December 31, 2003, 2002 and 2001, respectively, and 6.2% and 12.2% of our total revenues for the three months ended March 31, 2004 and 2003, respectively.

The Kenya Power & Lighting Co. Ltd. accounted for 8.1%, 10.8% and 18.0% of our total revenues for the years ended December 31, 2003, 2002 and 2001, respectively, and 5.0% and 9.2% of our total revenues for the three months ended March 31, 2004 and 2003, respectively.

Following the acquisition of the Puna project, Hawaii Electric Light Company has become one of our key customers, and we expect that Hawaii Electric Light Company will account for approximately 4.0% of our total revenues in the year 2004.

Government Grants and Tax Benefits

Our subsidiary, Ormat Systems, has received "approved enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959, with respect to two of its investment programs. One such approval was received in 1996 and another such approval was received in May 2004. As an approved enterprise, our subsidiary is exempt from Israeli income taxes with respect to revenues derived from the approved investment program for a period of two years commencing on the year it first generates profits from the approved investment program and, thereafter, such revenues are subject to reduced Israeli income tax rates of 25.0% for an additional five years. These benefits are subject to certain conditions set forth in the certificate of approval from Israel's Investment Center, that include, among other things, a requirement that Ormat Systems comply with Israeli intellectual property law, that all transactions between Ormat Systems and our affiliates be at arms length, and that there will be no change in control of, on a cumulative basis, more than 49% of Ormat Systems' capital stock (including by way of a public offering) without the prior written approval of the Investment Center.

For a discussion of our grants from Israel's Office of the Chief Scientist, see "Off Balance Sheet Arrangements" above.

BUSINESS

Overview

We are a leading vertically integrated company engaged in the geothermal and recovered energy power business. We design, develop, build, own and operate clean, environmentally friendly geothermal power plants, and we also design, develop and build, and plan to own and operate, recovered energy-based power plants, in each case, using equipment that we design and manufacture. We conduct our business activities in two business segments. We develop, build, own and operate geothermal power plants in the United States and other countries around the world and sell the electricity they generate. In addition, we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation and other power generating units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy power plants.

All of the projects that we currently own or operate produce electricity from geothermal energy sources.

Geothermal energy is a clean, renewable and generally sustainable form of energy derived from the natural heat of the earth. Unlike electricity produced by burning fossil fuels, electricity produced from geothermal energy sources is produced without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide. Therefore, electricity produced from geothermal energy sources contributes significantly less to local and regional incidences of acid rain and global warming than energy produced by burning fossil fuels. Geothermal energy is also an attractive alternative to other sources of energy as part of a national diversification strategy to avoid dependence on any one energy source or politically sensitive supply sources.

In addition to our geothermal energy power generation business, we have developed and continue to develop products that produce electricity from recovered energy or so-called "waste heat." Recovered energy or waste heat represents residual heat that is generated as a by-product of gas turbine-driven compressor stations and in a variety of industrial processes such as cement manufacturing, and is not otherwise used for any purpose. Such residual heat, that would otherwise be wasted, is captured in the recovery process and is used by recovered energy power plants to generate electricity without burning additional fuel and without emissions.

Our Power Generation Business

We are the fastest growing geothermal power generation company in the United States measured by growth in generating capacity. We also own and operate or control and operate geothermal projects in Guatemala, Kenya, Nicaragua and the Philippines and continue to pursue opportunities to acquire and develop similar projects elsewhere in the world, including in the United States. Most of our projects are located in regions where there is, or is expected to be, demand for additional generating capacity.

In 2003, pro forma revenues from the sale of electricity by our domestic projects were \$128.7 million, constituting approximately 79.1% of our total pro forma revenues from the sale of electricity, and pro forma revenues from the sale of electricity by our foreign projects were \$33.9 million, constituting approximately 20.9% of our total pro forma revenues from the sale of electricity. In 2003, our actual revenues from the sale of electricity by our domestic projects were \$43.8 million and by our foreign projects were \$34.0 million, respectively. Pro forma revenues from the sale of electricity constituted approximately 79.6% of our total pro forma revenues in 2003. As noted previously, such pro forma revenues do not include revenues generated from the Steamboat 2/3 project and Steamboat Hills project, two additional domestic projects that were acquired this year.

We own and operate all of our projects, except the Momotombo project in Nicaragua, which we do not own but which we control and operate, and three of our other projects, in which we have less than full ownership.

All of the revenues that we derive from the sale of electricity are from fully-contracted payments under long-term power purchase agreements. In the United States, the power purchasers under such

agreements are all investor-owned electric utilities. More than 80% of our total pro forma revenues in 2003 from the sale of electricity by our domestic projects were derived from power purchasers that currently have investment grade credit rating. The purchasers of electricity from our foreign projects are either state-owned entities or recently privatized state-owned entities. We have obtained political risk insurance from the Multilateral Investment Guarantee Agency of the World Bank group for all of our foreign projects (other than the Leyte project) in order to cover a portion of any loss that we may suffer upon the occurrence of certain political events covered by such insurance.

Development, Construction, and Acquisition. We have experienced significant growth in recent years, principally through the acquisition of geothermal power plants from third parties and the expansion and enhancement of our existing projects. In December 2003, we acquired the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project, in February 2004, we acquired the Steamboat 2/3 project, in May 2004, we acquired the Steamboat Hills project and in June 2004, we acquired the Puna project. In total, we have increased our net ownership interest in generating capacity from 94 MW as of December 31, 2001 to 312 MW as of June 30, 2004. We currently expect to continue growing our power generation business through:

- the development and construction of new geothermal and recovered energy-based power plants;

- the expansion and enhancement of our existing projects; and
- the acquisition of additional geothermal and other renewable assets from third parties.

As part of these efforts, we regularly monitor requests for proposals from, and submit bids to, investor-owned electric utilities in the United States to provide additional generating capacity, primarily in the western United States where geothermal resources are generally concentrated. We also respond to international tenders issued by foreign state-owned electric utilities for the development, construction and operation of new geothermal power plants. In addition, we apply our technological expertise to upgrade the facilities of our existing geothermal power plants and to continuously monitor and manage our existing geothermal resources in order to increase the efficiency and generating capacity of such facilities.

We are currently in varying stages of development or construction of new projects and enhancement of existing projects. Based on our current development and construction schedule, which is subject to change at any time and which we may not achieve, we expect to have approximately 66 additional MW in generating capacity in the United States by the end of 2006 and approximately 20 additional MW in Guatemala by June 2006. In addition, we have obtained exclusive rights to develop the geothermal resources of a project in China, which, if implemented, is expected to produce approximately 50 MW in generating capacity. We are also currently in discussions with the Kenyan government and Kenya Power & Lighting Co. Ltd. regarding, among other things, the construction of Phase II of the Olkaria III project in Kenya and the provision of certain collateral and government support. If implemented, Phase II would add approximately 35 MW in generating capacity to the current Olkaria III project. We are also in the early development stage of two new projects in El Salvador. We intend to pursue these opportunities to the extent they continue to meet our investment criteria and business strategy.

Our Products Business

We design, manufacture and sell products for electricity generation and provide the related services described below. Generally, we manufacture products only against customer orders and do not manufacture products for inventory purposes.

Power Units for Geothermal Power Plants. We design, manufacture and sell power units for geothermal electricity generation, which we refer to as Ormat Energy Converters or OECs. Our customers include contractors and geothermal plant owners and operators. We recently sold two of our OEC units, with a total gross output of approximately 18 MW, to Instituto Costarricense de Electricidad in Costa Rica, which is developing the Miravalles V geothermal power project in that country. We also recently sold one of our OEC units for approximately 2 MW for installation at Oserian Farm in Kenya, where farmers grow flowers for export.

Power Units for Recovered Energy-Based Power Generation. We design, manufacture and sell power units used to generate electricity from recovered energy or so-called "waste heat" that is generated as a residual by-product of gas turbine-driven compressor stations and a variety of industrial processes such as cement manufacturing, and is not otherwise used for any purpose. Our existing and target customers include interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators, and other companies engaged in other energy-intensive industrial processes. We have installed one of our recovered energy-based generation units at Enterprise Product's Neptune gas processing plant in Louisiana.

Remote Power Units and other Generators. We design, manufacture and sell fossil fuel powered turbo-generators with a capacity ranging between 200 watts and 5,000 watts, which operate unattended in extreme climate conditions, whether hot or cold. Our customers include contractors installing gas pipelines in remote areas. In addition, we design, manufacture and sell generators for various other uses, including heavy duty direct current generators. Our remote power units were recently installed on a Pemex pipeline in Mexico.

Engineering, Procurement and Construction of Power Plants. We engineer, procure and construct (EPC), as an EPC contractor, geothermal and recovered energy power plants on a turnkey basis, using power units we design and manufacture. Our customers are geothermal power plant owners as well as the same customers described above that we target for the sale of our power units for recovered energy-based power generation. Unlike many other companies that provide EPC services, we have an advantage in that we are using our own

manufactured equipment and thus have better control over the timing and delivery of required equipment and its costs. Recent examples of our construction activities include the design and construction of the Mokai and Wairakei geothermal power plants in New Zealand.

Operation and Maintenance of Power Plants. We provide operation and maintenance services for geothermal power plants owned by us and by third parties.

In 2003, our actual revenues from our products business were \$41.7 million, constituting approximately 20.4% of our total pro forma revenues and approximately 34.9% of our actual revenues.

Industry Background

Geothermal Energy

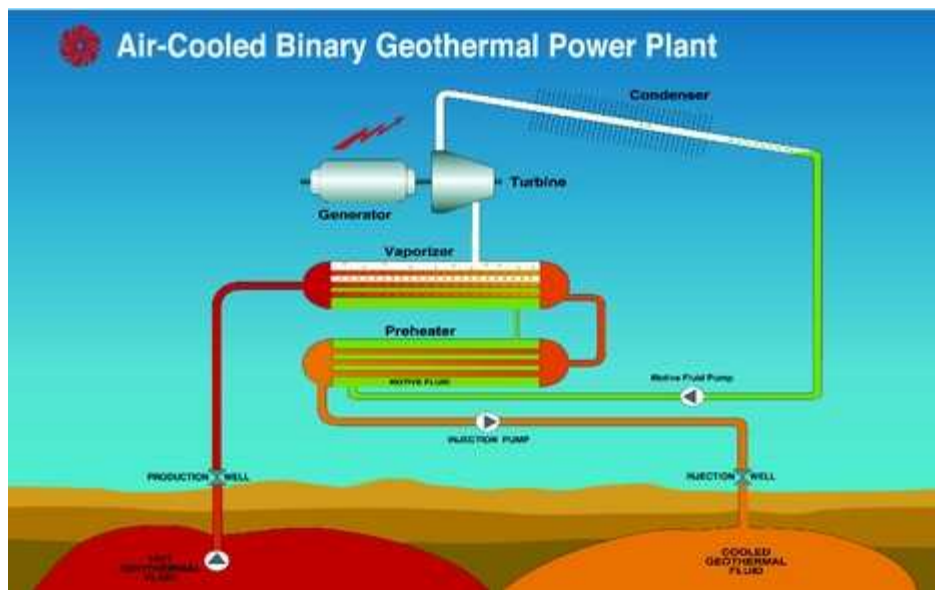
All of the projects we currently own produce electricity from geothermal energy. Geothermal energy is a clean, renewable and generally sustainable energy source that, because it does not utilize combustion in the production of electricity, releases significantly lower levels of emissions, principally steam, than those that result from energy generation based on the burning of fossil fuels. Geothermal energy is derived from the natural heat of the earth when water comes sufficiently close to hot molten rock to heat the water to temperatures of 300 degrees Fahrenheit or more. The heated water then ascends toward the surface of the earth where, if geological conditions are suitable for its commercial extraction, it can be extracted by drilling geothermal wells. The energy necessary to operate a geothermal power plant is typically obtained from several such wells which are drilled using established technology that is in some respects similar to that employed in the oil and gas industry. Geothermal production wells are normally located within approximately one to two miles of the power plant as geothermal fluids cannot be transported economically over longer distances due to heat and pressure loss which result in redistributive costs. The geothermal reservoir is a renewable source of energy if natural ground water sources and reinjection of extracted geothermal fluids are adequate over the long term to replenish the geothermal reservoir following the withdrawal of geothermal fluids as long as the wellfield is properly operated. Geothermal energy projects typically have higher capital costs (primarily as a result of the costs attributable to wellfield development) but tend to have significantly lower variable operating costs, principally consisting of maintenance expenditures, than fossil fuel-fired power plants that require ongoing fuel expenses.

Geothermal Power Plant Technologies

Geothermal power plants generally employ either binary systems or conventional flash systems. In our projects, we also employ our proprietary technology of combined geothermal cycle systems. See "Business — Our Technology."

Binary System

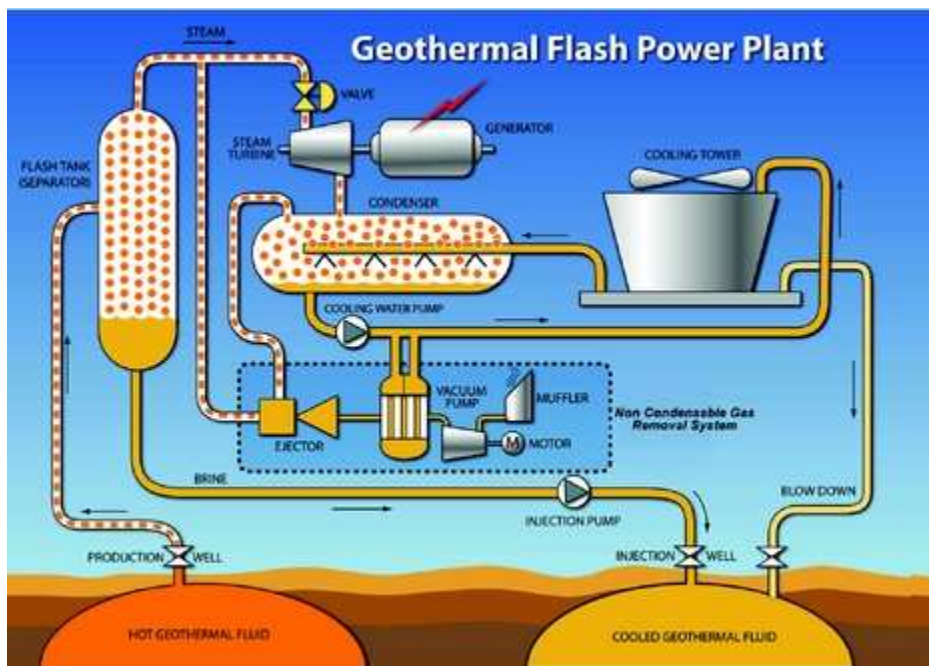
In a plant using a binary system, geothermal fluid, either hot water (also called brine) or steam or both, is extracted from the underground reservoir and flows from the wellhead through a gathering system of insulated steel pipelines to a heat exchanger, which heats a secondary working fluid which has a low boiling point. This is typically an organic fluid such as isopentane or isobutene, which is vaporized and is used to drive the turbine. The organic fluid is then condensed in a condenser which may be cooled by air or by water from a cooling tower. The condensed fluid is then recycled back to the heat exchanger, closing the cycle within the sealed system. The cooled geothermal fluid is then reinjected back into the reservoir. The binary technology is depicted in the graphic below.



Flash Design System

In a plant using flash design, geothermal fluid is extracted from the underground reservoir and flows from the wellhead through a gathering system of insulated steel pipelines to flash tanks and/or separators. There, the steam is separated from the brine and is sent to a demister in the plant, where any remaining water droplets are removed. This produces a stream of dry steam, which drives a turbine generator to produce electricity. In some cases, the brine at the outlet of the separator is flashed a second time (dual flash), providing additional steam at lower pressure used in the low pressure section steam turbine to produce additional electricity. Steam exhausted from the steam turbine is condensed in a surface or direct contact condenser cooled by cold water from a cooling tower. The non-condensable gases (such as carbon dioxide) are removed through the removal system in order to optimize the performance of the steam turbines. The condensate is used to provide make-up water for the cooling tower. The hot brine remaining after separation of steam is injected back into the geothermal resource through a series of injection wells. The flash technology is depicted in the graphic below.

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In some instances, the wells directly produce dry steam (the flashing occurring under ground). In such cases, the steam is fed directly to the steam turbine and the rest of the system is similar to the flash power plant

described above.

Market Opportunity

The geothermal energy industry in the United States experienced significant growth in the 1970s and 1980s, followed by a period of consolidation of owners and operators of geothermal assets in the 1990s. The industry, once dominated by large oil companies and investor-owned electric utilities, now includes several independent power producers. During the 1990s, growth and development in the geothermal energy industry occurred primarily in foreign markets, and only minimal growth and development occurred in the United States. Since 2001, there has been renewed interest in geothermal energy in the United States as production costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel-based electricity generation, due to the increasing cost of natural gas, and as legislative and regulatory incentives, such as state renewable portfolio standards, have become more prevalent.

Electricity generation from geothermal resources in the United States constitutes a \$1 billion-a-year industry (in terms of revenues) and accounts for almost 20% of all non-hydropower renewable energy-based electricity generation in the United States (according to the Energy Information Administration, Annual Energy Outlook 2004). Although electricity generation from geothermal resources is currently concentrated in California, Nevada, Hawaii and Utah, there are opportunities for development in other states such as Alaska, Arizona, Idaho, New Mexico and Oregon due to the availability of geothermal resources and, in some cases, a favorable regulatory environment in such states.

A recent forecast of the U.S. Department of Energy projects the addition of geothermal installations with generating capacity totaling 6,800 MW by 2025, based on the assumption that natural

gas prices will remain relatively stable at current levels. This forecast is based on existing, known geothermal resources and does not take into account any positive effects on generating capacity resulting from new technology, such as enhanced utilization of existing geothermal bases and engineered geothermal systems (according to the Energy Information Administration, Annual Energy Outlook 2004).

Much of this growth potential stems from growing global concerns about the environment. Power plants that use fossil fuels generate higher levels of air pollution and their emissions have been linked to acid rain and global warming. In response to an increasing demand for "green" energy, many countries have adopted legislation requiring, and providing incentives for, electric utilities to sell electricity generated from renewable energy sources. In the United States, Arizona, California, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, Pennsylvania, Rhode Island, Texas, and Wisconsin have all adopted renewable portfolio standards, renewable portfolio goals, or other similar laws requiring or encouraging electric utilities in such states to generate or buy a certain percentage of their electricity from renewable energy sources or recovered heat sources. Eleven of these seventeen states (including California, Nevada and Hawaii, where we have been the most active in our geothermal energy development and in which all of our U.S. projects are located) define geothermal resources as "renewables." Several other states are also considering the adoption of renewable portfolio standards, renewable portfolio goals or similar legislation.

We believe that these legislative measures and initiatives present a significant market opportunity for us. For example, California generally requires that the electricity supplied by its investor-owned electric utility companies operating within the state must be increased by at least 1% every year until it reaches 20% by 2017. Presently, 9% of the electricity supplied by the three main electric utility companies in California is derived from renewable resources. Nevada's renewable portfolio standard requires each Nevada electric utility to obtain 5% of its annual energy requirements from renewable energy sources in 2004, which requirement increases to 7% in 2005 and thereafter increases by 2% every two years until 2013, when 15% of such annual energy requirements must be provided from renewable energy sources. Hawaii's renewable portfolio standard requires each Hawaiian electric utility to obtain 8% of its net electricity sales from renewable energy sources by December 31, 2005 and 10% by December 31, 2010 and 20% by December 31, 2020.

In addition, in some states an entity generating electricity from renewable resources, such as geothermal energy, is awarded renewable energy credits, which we refer to as RECs, that can be sold for cash. RECs have been sold in the market for 0.5 cents to 2 cents a kWh during the past year.

The federal government also encourages production of electricity from geothermal resources through certain

tax subsidies. We are permitted to claim approximately 10% of the cost of each new geothermal power plant as a credit against our federal income taxes. We are also permitted to deduct up to 95% of the cost of the power plant over five years on an accelerated basis, which results in more of the cost being deducted in the first few years than during the remainder of the depreciation period. These two tax benefits collectively offset approximately one-third of the capital cost of each new project.

In May 2004, the United States Senate passed a bill to allow geothermal power companies to claim a "production tax credit" of 1.8 cents per kilowatt hour on electricity produced from geothermal resources. According to such proposal, credits could be claimed on such electricity sold during the first ten years after a project achieves commercial operation. Only projects put into service during 2005 and 2006 would qualify for such production tax credits. The owner of the project would have to choose between this production tax credit and the 10% energy tax credit described above. The Senate bill, however, was not approved by the United States House of Representatives, which has passed its own version of a production tax credit bill, and will not become law unless the two legislative bodies reconcile the differences between the two bills.

Outside of the United States, the majority of power generating capacity has historically been owned and controlled by governments. During the past decade, however, many foreign governments have privatized their power generation industries through sales to third parties and have encouraged

new capacity development and/or refurbishment of existing assets by independent power developers. These foreign governments have taken a variety of approaches to encourage the development of competitive power markets, including awarding long-term contracts for energy and capacity to independent power generators and creating competitive wholesale markets for selling and trading energy, capacity and related products. Different countries have also adopted active governmental programs designed to encourage clean renewable energy power generation. For example, China, where we are currently developing a project, has in place a five-year Plan for New and Renewable Energy Commercialization Development. The plan's goals include increasing production of geothermal energy as well as providing electricity in remote areas. Several Latin American countries have rural electrification programs and renewable energy programs. For example, Nicaragua, where we operate the Momotombo project, is currently developing a national rural electrification plan with the support of the World Bank. One of the plan's primary goals is the reduction of market barriers to renewable energy technologies useful for remote areas not connected to the main electricity grid. Nicaragua also has a national master plan for geothermal energy, which is intended to facilitate the awarding of concessions for geothermal exploration and development in the country. Guatemala, another country in which we have ongoing operations (the Zunil project) and development activities (the Amatitlan project), recently approved a law which creates incentives for power generation from renewable energy sources by, among other things, providing economic and fiscal incentives such as exemptions from taxes on the importation of relevant equipment and various tax exemptions for companies implementing renewable energy projects. We believe that these developments and governmental plans will create opportunities for us to acquire and develop geothermal power generation facilities internationally as well as create additional opportunities for us to sell our remote power units and other products.

In addition to our geothermal power generation activities, we have also identified recovered energy power generation as a significant market opportunity for us in the United States and internationally. We are initially targeting the North American market, where we expect that recovered energy-based power generation will be derived principally from compressor stations along interstate pipelines, from midstream gas processing facilities, and from processing industries in general. Several states, as well as the federal government, have recognized the environmental benefits of recovered energy-based power generation. For example, Nevada and Hawaii allow electric utilities to include recovered energy-based power generation in calculating their compliance with the state's renewable portfolio standards. In addition, North Dakota, South Dakota and the Department of Agriculture (through the Rural Electricity Service) have certified recovered energy-based power generation as "green" energy, which qualifies recovered energy-based power generators (whether in those two states or elsewhere in the United States) for federally subsidized, low-cost funding. We believe that the European market has similar potential and we expect to leverage our early success in North America in order to expand into such market and other markets worldwide. In North America alone, we estimate the potential total market for recovered energy-based generation to be approximately 1000 MW.

Competitive Strengths

Competitive Assets. Our assets are highly competitive:

- *Contracted Generation.* All of the electricity generated by our geothermal power plants is currently sold pursuant to long-term power purchase agreements, providing generally predictable cash flows.
- *Baseload Generation.* All of our geothermal power plants supply a part of the baseload capacity of the electric system in their respective markets, meaning that they operate to serve all or a part of the minimum power requirements of the electric system in such market on an around-the-clock basis. Because our projects supply a part of the baseload needs of the respective electric system and are marginally weather dependent, we have a competitive advantage over other renewable energy sources, such as wind power, solar power, or hydro-electric power (to the extent dependent on rainfall), which compete with us to meet

electric utilities' renewable portfolio requirements but which cannot serve baseload capacity because of the weather dependence and thus intermittent nature of these other renewable energy sources.

- *Competitive Pricing.* Geothermal power plants, while site specific, are economically feasible to develop, construct, own and operate in many locations, and the electricity they generate is generally price competitive as compared to electricity generated from fossil fuels or other renewable sources under existing economic conditions and existing tax and regulatory regimes.

Growing Legislative Demand for Environmentally-Friendly Renewable Resource Assets. All of our existing projects produce electricity from geothermal energy sources. Geothermal energy is a clean, renewable and generally sustainable energy source. Unlike electricity produced by burning fossil fuels, electricity produced from geothermal energy sources is produced without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide. The characteristics of geothermal energy give us a competitive advantage over fossil fuel-based electricity generation as countries increasingly seek to balance environmental concerns with demands for reliable sources of electricity.

High Efficiency from Vertical Integration. Unlike any of our competitors in the geothermal industry, we are a fully-integrated geothermal equipment, services and power provider. We design, develop and manufacture most of the equipment we use in our geothermal power plants. Our intimate knowledge of the equipment that we use in our operations allows us to operate and maintain our projects efficiently and to respond to operational issues in a timely and cost efficient manner. Moreover, given the efficient communications among our subsidiary that designs and manufactures the products we use in our operations and our subsidiaries that own and operate our projects, we are able to quickly and in a cost-effective manner identify and repair mechanical issues and to have technical assistance and replacement parts available to us as and when needed.

Highly Experienced Management Team. We have a highly qualified senior management team with extensive experience in the geothermal power sector. The key members of our senior management team have worked in the power industry for most of their careers and average over 20 years of industry experience.

Technological Innovation. We own or have rights to use more than 70 patents relating to various processes and renewable resource technologies. Our ability to draw upon internal resources from various disciplines related to the geothermal power sector, such as geological expertise relating to reservoir management, and equipment engineering relating to power units, allows us to be innovative in creating new technologies and technological solutions.

No Exposure to Fuel Price Risk. A geothermal power plant does not need to purchase fuel (such as coal, natural gas, or fuel oil) in order to generate electricity. Thus, once the geothermal reservoir has been identified and estimated to be sufficient for use in a geothermal power plant and the drilling of wells is complete, the plant is not exposed to fuel price or fuel delivery risk.

Business Strategy

Our strategy is to continue building a geographically balanced portfolio of geothermal and recovered energy assets, and to continue to be a leading manufacturer and provider of products and services related to renewable

energy. We intend to implement this strategy through:

- *Development and Construction of New Projects* — continuously seeking out commercially exploitable geothermal resources and developing and constructing new geothermal and recovered energy-based power projects in jurisdictions where the regulatory, tax and business environments encourage or provide incentives for such development and which meet our investment criteria;
- *Increasing Output from Our Existing Projects* — increasing output from our existing geothermal power projects by adding additional generating capacity, upgrading plant technology, and improving geothermal reservoir operations, including improving methods of heat source supply and delivery;

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- *Acquisition of New Assets* — acquiring from third parties additional geothermal and other renewable assets that meet our investment criteria;
 - *Technological Expertise* — investing in research and development of renewable energy technologies and leveraging our technological expertise to continuously improve power plant components, reduce operations and maintenance costs, develop competitive and environmentally friendly products for electricity generation and target new service opportunities;
 - *Developing Recovered Energy* — establishing a first-to-market leadership position in recovered energy projects in North America and building on that experience to expand into other markets worldwide; and
 - *Long-term Contracts* — entering into long-term contracts with energy purchasers that will provide stable cash flows.

Operations of our Power Generation Segment

How We Own Our Power Plants. We customarily establish a separate subsidiary to own interests in each power plant. Our purpose in establishing a separate subsidiary for each plant is to ensure that the plant, and the revenues generated by it, will be the only source for repaying indebtedness, if any, incurred to finance the construction or the acquisition (or to refinance the acquisition) of the relevant plant. If we do not own all of the interest in a power plant, we enter into a shareholders agreement or a partnership agreement that governs the management of the specific subsidiary and our relationship with our partner in connection with our project. Our ability to transfer or sell our interest in certain projects may be restricted by certain purchase options or rights of first refusal in favor of our project partners or the project's power purchasers and/or certain change of control and assignment restrictions in the underlying project and financing documents. All of our domestic projects, with the exception of the Puna project, which is an EWG, are Qualifying Facilities and are eligible for regulatory exemptions from most provisions of the FPA, certain state laws and regulations, and PUHCA as set forth in 18 C.F.R. Section 292, Subpart F. As an EWG, the Puna project is exempt from regulation under PUHCA, and does not cause us to be regulated as a holding company under PUHCA. The Puna project is not subject to the FPA.

How We Obtain Development Sites and Geothermal Resources. For domestic projects, we either lease or own the sites on which our power plants are located. In our foreign projects, our lease rights for the plant site are generally contained in the terms of a concession agreement or other contract with the host government or an agency thereof. In certain cases, we also enter into one or more geothermal resource leases (or subleases) or a concession or other agreement granting us the exclusive rights to extract geothermal resources from specified areas of land, with the owners (or sublessors) of such land. A geothermal resource lease (or sublease) or a concession or other agreement will usually give us the right to explore, develop, operate and maintain the geothermal field including, among other things, the right to drill wells (and if there are existing wells in the area, to alter them) and build pipelines for transmitting geothermal fluid. At times, the holder of rights in the geothermal resource is a governmental entity and at times, a private entity. Usually, the terms of the lease (or sublease) and concession agreement correspond to the term of the relevant power purchase agreement. In certain

other cases, we own the land where the geothermal resource is located, in which case, there are no restrictions on its utilization.

How We Sell Electricity. In the United States, the purchasers of power from our projects are investor-owned electric utility companies. Outside of the United States, the purchaser is typically a state-owned utility or distribution company or a recently privatized state-owned entity and we typically operate our facilities pursuant to rights granted to us by a governmental agency pursuant to a concession agreement. In each case, we enter into long-term contracts (typically called power purchase agreements) for the sale of electricity or the conversion of geothermal resources into electricity. A project's revenues under a power purchase agreement usually consist of two payments: energy payments and capacity payments. Energy payments are normally based on a project's electrical output actually delivered to the purchaser measured in kilowatt hours, with payment rates either fixed or

indexed to the power purchaser's "avoided" costs (i.e., the costs the power purchaser would have incurred itself had it produced the power it is purchasing from third parties, such as us). Capacity payments are normally calculated based on the generating capacity or the declared capacity of a project available for delivery to the purchaser, regardless of the amount of electrical output actually produced or delivered. In addition, most of our domestic projects located in California are eligible for capacity bonus payments under the respective power purchase agreements upon reaching certain levels of generation.

How We Operate and Maintain Our Power Plants. We usually employ one of our subsidiaries to act as operator of our power plants pursuant to the terms of an operation and maintenance agreement. Our operations and maintenance practices are designed to minimize operating costs without compromising safety or environmental standards while maximizing plant flexibility and maintaining high reliability. Our approach to plant management emphasizes the operational autonomy of our individual plant managers and staff to identify and resolve operations and maintenance issues at their respective projects, however, each project draws upon the collective resources and experience available in our operation and maintenance subsidiary. We have organized our operations such that inventories, maintenance, backup and other operational functions are pooled within each project complex and provided by one operation and maintenance provider. This approach enables us to realize cost savings and enhances our ability to meet our project availability goals.

We have a long track record of excellence in operating different power plants with diverse resource characteristics. We currently operate and maintain approximately 353 MW of generating capacity. Since our recent acquisitions in California and Nevada, as a result of our vertical integration, our proprietary technology and our operational and maintenance expertise, we have been successful in increasing the efficiency and performance of most of our acquired facilities and have been able to use the staff required to operate these facilities more efficiently. For example, we have been able to increase the output of the Brady project by approximately 50% since its acquisition by us.

Safety is a key area of concern to us. We believe that the most efficient and profitable performance of our projects can only be accomplished within a safe working environment for our employees. Our compensation and incentive program includes safety as a factor in evaluating our employees, and we have a well-developed reporting system to track safety and environmental incidents at our projects.

How We Finance Our Power Plants. Historically, we have funded our projects with a combination of non-recourse or limited recourse debt, parent company loans and internally generated cash. Such leveraged financing permits the development of projects with a limited amount of equity contributions, but also increases the risk that a reduction in revenues could adversely affect a particular project's ability to meet its debt obligations. Leveraged financing also means that distributions of dividends or other distributions by plant subsidiaries to us are contingent on compliance with financial and other covenants contained in the financing documents.

Non-recourse debt refers to debt that is repaid solely from the project's revenues (rather than our revenues or revenues of any other project) and generally is secured by the project's physical assets, major contracts and agreements, and cash accounts and, in many cases, our ownership interest in that project affiliate. This type of financing is referred to as "project financing." Project financing transactions generally are structured so that all revenues of a project are deposited directly with a bank or other financial institution acting as escrow or security deposit agent. These funds then are payable in a specified order of priority set forth in the financing documents to ensure that, to the extent available, they are used first to pay operating expenses, senior debt service and taxes and

to fund reserve accounts. Thereafter, subject to satisfying debt service coverage ratios and certain other conditions, available funds may be disbursed for management fees or dividends or, where there are subordinated lenders, to the payment of subordinated debt service.

In the event of a foreclosure after a default, our project affiliate owning the project would only retain an interest in the assets, if any, remaining after all debts and obligations were paid in full. In addition, incurrence of debt by a project may reduce the liquidity of our equity interest in that project

because the interest is typically subject both to a pledge in favor of the project's lenders securing the project's debt and to transfer and change of control restrictions set forth in the relevant financing agreements.

Limited recourse debt refers to project financing as described above with the addition of our agreement to undertake limited financial support for the project affiliate in the form of certain limited obligations and contingent liabilities. These obligations and contingent liabilities take the form of guarantees of certain specified obligations, indemnities, capital infusions and agreements to pay certain debt service deficiencies. To the extent we become liable under such guarantees and other agreements in respect of a particular project, distributions received by us from other projects and other sources of cash available to us may be required to be used by us in order to satisfy these obligations. To the extent of these limited recourse obligations, creditors of a project financing of a particular project may have direct recourse to us.

How We Mitigate International Political Risk. We generally purchase insurance policies to cover our exposure to certain political risks involved in operating in developing countries. The policies are issued by entities which specialize in such policies, such as the Multilateral Investment Guarantee Agency (an institution that is part of the World Bank Group). From time to time, we also examine the possibility of purchasing political risk insurance from private sector providers, such as Zurich Re, AIG and other such companies, however, to date all of our political risk insurance contracts are with the Multilateral Investment Guarantee Agency. Such insurance policies cover, in general and subject to the limitations and restrictions contained therein, 80%-90% of our revenue loss derived from a specified governmental act, such as confiscation, expropriation, riots, the inability to convert local currency into hard currency and, in certain cases, the breach of agreements. We have obtained such insurance for all of our foreign projects in operation except for the Leyte project.

Description of Our Projects

In 2003, pro forma revenues from the sale of electricity by our domestic projects were \$128.7 million, constituting 79.1% of our total pro forma revenues from the sale of electricity, and pro forma revenues from the sale of electricity by our foreign projects were \$33.9 million, constituting 20.9% of our total pro forma revenues from the sale of electricity. In 2003, our actual revenues from the sale of electricity by our domestic projects were \$43.8 million and by our foreign projects were \$34.0 million, respectively. Pro forma revenues from the sale of electricity constituted approximately 79.6% of our total pro forma revenues in 2003. As noted previously, such pro forma revenues do not include revenues generated from the Steamboat 2/3 project and Steamboat Hills project, two additional domestic projects that were acquired this year.

The financing of certain of our projects and the terms of our power purchase agreements and certain other agreements related to our operations are further described in the "Description of Certain of our Material Agreements" section.

Domestic Projects

Our projects in operation in the United States have a generating capacity of approximately 240 MW. All of our current domestic projects are located in California, Nevada and Hawaii. We also have projects under construction and enhancement in California, Nevada and Hawaii.

The Ormesa Project

The Ormesa project is located in East Mesa, Imperial Valley, California. The Ormesa project consists of six plants, OG I, OG IE, OG IH (collectively, the OG I plant), OG II, GEM 2 and GEM 3. The various OG I plants commenced commercial operations between 1987 and 1989 and the OG II plant commenced commercial operations in 1988. The GEM 2 and GEM 3 plants commenced commercial operations in April 1989. The OG plants utilize a binary system and the GEM plants utilize a flash system. The OG I plants have a generating

capacity of 35 MW; the OG II plant has a generating capacity of 17 MW; and the GEM 2 and GEM 3 plants have a generating capacity of

28 MW. However, electricity generated by the GEM 2 and GEM 3 plants is not sold under a power purchase agreement because their power is used to provide auxiliary power for wellfield operations at the Ormesa project. The Ormesa project sells its electrical output to Southern California Edison Company under two separate power purchase agreements. In certain circumstances, Southern California Edison Company or its designee has a right of first refusal to acquire the OG I and OG II plants. The Ormesa project was acquired in April 2002, and was initially re-financed with project finance debt from United Capital. It is anticipated that on or before January 31, 2005, the United Capital loan will be paid off with a portion of the proceeds from the issuance by Ormat Funding of its senior secured notes on February 13, 2004.

In connection with the power purchase agreements for the Ormesa project, Southern California Edison Company has raised an issue regarding a potential breach by the Ormesa project of such power purchase agreements as a result of the use of power from the GEM 2 and GEM 3 plants by the Ormesa project for auxiliary purposes. We are currently in negotiation with Southern California Edison Company to resolve such dispute and, in addition, combine the relevant power purchase agreements for the Ormesa project into one agreement, which would enhance our operating flexibility and would not otherwise adversely affect our operations.

The Heber Projects

The Heber 1 Project. The Heber 1 project is located in Heber, Imperial County, California. The Heber 1 project includes one power plant which commenced commercial operations in 1985, and a geothermal resources field. The plant utilizes a dual flash system and has a generating capacity of 38 MW. The Heber 1 project sells its electrical output to Southern California Edison Company under a power purchase agreement. In certain circumstances, Southern California Edison Company and its affiliated entities have a right of first refusal to acquire the power plant. Upon satisfaction of certain conditions specified in the power purchase agreement and subject to receipt of requisite approvals and negotiations between the parties, our project subsidiary will have the right to demand that Southern California Edison Company purchase the power plant. The Heber 1 project was acquired in December 2003 and was financed with project finance debt from Beal Bank in December 2003.

The Heber 2 Project. The Heber 2 project is located in Heber, Imperial County, California. The Heber 2 project includes one power plant which commenced commercial operations in 1993. The plant utilizes a binary system and has a generating capacity of 38 MW. The Heber 2 project sells its electrical output to Southern California Edison Company under a power purchase agreement. The Heber 2 project was acquired in December 2003, and was financed with project finance debt from Beal Bank in December 2003.

The Steamboat Projects

The Steamboat 1/1A Project. The Steamboat 1/1A project is located in Steamboat Hills, Washoe County, Nevada. The Steamboat 1/1A project includes two power plants which commenced commercial operations in 1986 and 1988, respectively. The Steamboat 1/1A project utilizes a binary system and has a generating capacity of 5 MW. The Steamboat 1/1A project sells its electrical output to Sierra Pacific Power Company under two separate power purchase agreements. The Steamboat 1/1A project was acquired in June 2003 using internally generated cash, and was re-financed with the proceeds from the issuance by Ormat Funding of its senior secured notes on February 13, 2004.

The Steamboat 2/3 Project. The Steamboat 2/3 project is also located in Steamboat, Washoe County, Nevada. The Steamboat 2/3 project consists of two power plants which commenced commercial operations in 1992. The Steamboat 2/3 project utilizes a binary system and has a generating capacity of 29 MW. The Steamboat 2/3 project sells its electrical output to Sierra Pacific Power Company under two separate power purchase agreements. The Steamboat 2/3 project was acquired in February 2004 using internally generated cash and was financed with the proceeds from the issuance by Ormat Funding of its senior secured notes on February 13, 2004.

The Steamboat Hills Project. The Steamboat Hills project is also located in Steamboat Hills, Washoe County, Nevada. The Steamboat Hills project is comprised of one plant and commenced

commercial operations in 1988. The Steamboat Hills project utilizes a single flash system and water cooled condenser and has a generating capacity of 7 MW, although the power purchase agreement capacity is 12.5 MW. The Steamboat Hills project sells its electrical output to Sierra Pacific Power Company pursuant to a power purchase agreement. The project, under the predecessor owner, experienced difficulties operating at full capacity, among other reasons because of a well blow-out. We intend to increase the generating capacity of the Steamboat Hills project by additional drilling and certain other capital expenditures to take full advantage of the power purchase agreement. The Steamboat Hills project was acquired in May 2004 using internally generated cash.

The Mammoth Project

The Mammoth project is located in Mammoth Lakes, California. The Mammoth project is comprised of three plants, G-1, G-2 and G-3. The G-1 plant commenced commercial operations in 1985 and the G-2 and G-3 plants commenced commercial operations in 1990. The Mammoth project utilizes a binary system and has a generating capacity of 26 MW. Our project subsidiary owns a 50% partnership interest in Mammoth-Pacific, L.P., which owns 100% of the Mammoth project. The other 50% partnership interest is owned by an unrelated third party. The Mammoth project sells its electrical output to Southern California Edison Company under three separate power purchase agreements. Under the G-1 power purchase agreement, in certain circumstances, Southern California Edison Company or its affiliates has a right of first refusal to acquire the plant. Our 50% ownership interest in the Mammoth project was acquired in December 2003 using internally generated cash and was financed with project finance debt from Beal Bank in December 2003.

The Brady Project

The Brady project is located in Churchill County, Nevada and includes the Brady plant and the Desert Peak 1 plant. The Desert Peak 1 plant is approximately 4.5 miles southeast of the Brady plant. The Brady plant commenced commercial operations in 1992 and the Desert Peak 1 plant commenced commercial operations in 1985. The Brady project has a generating capacity of 20 MW and has in the past utilized a dual flash design. In August 2002, an additional 6 MW binary unit was added to the Brady plant to generate additional power from the brine before its reinjection. The Desert Peak 1 plant utilizes a dual flash design. The Brady project sells its electrical output from the Brady plant and Desert Peak 1 plant to Sierra Pacific Power Company under a power purchase agreement. Our project subsidiary is currently evaluating the replacement of the Desert Peak 1 plant with a new plant that would be more efficient. The new plant may be constructed on the same site as the existing Desert Peak 1 plant. However, subject to the results of ongoing engineering studies and additional drilling which may indicate additional geothermal resource availability at the site of the Brady plant, our project subsidiary may instead construct a replacement plant adjacent to the Brady plant. If our project subsidiary decides to build either plant, construction would likely begin in the first quarter of 2005 and be completed in the fourth quarter of 2005, at an estimated total project cost of approximately \$10 million. The Brady project was acquired in June 2001 using internally generated cash and was re-financed with the proceeds from the issuance by Ormat Funding of its senior secured notes on February 13, 2004.

The Puna Project

The Puna project is located in the Puna district, Hawaii. The Puna plant commenced commercial operations in 1993. The Puna plant utilizes a geothermal combined cycle system, and has a generating capacity of 25 MW, although the power purchase agreement is for 30 MW. The Puna project sells its electrical output to Hawaii Electric Light Company under two power purchase agreements. Although the Puna project has significant geothermal resources, because of existing geological conditions, these resources are difficult to manage. In the past, the Puna project required extensive levels of investment mainly to address problems with the production and injection wells related to the geothermal resources. We intend to increase the output of the Puna project by upgrading the technology of the plant through the addition of Ormat Energy Converters, drilling another production well, and negotiating a new power purchase agreement for the additional generating capacity that will be

Foreign Projects

Our foreign projects in operation have a generating capacity of approximately 113 MW. Our current foreign projects are located in the Philippines, Nicaragua, Kenya and Guatemala. We also have projects under development or construction in Guatemala, China, El Salvador and Kenya.

The Leyte Project (The Philippines)

The Leyte project is located in Leyte, Philippines, on the Isle of Leyte. The Leyte project consists of 4 power plants. The Leyte plant utilizes a steam system and has a generating capacity of 49 MW. Our project subsidiary has an 80% partnership interest in Ormat-Leyte Co. Ltd., which owns 100% of the Leyte project. The remaining 20% partnership interest in Ormat-Leyte Co. Ltd. is held by two unrelated third parties. In August 1995, following a build-operate-transfer, which we refer to as BOT, international tender, Ormat Inc. (which later transferred its interest in the BOT agreement to Ormat-Leyte Co. Ltd.) entered into a BOT agreement with PNOC-Energy Development Corporation, a Philippine company wholly owned by Philippine National Oil Company, a government-owned company. Ormat-Leyte Co. Ltd. has an outstanding non-recourse loan to the Export-Import Bank of the United States, whose balance, as of March 31, 2004, is \$17.8 million. The loan is due and payable in approximately equal quarterly installments until July 2007.

The Government of The Philippines has initiated the privatization of its electricity industry. However, we cannot foresee when such privatization may be completed. If such privatization is achieved in a manner that jeopardizes PNOC-Energy Development Corporation's or its affiliate's ability to comply with their obligations under the BOT agreement, the parties are required to negotiate an amendment to the power purchase agreement. Should they fail to reach an agreement, PNOC-Energy Development Corporation has the obligation (and our project subsidiary has the right to demand PNOC-Energy Development Corporation) to buy out Ormat-Leyte Co. Ltd.'s rights in the project at a price based upon the net present value of the projected cash flow from the project during the remaining term of the BOT agreement.

The Momotombo Project (Nicaragua)

The Momotombo project is located in Momotombo, Nicaragua. The Momotombo project is comprised of one plant and a geothermal field. The plant was already in existence when we signed the concession agreement for the project in March 1999, and had commenced commercial operations in the mid-1980s utilizing a dual flash system. In 2003, an additional 6 MW binary unit was added, bringing the generating capacity to approximately 28 MW. The Momotombo project has a power purchase agreement with Empresa Distribuidora de Electricidad del Norte (DISNORTE) and Empresa Distribuidora de Electricidad del Sur (DISSUR), two corporations which own the power distribution rights in Nicaragua. Our project subsidiary, which operates the Momotombo project, has an outstanding loan from Bank Hapoalim B.M., whose outstanding balance as of March 31, 2004 was \$19.2 million.

The Olkaria III Project — Phase I (Kenya)

The Olkaria III project is located in Naivasha, Kenya. The Olkaria III project is comprised of one plant, which commenced commercial operations in August 2000, and a geothermal field. The plant currently has a generating capacity of approximately 13 MW (early generation commercial operation for Phase I). The parties contemplated the construction of Phase II (full generation commercial operation) of this project which, upon completion, would increase the generating capacity of the Olkaria III project to approximately 48 MW. A description of Phase II of this project is set forth below in "Projects under Development." Phase I of the Olkaria III project utilizes a binary system. In November 1998, following an international tender, our project subsidiary entered into a power

purchase agreement with the Kenya Power & Lighting Co. Ltd. which was further amended in July 2000 and April 2003. Our project subsidiary leases the site on which the geothermal resources and the plant facilities are located from the Kenyan government pursuant to an agreement which will expire in 2040. The Kenyan government granted our project subsidiary a license giving it exclusive rights of use and possession of the relevant geothermal resources for an initial period of 30 years, expiring in 2029, which initial period may be extended by two additional five year terms. The Kenyan Minister of Energy has the right to terminate or revoke the license in the event our project subsidiary ceases work in or under the license area during a period of six months, or has failed to comply with the terms of the license or the provisions of the law relating to geothermal resources. Our project subsidiary is obligated to pay the Kenyan government monthly fees and royalties based on

the amount of power supplied to the Kenya Power & Lighting Co. Ltd.

The Zunil Project (Guatemala)

The Zunil project is located in Zunil, Guatemala. The Zunil project is comprised of one plant which commenced commercial operations in 1999. The plant utilizes a binary system consisting of Ormat Energy Converters and has a generating capacity of 24 MW. The project is owned by Orzunil I de Electricidad, Limitada, which owns 100% of the Zunil project. Our project subsidiary owns 21% of the outstanding partnership interests of Orzunil I de Electricidad, Limitada. Another of our subsidiaries provides operation and maintenance services to the project. The Zunil project sells its generating capacity to Instituto Nacional de Electrificación pursuant to a power supply agreement. As of the date of this prospectus, Orzunil I de Electricidad, Limitada has two senior outstanding non-recourse loans, one from International Finance Corporation (IFC) and the other from the Commonwealth Development Corporation (CDC), the aggregate total balance of which was, as of March 31, 2004, \$32 million. The loans are due and payable in quarterly installments until November 2011. Each of IFC and the CDC owns 14% of the issued and outstanding partnership interests of Orzunil I de Electricidad, Limitada.

Projects under Construction

We are in varying stages of development and construction of projects, both domestic and foreign. Based on our current construction schedule, we expect to have an additional generating capacity of approximately 49 MW in the United States by the end of 2006 and approximately 20 additional MW in Guatemala by June 2006.

The Desert Peak 2 Project

Our project subsidiary is currently constructing the Desert Peak 2 project in Churchill County, Nevada (near the Brady project). The Desert Peak 2 project is expected to have a generating capacity of up to 15 MW and will utilize our Ormat Energy Converters. The electrical output from the project will be sold, and renewable energy and environmental credits will be transferred to Nevada Power Company under a power purchase agreement that has a 20-year term commencing from the January 1 following the commercial operation date of such power plant. The Desert Peak 2 project is expected to be completed in early 2006.

The Amatitlan Project (Guatemala)

Our project subsidiary is currently constructing a geothermal power plant in Amatitlan, Guatemala on a "build, own and operate" or "BOO" basis. The project is comprised of one power plant, and has obtained the rights to various geothermal production and reinjection wells. The Amatitlan plant will use our Ormat Energy Converters.

The term of the power purchase agreement for the Amatitlan project is 20 years from the date of the commencement of operations at the power plant or 23 years from the date of commencement of the construction works, whichever is later. During a period of two years after the completion of the construction of the power plant, and subject to the signing of an additional agreement with Instituto

Nacional de Electrificación and the result of a feasibility test, our project subsidiary may increase the power generating capacity of the power plant to 50 MW by drilling additional wells. We anticipate that the Amatitlan project will be completed in 2006.

The Galena Project

Our project subsidiary is in the process of replacing the equipment currently used in the Steamboat 1/1A project with new upgraded equipment. Our project subsidiary will augment the operation of the Steamboat 1/1A project with additional geothermal resources extracted from the Steamboat 2/3 project's leases that will be diverted for use by Steamboat 1/1A project. After such upgrade, we will rename the Steamboat 1/1A project as the Galena project. We believe that this upgrade will allow the Galena project to obtain a generating capacity of 20 MW (adding an incremental 13 MW to the existing Steamboat complex). We anticipate that the Galena project will achieve commercial operations by the end of 2005 and that the project will sell its electrical output and transfer its renewable energy credits to Sierra Pacific Power Company under a power purchase agreement that has a 20-year term commencing from the January 1 following the commercial operation date of such power plant. Our project subsidiary is coordinating the transition from the Steamboat 1/1A project to the Galena project with Sierra Pacific Power Company. We intend to replace the existing equipment at the Steamboat 1/1A project with current Ormat technology, which we believe will optimize the geothermal resources available.

Enhancement of Operating Projects

We are currently pursuing the addition of Ormat Energy Converters for the Heber 1 and Heber 2 projects, the drilling of additional wells with respect to the Heber 2 project, and other enhancement activities for the Heber 1 and Heber 2 projects. We believe that these enhancements could increase the generating capacity of the Heber 1 and the Heber 2 projects collectively by 18 MW, and are currently in discussion with Southern California Edison Company regarding these proposed enhancements. We are also in the early engineering stages of an enhancement program for the Mammoth, Steamboat Hills and Puna projects, which we believe could increase the generating capacity of each of these facilities by 4 MW, 7 MW and 9 MW, respectively.

Projects under Development

We also have projects under development in the United States, China, El Salvador and Kenya. In certain cases we have obtained concession agreements and/or financing commitments, and in other cases, the projects are in early development stages. We expect to continue to explore these and other opportunities for expansion so long as they continue to meet our business objectives and investment criteria.

The Desert Peak 3 Project

In the United States, the Desert Peak 3 project is currently under development and is expected to have a generating capacity of 10 MW. Our project subsidiary will sell electrical output from the plant, and transfer the renewable energy and environmental credits, to Nevada Power Company under a power purchase agreement that has a 20-year term from the January 1 following the commercial operation date of the plant and which was signed as part of Nevada Power Company's efforts to comply with Nevada's renewable portfolio standards.

The Yunnan Project (China)

OrYunnan Geothermal Co., Ltd., which is a joint venture established between our project subsidiary and Yuan Province Geothermal Development Co., Ltd., owns exclusive rights to develop all of the geothermal resources in Teng Chong County, Baoshan City, in Yunnan Province, southwest China. Our project subsidiary owns 85% of the interests in OrYunnan Geothermal Co. Ltd., which owns all of the ownership interests in the Yunnan project. The area of the geothermal concession is

approximately 65 square miles and it is located approximately 200 miles southwest of Kunming, the provincial capital of Yunnan, approximately 40 miles from the border with Myanmar. We estimate the potential of the geothermal resources in the concession area to be between 150 to 200 MW. Initially, our project subsidiary and its partner intend to develop a geothermal field and construct a power plant with a generating capacity of approximately 48 MW, which we estimate will require a capital investment of approximately CNY 940,000,000 (approximately \$112.8 million calculated at the prevailing exchange rate as at June 30, 2004). As of the date hereof, our project subsidiary is awaiting completion of the Chinese central government approval procedures, following which negotiations with the provincial utility company towards the signing of a power purchase agreement can conclude. On May 29, 2002, our project subsidiary entered into a memorandum of understanding regarding the main terms of the power purchase agreement and other major project agreements with Yunan Electric Power Co., Ltd., a state-owned utility company, concerning the purchase of electric power by the utility company from our project subsidiary on a 30-year basis and the related interconnection arrangements. The MOU estimates that the commercial operation date of the plant is to be January 1, 2006. However, we have been in the development stage of the OrYunnan Project for several years and there is no assurance that this date will not have to be extended.

The San Vicente/Chanameca Project (El Salvador)

The San Vicente project and the Chanameca project in El Salvador are in the early development stage. Our project subsidiary has a concession over the relevant geothermal field and is in the process of evaluating the geothermal resources covered by the concession.

The Olkaria III Project — Phase II (Kenya)

As previously noted, our project subsidiary and Kenya Power & Lighting Co. Ltd. contemplated the construction of Phase II of the Olkaria III project. As of the date hereof, our project subsidiary has drilled the wells and commenced preliminary construction activities but has not begun any material construction activities with respect to Phase II. We halted our construction activities due to uncertainty relating to the form of

government support that would be provided for the project and the related collateral package, both of which are pre-conditions for the financing of such Phase II. Our project subsidiary has recently engaged in discussions with the Kenyan government and Kenya Power & Lighting Co. Ltd., as facilitated by the Multilateral Investment Guarantee Agency in connection with such matters. Pursuant to the power purchase agreement, our obligation to construct Phase II is contingent upon Kenya Power & Lighting Co. Ltd. providing to us (1) a letter of support from the Kenyan Government and (2) a certain deposit by April 17, 2004, a deadline which was not met. We currently have until April 17, 2005 to notify Kenya Power & Lighting Co. Ltd. whether we will proceed to construct Phase II of the Olkaria III project, in which case the current power purchase agreement with respect to Phase I will remain valid until 2020. If we notify Kenya Power & Lighting Co. Ltd. that we will not proceed, then the portion of the current power purchase agreement applicable to Phase II of the Olkaria III project will be terminated (but the current portion applicable to Phase I will be unaffected). If we fail to make such notification that we will not proceed, we will be required to construct Phase II and reach commercial operations by May 31, 2007 in order to avoid the application of financial penalties, or at the latest by April 17, 2008 in order to avoid termination of the entire power purchase agreement. In recent discussions, our project subsidiary has requested that certain adjustments be made to the power purchase agreement which, if implemented, would extend the period during which the option to decide to pursue the construction of Phase II can be exercised.

Geothermal Assets for Future Development in the United States

We have various geothermal leases for future development in the United States. These geothermal leases include the Meyberg lease near Steamboat, Nevada, the Newberry lease in Oregon, the Rhyolite Plateau lease near Mammoth, various leases for future development in Puna and various other leases for development in Nevada.

Operations of our Products Segment

Power Units for Geothermal Power Plants. We design, manufacture and sell power units for geothermal electricity generation, which we refer to as Ormat Energy Converters or OECs. Our

customers include contractors and geothermal plant owners and operators. Recently, one of our 1.8 MW power units was installed at Oserian Farm in Kenya, where farmers grow flowers for export.

The consideration for the power units is usually paid in installments, in accordance with milestones set in the supply agreement. Sometimes we agree to provide the purchaser with spare parts (or alternatively, with a non-exclusive license to manufacture such parts). We provide the purchaser with at least a 12-month warranty for such products. We usually also provide the purchaser (often, upon receipt of advances made by the purchaser) with a guarantee, which expires in part upon delivery of the equipment to the site and fully expires at the termination of the warranty period.

Power Units for Recovered Energy-Based Power Generation. We design, manufacture and sell power units used to generate electricity from recovered energy or so-called "waste heat" that is generated as a residual by-product of gas turbine-driven compressor stations and a variety of industrial processes such as cement manufacturing, and is not otherwise used for any purpose. Our existing and target customers include interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators, and other companies engaged in other energy-intensive industrial processes. We view the recovered energy generation as a significant market opportunity for us, and we utilize two different business models in connection with such business opportunity. The first, which is similar to the one utilized in our geothermal power generation business, consists of the development, construction, ownership and operation of the recovered energy-based generation power plant. In this case, we enter into agreements to purchase industrial waste heat, and into long-term power purchase agreements with offtakers to sell the electricity generated by the recovered energy generation unit that utilizes such industrial waste heat. We expect that the power purchasers in such cases will be investor owned electric utilities or local electrical cooperatives.

Pursuant to the second business model, we construct and sell the power units for recovered energy-based power generation to third parties for use in "inside-the-fence" installations or otherwise. Our customers include gas processing plant owners and operators, cement plant owners and operators and companies in the process industry. Our Neptune recovered energy project is an example of such a model. We have installed one of our recovered energy-based generation units at Enterprise Product's Neptune gas processing plant in Louisiana. The

unit utilizes exhaust gas from two gas turbines at the plant and is providing electrical power that is consumed internally by the facility (although a portion of the generated electricity is also sold to the local electric utility). Our Basin Electric/NBPL recovered generation project is another example of this model. We will supply four 5 MW recovered energy generation units which will be used by Basin Electric, the largest generation cooperative in the United States.

Our recovered energy generation units qualify as Qualifying Facilities for regulatory purposes and, if structured properly, may also be eligible for favorable tax treatment such as the seven year modified accelerated cost recovery under relevant U.S. federal tax rules.

Remote Power Units and other Generators. We design, manufacture and sell fossil fuel powered turbo-generators with a capacity ranging between 200 watts and 5,000 watts, which operate unattended in extreme climate conditions, whether hot or cold. The remote power units supply energy for remote and unmanned installations and along communications lines and cathodic protection along gas and oil pipelines. Our customers include contractors installing gas pipelines in remote areas. In addition, we manufacture and sell generators for various other uses, including heavy duty direct current generators. Our remote power units were recently installed on a Pemex pipeline in Mexico. The terms of sale of the turbo-generators are similar to those for the power units produced for power plants.

Engineering, Procurement and Construction of Power Plants. We engineer, procure and construct (EPC), as an EPC contractor, geothermal and recovered energy power plants on a turnkey basis, using power units we design and manufacture. Our customers are geothermal power plant owners as well as the same customers described above that we target for the sale of our power units for recovered energy-based power generation. Unlike many other companies that provide EPC services, we have an advantage in that we are using our own manufactured equipment and thus have better control over

the timing and delivery of required equipment and its costs. Recent examples of our construction activities include the design and construction of the Mokai and Wairakei geothermal power plants in New Zealand.

The consideration for such services is usually paid in installments, in accordance with milestones set in the EPC contract and related documents. We usually provide performance guarantees or letters of credit securing our obligations under the contract. Upon delivery of the plant to its owner, such guarantees are replaced with a warranty guarantee, usually for a period ranging from 12 months to 36 months. The EPC contract usually places a cap on our liabilities for failure to meet our obligations thereunder. For example, our subsidiary, Ormat Pacific, Inc., is currently acting as EPC contractor for two geothermal projects in New Zealand owned by Contact Energy Limited and Tuaropaki Power Company Limited, respectively. Ormat Industries has guaranteed Ormat Pacific, Inc.'s obligations under both agreements. Ormat Systems will supply the equipment and products necessary for the construction and operation of these power plants.

We also design and construct the recovered energy generation units on a turnkey basis, and may provide a long-term agreement to supply non-routine maintenance for such units. Our customers constitute interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators and companies engaged in the process industry.

Operation and Maintenance of Power Plants. We provide operation and maintenance services for geothermal power plants owned by us and by third parties. For example, we provide operations and management services to the Orzunil project in Guatemala, in which we have a minority ownership interest.

Our manufacturing operations and products are certified ISO 9001, ISO 14001, ASME and TÜV and we are an approved supplier to many electric utilities around the world.

Our Technology

Our proprietary technology covers power plants operating according to the Organic Rankine Cycle only or in combination with the Steam Rankine Cycle and Brayton Cycle, as well as integration of power plants with energy sources such as geothermal, recovered energy, biomass, solar energy and fossil fuels. Specifically, our technology involves original designs of turbines, pumps, and heat exchangers, as well as formulation of organic motive fluids. All of our motive fluids are non-ozone-depleting substances. Using advanced computerized fluid dynamics and other CAD software as well as our test facilities, we continuously seek to improve power plant components, reduce operations and maintenance costs, and increase the range of our equipment and applications.

In particular, we are examining ways to increase the output of our plants by utilizing evaporative cooling, cold reinjection, performance simulation programs, and topping turbines. In the geothermal as well as the recovered energy (waste heat) area, we are examining two-level recovered energy systems and new motive fluids.

We also construct combined cycle geothermal plants where the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant which produces additional power.

In the conversion of geothermal energy into electricity, our technology has a number of advantages compared with conventional geothermal steam turbine plants. A conventional geothermal steam turbine plant consumes significant quantities of water, causing depletion of the aquifer, and also requires cooling water treatment with chemicals and thus a need for the disposition of such chemicals. A conventional geothermal steam turbine plant also creates a significant visual impact in the form of an emitted plume from the cooling tower during cold weather. By contrast, our binary and combined cycle geothermal power plants have a low profile with minimum visual impact and do not emit a plume when they use air cooled condensers. Our binary and combined cycle geothermal power plants reinject all of the geothermal fluids utilized in the respective processes into the geothermal reservoir. Consequently, such processes generally have no emissions. Accidental or fugitive emissions (that result from minor leaks) of motive fluids are within the limits defined by federal, state and local regulatory standards.

Other advantages of our technology include simplicity of operation and easy maintenance, low RPM, temperature and pressure in the Ormat Energy Converter, a high efficiency turbine and the fact that there is no contact between the turbine itself and often corrosive geothermal fluids.

We use the same elements of our technology in our recovered energy products. The heat source could be exhaust gases from a simple cycle gas turbine, low pressure steam or medium temperature liquid found in the process industry. In most cases we attach an additional heat exchanger in which we circulate thermal oil to transfer the heat into the Ormat Energy Converter's own vaporizer in order to provide greater operational flexibility and control. Once this stage of each recovery is completed, the rest of the operation is identical to the Ormat Energy Converter used in our geothermal power plants. The same advantages using the Organic Rankine Cycle apply here as well. In addition, our technology allows for better load following than a conventional steam turbine can exhibit, requires no water treatment as it is air cooled, and does not require the continuous presence of a steam licensed operator on site.

More than 70 valid United States patents (and about 10 pending patents) cover our products (mainly power units based on Organic Rankine Cycle) and systems (mainly geothermal power plants and industrial waste heat recovery for electricity production). The systems-related patents cover not only a particular component but rather the overall effectiveness of the plant's systems from the "fuel" (i.e., geothermal fluid, waste heat, biomass or solar) to generated electricity.

The products-related patents cover components such as turbines, heat exchanges, seals and controls. The system patents cover subjects such as disposal of non-condensable gases present in geothermal fluids, power plants for very high pressure geothermal resources and use of two-phase fluids. A number of patents cover the combined cycle geothermal power plants where the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant which produces additional power.

We are also involved in developing new technology to extract heat from the earth by circulating fluid through an enhanced or man-made reservoir created in naturally low permeable or water-poor rocks. We are undertaking this development in cooperation with GeothermEx Inc., the University of Utah, Energy & Geoscience Institute, the University of Nevada-Reno and the Great Basin Center for Geothermal Energy, with funding support from the United States Department of Energy.

Competition

The power generation industry is characterized by intense competition from electric utilities, other power producers, and marketers. In recent years, the United States in particular has seen increasing competition in power sales, in part due to excess capacity in a number of U.S. markets and an emphasis on short-term markets, and competition has contributed to a reduction in electricity prices. There is also increasing competition between electric utilities, particularly in California where the California Public Utilities Commission has launched an initiative designed to give all electric consumers the ability to choose between competing suppliers of electricity.

In the geothermal power generation sector, our main competitors in the United States are CalEnergy, Calpine and Caithness. Some of these companies are also active outside of the United States. Outside of the United States, aside from these companies, we have not recently encountered competition from any private sector geothermal power developer, but may face competition from national electric utilities or state-owned oil companies.

In the products segment of our business, our main competitors are Mitsubishi, Fuji and Toshiba of Japan, GE/Nuevo Pignone and Ansaldo of Italy, Siemens of Germany, Alstom of France and Kaluga of Russia. In the remote power unit business, we face competition from Global Thermoelectric, as well as from manufacturers of diesel generator sets.

Siemens of Germany as well as other manufacturers of conventional steam turbines are potential competitors in the recovered energy generation business, although we believe that our recovered energy generation unit has technological and economical advantages over the Siemens/Kalina technology and the conventional steam technology.

We also compete with companies engaged in the power generation business from renewable energy sources other than geothermal energy, such as wind power, solar power and hydro-electric power.

None of our competitors competes with us in both the power generation segment and the products segment of our business.

Customers

All of our revenues from the power generation segment were derived from fully-contracted energy and/or capacity payments under long-term power purchase agreements with governmental and private utility companies. Southern California Edison Company, Hawaii Electric Light Company, PNOC-Energy Development Corporation and Sierra Pacific Power Company have accounted for 48.3%, 9.2%, 6.2% and 5.6% of our pro forma revenues, respectively, for the fiscal year ended December 31, 2003. Based on publicly available information, as of June 30, 2004, the issuer ratings of Southern California Edison Company, Sierra Pacific Power Company and Nevada Power Company (a potential power purchaser for the Desert Peak 2 and Desert Peak 3 projects) were Baa3 (under review), B1 (negative outlook) and B1 (negative outlook), respectively, from Moody's Investors Services and BBB (stable outlook), B+ (negative outlook), and B+ (negative outlook), respectively, from Standard & Poor's Ratings Services and the issuer rating of Hawaii Electric Light Company was BBB+ (stable outlook) from Standard & Poor's Ratings Services. The credit ratings of any power purchaser may decrease from time to time. There is no publicly available information with respect to the credit rating or stability of the power purchasers under the power purchase agreements for our foreign power projects.

All of our revenues from the products segment were derived from contractors or owners or operators of power plants, process companies and pipelines, including Miravalles and Mokai, which accounted for 25.8% and 24.8%, respectively, of our revenues from the sale of products in 2003.

Raw Materials

In connection with our manufacturing activities, we use raw materials such as steel and copper. We do not rely on any one supplier for the raw materials used in our manufacturing activities, as all of such raw materials are readily available.

Employees

As of July 1, 2004, we had 676 employees, of which 223 employees were in the United States, 294 employees were in Israel and 159 employees were located in other countries around the world. We expect that any future growth in the number of our employees would be mainly attributable to the purchase and/or development of new power plants.

None of our employees (other than the Momotombo project employees) are represented by a labor union, and we have never experienced any labor dispute, strike or work stoppage. We consider our relations with our employees to be satisfactory. We believe our future success will depend on our continuing ability to hire, integrate and retain qualified personnel.

We have no collective bargaining agreements with respect to our Israeli employees. However, by order of the Israeli Ministry of Labor and Welfare, the provisions of a collective bargaining agreement between the Histadrut (the General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (which includes the Industrialists Association) may apply to some of our non-managerial, finance and administrative, and sales and marketing personnel. This collective bargaining agreement principally concerns cost of living increases, length of the workday, minimum wages, insurance for work-related accidents, procedures for dismissing employees, annual and other vacation, sick pay, determination of severance pay, pension contributions and other conditions of employment. We currently provide such employees with benefits and working conditions which are at least as favorable as the conditions specified in the collective bargaining agreement.

Insurance

We maintain business interruption insurance, casualty insurance, including flood and earthquake coverage, and primary and excess liability insurance, as well as customary worker's compensation and

automobile insurance and such other insurance, if any, as is generally carried by companies engaged in similar businesses and owning similar properties in the same general areas and financed in a similar manner. To the extent any such casualty insurance covers both us and/or our projects, on the one hand, and any other person and/or plants, on the other hand, we generally have specifically designated as applicable solely to us and our projects "all risk" property insurance coverage in an amount based upon the estimated full replacement value of our projects (provided that earthquake and flood coverages may be subject to annual aggregate limits depending on the type and location of the project) and business interruption insurance in an amount that also varies from project to project.

We generally purchase insurance policies to cover our exposure to certain political risks involved in operating in developing countries. The policies are issued by entities which specialize in such policies, such as Multilateral Investment Guarantee Agency (a member of the World Bank Group). From time to time, we also examine the possibility of purchasing political risk insurance from private sector providers, such as Zurich Re, AIG and other such companies, however, to date all of our political risk insurance contracts are with the Multilateral Investment Guarantee Agency. Such insurance policies cover, in general, and subject to the limitations and restrictions contained therein, 80%-90% of our revenue loss derived from a specified governmental act, such as confiscation, expropriation, riots, the inability to convert local currency into hard currency and, in certain cases, the breach of agreements. We have obtained such insurance for all of our foreign projects in operation except for the Leyte project.

Legal Proceedings

In August 2003, Ormesa LLC agreed to enter into binding arbitration with the Imperial Irrigation District, which we refer to as IID, in connection with IID's claim that Ormesa LLC is obligated to pay scheduling and transmission charges (including those applicable to the GEM 2 and GEM 3 plants) through the effective date of relinquishment of nominated capacity for the GEM 2 and GEM 3 plants. The amount in dispute is \$529,000. Ormesa LLC contends that it is not obligated to pay the subject charges for the GEM 2 and GEM 3 plants after the January 1, 2003 effective date of the Energy Services Agreement that Ormesa LLC entered into with the IID. Settlement discussions are in progress. We believe that the dispute will be resolved in 2004 and that any outcome will not have a material impact on our operations or relationship with the IID.

As a result of our acquisition of the Steamboat 1 plant and Steamboat 1A plant, our subsidiary Steamboat Geothermal LLC has become a party to litigation pending in the Second Judicial District Court in Washoe County, Nevada with Geothermal Development Associates and Delphi Securities, Inc. In April 2002, these plaintiffs initiated a lawsuit against the former owner and operator of the Steamboat 1/1A project. The plaintiffs dispute amounts owing to them pursuant to an agreement, dated July 14, 1985, through which Geothermal Development Associates assigned all of its right, title, and interest in the subject geothermal leasehold property in exchange for a net operating royalty interest in the revenues of the Steamboat 1 plant. The plaintiffs allege damages based upon three separate theories: (1) that the actions of the former owner in developing the Steamboat 1A plant have decreased the output of the Steamboat 1 plant; (2) that general, administrative, and corporate expenses included by the former owner in the calculation of the net royalty amount were overstated for the years 2000 and 2001; and (3) that, in addition to its royalty interest in the revenues from the Steamboat 1 plant, plaintiffs are entitled to a net revenue royalty interest from the Steamboat 1A plant. The plaintiffs have asserted

in pleadings and in settlement negotiations that the sum of their claimed damages arising from these three claims is approximately \$1 million. This case was originally set for trial in September 2003, but the trial date was continued in order to allow the plaintiffs to obtain substitute counsel. Prior to the continuance of the trial date, initial evidentiary disclosures had been made, as well as some initial discovery requests. No dispositive motions are pending before the court and the trial date has not been rescheduled. We have initiated settlement discussions with plaintiff and believe that any outcome will not have a material impact on our results of operations.

From time to time, we (and our subsidiaries) are a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of our (and their) business. These actions typically seek, among other things, compensation for alleged personal injury, breach of

contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, we accrue reserves in accordance with U.S. generally accepted accounting principles. We do not believe that any of these proceedings, individually or in the aggregate, would materially and adversely affect our business, financial condition, future results and cash flows.

Regulation of the Electric Utility Industry in the United States

The following is a summary overview of the electric utility industry in the United States and applicable regulations and should not be considered a full statement of the law or all issues pertaining thereto.

PURPA

PURPA, in relevant part, exempts renewable electric generating projects that are "Qualifying Facilities" from various regulations under the FPA. There are two types of Qualifying Facilities: "Qualifying Small Power Production Facilities" and "Qualifying Cogeneration Facilities." Under PURPA and the regulations promulgated thereunder, a power production facility is a "Qualifying Small Power Production Facility" if (1) the facility produces no more than 80 MW (on a net capacity basis) or satisfies certain FERC certification and construction dates, (2) the primary energy source of the facility is biomass, waste, renewable resources, geothermal resources or any combination thereof, and at least 75% of the total energy input is from these sources, and (3) the facility is owned by a person not primarily engaged in the generation or sale of electric power (other than electric power solely from cogeneration facilities or small power production facilities) (*i. e.*, the project company cannot be controlled by, more than 50% of the equity interests of the facility may not be owned by, and more than 50% of the equity benefits cannot be received by an electric utility, an electric utility holding company or a combination thereof or their subsidiaries).

Under PURPA, Qualifying Facilities receive two primary benefits. First, PURPA exempts Qualifying Facilities, such as our domestic projects (other than the Puna project) from the definition of "electric utility company" under PUHCA, most provisions of the FPA and state laws and regulations relating to financial, organization and rate regulation of electric utilities. Second, the regulations promulgated by FERC under PURPA require, in relevant part, that electric utilities (1) purchase energy and capacity made available by Qualifying Facilities, construction of which commenced on or after November 9, 1978, at a rate based on the purchasing utility's full "avoided costs" and (2) sell supplementary, back-up, maintenance and interruptible power to Qualifying Facilities on a just and reasonable and nondiscriminatory basis. FERC's regulations define "avoided costs" as the "incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source." Utilities may also purchase power at prices other than avoided cost pursuant to negotiations as provided by FERC's regulations. Under an amendment to PURPA and PURPA regulations, FERC has also provided that utility geothermal small power production facilities (that is, geothermal small power production facilities that could be Qualifying Facilities except that they are owned by a person primarily engaged in the generation or sale of electric energy) are exempt from PUHCA but not state regulation or, if applicable, the FPA.

We expect that our domestic projects will continue to meet all of the criteria required for Qualifying Facilities under PURPA. If any of our domestic projects in which we have an interest loses its Qualifying Facility status or if amendments to PURPA are enacted that substantially reduce the benefits currently afforded Qualifying Facilities, our operations could be adversely affected. Loss of Qualifying Facility status for one of our domestic projects for having more than 50% utility ownership would make that facility a utility geothermal small power production facility. Such facilities are exempt from PUHCA but are subject to state regulation and, if

applicable, the FPA. Loss of Qualifying Facility status for any other reason would also make the facility subject to state regulation and, if applicable, the FPA. In addition, loss of Qualifying Facility status for any reason other than utility ownership would make the facility subject to PUHCA unless it has EWG status or falls within

another exemption. If a facility lost Qualifying Facility status for any reasons other than utility ownership and it was ineligible for EWG status because it made retail sales, we would face the choice between discontinuing the retail sales and filing for EWG status or becoming subject to PUHCA. At present, none of our domestic projects makes retail sales of electricity (other than to affiliates). In the unlikely event that we become a public utility holding company, which could be deemed to occur prospectively or retroactively to the date that any of our plants lost its Qualifying Facility status (assuming that that plant was neither an EWG nor a utility geothermal small power production facility), our other domestic projects could lose Qualifying Facility status because our interests in such projects could be considered to be electric utility holding company interests for purposes of the Qualifying Facility ownership requirements. This could cause all of our projects to become subject to federal and state energy regulations. In addition, a loss of Qualifying Facility status could allow the power purchaser, pursuant to the terms of the particular power purchase agreement, to cease taking and paying for electricity from the relevant project or, consistent with FERC precedent, to seek refunds of past amounts paid. This could cause the loss of some or all contract revenues, result in significant liability for refunds of past amounts paid, or otherwise impair the value of a project. If a power purchaser were to cease taking and paying for electricity or seek to obtain refunds of past amounts paid, there can be no assurance that the costs incurred in connection with the project could be recovered through sales to other purchasers or that we would have sufficient funds to make such refund payment. In addition, such a loss of status would be an event of default under the financing arrangements currently in place for some of our projects which would enable the lenders to exercise their remedies and enforce the liens on the relevant project.

In 2003, Congress proposed legislation that, among other provisions, would have had the practical effect of repealing PUHCA and shifting regulatory oversight of holding companies to FERC, and repealing the mandatory purchase requirements of PURPA. Although the 2003 legislation would not affect existing power purchase agreements for Qualifying Facilities, such legislation or other legislation (1) could repeal or amend PURPA in a manner that substantially reduces the benefits currently afforded Qualifying Facilities, or (2) could otherwise make more burdensome the requirements for the projects to maintain their status as Qualifying Facilities. In such event, operations at the projects or compliance with the terms of the power purchase agreements could be adversely affected, which in turn could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow.

PUHCA

PUHCA, in relevant part, provides that any corporation, partnership or other entity or organized group that owns, controls or holds power to vote 10% or more of the outstanding voting securities of a "public utility company" (which is defined to include an "electric utility company" or a "gas utility company") or of a company that is a "holding company" of a public utility company or public utility holding company, is subject to registration with the Securities and Exchange Commission and to regulation under PUHCA, unless exempted by a Securities and Exchange Commission rule, regulation or order. An entity may also be deemed to be a holding company if the Securities and Exchange Commission determines, after providing notice and an opportunity for a hearing, that such entity exercises a controlling influence over the management or policies of any public utility or holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that such entity be regulated as a holding company. Unless an exemption is obtained, PUHCA requires registration for a holding company of a public utility company, and requires a public utility holding company to limit its utility operations to a single integrated utility system and to divest any other operations not functionally related to the operation of the utility system. In addition, a public utility company that is a subsidiary of a registered holding company under PUHCA is subject to financial and organizational regulation, including approval by the Securities and Exchange Commission of its financing transactions.

Under current federal law, we are not subject to regulation as a holding company under PUHCA and will not be subject to such regulation as long as the plants in which we have an interest (1) are

Qualifying Facilities, (2) are "Exempt Wholesale Generators" (as defined in PUHCA) or (3) are subject to another exemption or waiver, such as status as an electric utility geothermal small power production facility.

FPA

Under the FPA, FERC has exclusive rate-making jurisdiction over wholesale sales of electricity and transmission in interstate commerce. These rates may be based on a cost of service approach or may be determined through competitive bidding or negotiation. If a project were to lose its Qualifying Facility status, the rates set forth in its power purchase agreement would have to be filed with FERC and would be subject to review by FERC under the FPA, unless the project is located in Hawaii, Alaska or the parts of Texas that are not deemed to be interstate commerce, in which case state regulations would apply. Under FERC policy, the rates under those circumstances could be no higher than the rate or price the relevant power purchaser would have paid for energy had it not been required to purchase from such project under PURPA's mandatory purchase requirements, i.e., such power purchaser's economy energy (incremental) cost during the period of non-compliance with Qualifying Facility requirements, unless the applicable power purchase agreement otherwise provides for alternative rates to apply in the event of such loss of Qualifying Facility status and FERC accepts such alternative rates.

State Regulation

Our projects in California and Nevada, by virtue of being Qualifying Facilities and because they engage in wholesale sales of electricity to public electric utilities in California and Nevada, are not subject to rate, financial and organizational regulations applicable to public electric utilities in those states. The projects each sell or will sell their electrical output to public electric utilities (either Sierra Pacific Power Company, Nevada Power Company or Southern California Edison Company) which are regulated by their respective state public utility commission. Sierra Pacific Power Company and Nevada Power Company are regulated by the Public Utility Commission of Nevada, which we refer to as NPUC. Southern California Edison Company and a small portion of Sierra Pacific Power Company in the Lake Tahoe area are regulated by the California Public Utility Commission. Since the NPUC and the CPUC regulate the retail rates through which the purchasing utilities recover their payments to our facilities from the retail electric customers of the public electric utilities under their jurisdiction, it is important for the purchasing electric utilities to obtain approval by their respective public utility commissions of their agreements with our projects. It is also important for the public electric utilities to be allowed continued recovery in their retail electric rates of the cost paid to our projects for electricity.

The NPUC has previously approved the agreements for each of our existing projects located in Nevada and has continuously allowed recovery of the costs of the electricity from those projects in the retail electric rates charged by Sierra Pacific Power Company. The NPUC, pursuant to a delegation of authority from FERC, also sets the avoided cost basis for updating the rates in several of our contracts. While we have no reason to believe that the NPUC will not continue to allow such recovery and continue to set the appropriate avoided cost rate, we cannot guarantee a specific avoided cost rate level or recovery in rates by the regulated public utility. The inability to recover the full cost of the electricity from our project by a public utility could adversely impact the ability of the public utility to pay for the electricity from a project, but such adverse treatment is unlikely given the pre-approval of the agreements. Further, we believe that federal law requires the state commissions to permit full recovery of PURPA-based wholesale rates by the purchasing utility, but we are aware of no judicial decisions in California, Nevada, or Hawaii upholding this principle.

Under Hawaii law, non-fossil generators are not public utilities. Hawaii law provides that a geothermal power producer is to negotiate the rate for its output with the public utility purchaser; if such rate cannot be determined by mutual accord, the Hawaii Public Utility Commission will set a just and reasonable rate. If a non-fossil generator in Hawaii is a Qualifying Facility, federal law applies to such Qualifying Facility and the utility is required to purchase the energy and capacity at full avoided cost.

Foreign Regulation of the Electric Utility Industry

The following is a summary overview of certain aspects of the electric industry in the foreign countries in which we have an operating geothermal power project and should not be considered a full statement of the laws in such countries or all of the issues pertaining thereto.

Nicaragua. Two recently approved laws, Law No. 272-98 and Law No. 271-98, define the structure of the new energy sector in Nicaragua. Law No. 272-98 provides for the establishment of a National Energy Commission, which we refer to as CNE, that is responsible for setting policies, strategies and objectives for such sector and approving indicative plans therefor. Law No. 271-98 formally assigned regulatory, supervisory, inspection and oversight functions to the Nicaraguan Institute of Energy, which we refer to as INE. The Nicaraguan government currently owns all of the commercial activities in the energy sector through Empresa Nacional de Electricidad (ENEL), a vertically integrated utility. The Nicaraguan energy sector has recently been restructured and partially privatized. Following such restructuring and privatization, the government has retained title and control of the transmission assets and has created the Empresa Estatal de Transmision which will be in charge of the operation of the transmission system in the country and of the new wholesale market. As part of the recent restructuring of the energy sector, most of the distribution facilities previously owned by the Nicaraguan Electricity Company, the government-owned vertically-integrated monopoly, were transferred to two companies, Empresa Distribuidora de Electricidad del Norte (DISNORTE) and Empresa Distribuidora de Electricidad del Sur (DISSUR), which in turn were privatized and acquired by an affiliate of Union Fenosa, a large Spanish utility. Following such privatization, the power purchase agreement for our Momotombo project was assigned by the Nicaraguan Electricity Company to Empresa Distribuidora de Electricidad del Norte and Empresa Distribuidora de Electricidad del Sur. A subsidiary of the Nicaraguan Electricity Company, ENTRESA, owns the transmission grid and is currently scheduled to be privatized. In addition, a National Dispatch Center was created to work with ENTRESA and provide for dispatch and wholesale market administration.

Guatemala. The General Electricity Law of 1996 created a wholesale electricity market in Guatemala and established a new regulatory framework for the electricity sector. The law created a new regulatory commission, the National Electric Energy Commission (CNEE) and a new wholesale power market administrator, the Administrator of the Wholesale Market (AMM), for the regulation and administration of such sector. The CNEE functions as an independent agency under the Ministry of Energy and Mines and is in charge of regulating the electricity law, overseeing the market and setting rates for transmission services and for electricity service to medium and small customers. All distribution companies must supply electricity to such customers pursuant to long-term contracts with electricity generators. Large customers can contract directly with electricity generators or power marketers, or buy energy in the spot market. Guatemala has approved a Law of Incentives for the Development of Renewable Energy Projects in order to promote the development of renewable energy projects in Guatemala. Such law provides certain benefits to companies utilizing renewable energy, including a 10-year corporate income tax exemption and a 10-year business tax exemption.

Kenya. Kenya's Electric Power Act of 1997 restructured the electricity sector in such country. Among other things, the Act provides for the licensing of electricity power producers and public electricity suppliers or distributors. The Kenya Power & Lighting Co. Ltd. is the only licensed public electricity supplier and has a monopoly in the transmission and distribution of electricity in the country. The Act permitted independent power producers (IPPs) to install power generators and sell electricity to Kenya Power & Lighting Co. Ltd., which is owned by various private and government entities and which purchases energy and capacity from three other IPPs in addition to our Olkaria III project. The Act also created the Electricity Regulation Board, as an independent regulator for the electricity sector. Kenya Power & Lighting Co. Ltd.'s retail electricity rates are subject to approval by the Electricity Regulation Board.

Philippines. The Philippine's Electric Power Industry Reform Act of 2001 created the Energy Regulatory Commission, which is an independent quasi-judicial regulatory body mandated to promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the restructured electricity industry. The Energy Regulatory Commission is responsible for

the enforcement of the rules and regulations governing the operations of the electricity spot market and the activities of the spot market operator and other participants, to ensure a greater supply and rational pricing of electricity. In addition, the Energy Regulatory Commission determines, fixes, and approves transmission and distribution wheeling charges and retail electricity rates for the captive market of a distribution utility through an Energy Regulatory Commission-established and enforced methodology. The Energy Regulatory Commission also monitors and takes measures to penalize abuse of market power and anti-competitive or discriminatory behavior by any electric power industry participant.

While our power generation operations produce electricity without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide, some of our projects do emit air pollutants in quantities that are subject to regulation under applicable environmental air pollution laws. Such operations typically require air permits. Especially critical to our geothermal operations are those permits and standards applicable to the construction and operation of geothermal wells and brine reinjection wells. In the United States, injection wells are regulated under the federal Safe Drinking Water Act Underground Injection Control, which we refer to as UIC, program. Our injection wells typically fall into UIC Class V, one of the least regulated categories, because fluids are reinjected to enhance utilization of the geothermal resource. Our projects are required to comply with numerous domestic and foreign federal, regional, state and local statutory and regulatory environmental standards and to maintain numerous environmental permits and governmental approvals required for their operation. Some of the environmental permits and governmental approvals that have been issued to the projects contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. As of the date hereof, we are in material compliance with all such material permits and approvals.

As of the date of this prospectus, all of the material permits and approvals required to construct or operate our projects have been obtained and are currently valid, except for the fact that certain permits for some of the projects are held in the name of predecessor owners and must be transferred or reissued to the correct entity. We believe such transfer and reissuance will occur in the ordinary course.

Environmental Laws and Regulations

Geothermal operations can produce significant quantities of brine and scale, which builds up on metal surfaces in our equipment with which the brine comes into contact. These waste materials, most of which are currently reinjected into the subsurface, can contain various concentrations of hazardous materials, including arsenic, lead, and naturally occurring radioactive materials. We also use various substances, including isobutene, isopentane, and industrial lubricants, that could become potential contaminants and are generally flammable. Hazardous materials are also used and generated in connection with our equipment manufacturing operations in Israel. As a result, our projects are subject to numerous domestic and foreign federal, state and local statutory and regulatory standards relating to the use, storage, fugitive emissions and disposal of hazardous substances. The cost of any remediation activities in connection with a spill or other release of such contaminants could be significant.

Although we are not aware of any mismanagement of these materials, including any mismanagement prior to the acquisition of some of our projects that may have impacted any of the project sites, any disposal or release of these materials onto project sites, other than by means of permitted injection wells, could result in material cleanup requirements or other responsive obligations under applicable environmental laws. We believe that there may have at one time been a gas station located on the Mammoth project site (which we lease), but because of significant surface disturbance and construction since that time further physical evaluation of the former gas station site has been impractical. We believe that, given the subsequent surface disturbance and construction activity in the vicinity of the suspected location of the service station, it is likely that the former facilities and any associated underground storage tanks would have already been encountered if they still existed.

Properties

Our corporate offices are at 980 Greg Street, Sparks, Nevada 89431. We also occupy an approximately 66,000 square meter office and manufacturing facility located in the industrial park of Yavne, Israel, which we sublease from Ormat Industries. See "Certain Relationships and Related Transactions." We also lease small offices in each of the countries we operate.

We believe that our current facilities are adequate for our operations as currently conducted. If additional facilities are required, we believe that we could obtain additional facilities at commercially reasonable prices.

Each of our plants is located on property that we lease or own, or property subject to a concession agreement. See "Business — Our Projects."

MANAGEMENT

The following table sets forth the name, age and positions of our directors, executive officers, persons who are executive officers of certain of our subsidiaries who perform policy making functions for us, and our significant employees:

Name	Age	Position
Lucien Bronicki	69	Chairman of the Board of Directors; Chief Technology Officer
Yehudit "Dita" Bronicki	62	Chief Executive Officer; Director
Yoram Bronicki	37	Chief Operating Officer—North America
Lisa Kidron	40	Chief Financial Officer, Ormat Systems *
Nadav Amir	54	Executive Vice President—Engineering, Ormat Systems *
Hezy Ram	54	Executive Vice President—Business Development, Ormat Nevada †
Joseph Shiloah	58	Executive Vice President—Marketing and Sales, Ormat Systems *
Aaron Choresh	58	Vice President—Operations and Product Support, Ormat Systems *
Zvi Krieger	49	Vice President—Geothermal Engineering, Ormat Systems *
Zvi Reiss	53	Vice President—Project Management, Ormat Systems *
Etty Rosner	48	Vice President—Contract Administrator; Corporate Secretary *
Connie Stechman	48	Vice President—Controller; Director

Significant Employees:

Shimon Hatzir	42	Vice President—Electrical and Conceptual Engineering, Ormat Systems *
Ran Raviv	36	Vice President—Business Development, Ormat Nevada †
Ohad Zimron	49	Vice President—Product Engineering, Ormat Systems *
Uzi Albert	52	Manager—Logistics and Production, Ormat Systems *

* Performs the functions described in the table, but is employed by Ormat Systems.

† Performs the functions described in the table, but is employed by Ormat Nevada.

Lucien Bronicki . Lucien Bronicki is the Chairman of our board of directors, a position he has held since our inception in 1994, and is also our Chief Technology Officer, effective as of July 1, 2004. Mr. Bronicki co-founded Ormat Turbines Ltd. in 1965 and is the Chairman of the board of directors of Ormat Industries, the publicly-traded successor to Ormat Turbines Ltd., and various of its subsidiaries. Since 1992, Mr. Bronicki has also been the Chairman of the board of directors of Bet Shemesh Engines, a manufacturer of jet engines, and of OPTI Canada Inc. Mr. Bronicki is also the Chairman of the board of directors of Orad Hi-Tec Systems Ltd., a manufacturer of image processing systems, and was the Co-Chairman of Orbotech Ltd., a NASDAQ-listed manufacturer of equipment for inspecting and imaging circuit boards and display panels. Mr. Bronicki has worked in the power industry since 1958. He is a member of the Executive Council of the Weizmann Institute of Science and chairs the Israeli Committee of the World Energy Council. Yehudit Bronicki and Lucien Bronicki are married. Mr. Bronicki obtained a postgraduate degree in Nuclear Engineering from Conservatoire National des Arts et Metiers in 1958 and a Master of Science Degree in Physics from Universite de Paris in 1958 and a Master of Science in Mechanical Engineering from Ecole Nationale Supérieure d'Ingenieurs Arts et Metiers in 1957.

Yehudit "Dita" Bronicki . Yehudit "Dita" Bronicki is our Chief Executive Officer, effective as of July 1,

2004, and is also a member of our board of directors, our President and our Secretary, positions she has held since our inception in 1994. Mrs. Bronicki is also the President of Ormat Systems, effective as of July 1, 2004. Mrs. Bronicki was also a co-founder of Ormat Turbines Ltd. and

is a member of the board of directors and the General Manager (a CEO-equivalent position) of Ormat Industries, the publicly-traded successor to Ormat Turbines Ltd., and various of its subsidiaries. Since 1992, Mrs. Bronicki has also been a director of Bet Shemesh Engines. Mrs. Bronicki is also a member of the board of directors of OPTI Canada Inc., and of Orbotech Ltd., a NASDAQ-listed manufacturer of equipment for inspecting and imaging circuit boards and display panels. From 1994 to 2001, Mrs. Bronicki was on the Advisory Board of the Bank of Israel. Mrs. Bronicki has worked in the power industry since 1965. Yehudit Bronicki and Lucien Bronicki are married. Mrs. Bronicki obtained a Bachelor of Arts in Social Sciences from Hebrew University in 1965.

Yoram Bronicki . Yoram Bronicki is our Chief Operating Officer, effective as of July 1, 2004. Mr. Bronicki is also a member of the board of directors of Ormat Industries, a position he has held since 2001. From 2001 to 2004, Mr. Bronicki was Vice President of OPTI Canada Inc., from 1999 to 2001, he was Project Manager of Ormat Industries and Ormat International, from 1996 to 1999, he was Project Manager of Ormat Industries, and from 1995 to 1996, he was Project Engineer of Ormat Industries. Mr. Bronicki is the son of Lucien and Yehudit Bronicki. Mr. Bronicki obtained a Bachelor of Science in Mechanical Engineering from Tel Aviv University in 1989 and a Certificate from the Technion Institute of Management Senior Executives Program.

Lisa Kidron . Lisa Kidron performs the function of our Chief Financial Officer and is the Chief Financial Officer of Ormat Systems, effective as of July 1, 2004. Ms. Kidron is also the Chief Financial Officer of Ormat Industries, a position she has held since 2002. From 2000 to 2002, Ms. Kidron was Chief Financial Officer at MUL-T-LOCK Ltd. and from 1999 to 2000, Ms. Kidron was Chief Financial Officer at MUL-T-LOCK Technologies Ltd. Ms. Kidron served as a director on the boards of various subsidiaries within the MUL-T-LOCK group from 1999 to 2002. Until 1999, Ms. Kidron was a senior manager in the accounting firm Kost-Forrer & Gabai (Ernst & Young, Global Services). Ms. Kidron obtained an L.L.M. Degree in Law from Bar-Ilan University in 2002, a Bachelor of Arts in Accounting from Tel Aviv University in 1994, a Masters of Science in Industrial Engineering from Ben Gurion University in 1987 and a Bachelor of Science in Computer Science and Mathematics from Rutgers University in 1985.

Nadav Amir . Nadav Amir performs the function of our Executive Vice President of Engineering, and is the Executive Vice President of Engineering of Ormat Systems, effective as of July 1, 2004. From 2001 through June 30, 2004, Mr. Amir was Executive Vice President of Engineering of Ormat Industries, from 1993 to 2001, he was Vice President of Engineering of Ormat Industries, from 1988 to 1993, he was Manager of Engineering of Ormat Industries, from 1984 to 1988, he was Manager of Product Engineering of Ormat Industries, and from 1983 to 1984, he was Manager of Research and Development of Ormat Industries. Mr. Amir obtained a Bachelor of Science in Aeronautical Engineering from Technion Haifa in 1972.

Hezy Ram . Hezy Ram performs the function of our Executive Vice President of Business Development, and is the Executive Vice President of Ormat Nevada, a position he has held since January 1, 2004. From 1999 through December 31, 2003, Mr. Ram was Executive Vice President of Business Development of Ormat Industries. Mr. Ram obtained a Master of Business Administration Degree from Hebrew University in 1978, a Master of Science Degree in Mechanical Engineering from Ben Gurion University in 1977 and a Bachelor of Science in Mechanical Engineering from Ben Gurion University in 1975.

Joseph Shiloah . Joseph Shiloah performs the function of our Executive Vice President of Marketing and Sales, and is the Executive Vice President of Marketing and Sales of Ormat Systems, effective as of July 1, 2004. From 2001 through June 30, 2004, Mr. Shiloah was the Executive Vice President of Marketing and Sales at Ormat Industries, from 1989 to 2000, he was Vice President of Marketing and Sales of Ormat Industries, from 1983 to 1989, he was Vice President of Special Projects of Ormat Turbines Ltd., from 1984 to 1989, he was Operating Manager of the Solar Pond project of Solmat Systems Ltd., a subsidiary of Ormat Turbines Ltd., and from 1981 to 1983, he was Project Administrator of the Solar Pond power plant project of Ormat Turbines Ltd. and Solmat Systems Ltd. Mr. Shiloah obtained a Bachelor of Arts in Economics from Hebrew University in 1972.

Aaron Chores . Aaron Chores performs the function of our Vice President of Operations and Product Support, and is the Vice President of Operations and Product Support of Ormat Systems, effective as of July 1, 2004, and will also serve in that capacity and provide services to us upon the completion of this offering. From 1999 through June 30, 2004, Mr. Chores was the Vice President of Operations and Product Support of Ormat Industries, from 1993 to 1998, he was the Director of Operations and Product Support of Ormat Industries, from 1991 to 1992, he was Manager of Project Engineering and Product Support, and from 1989 to 1990, he was Manager of Project Engineering of Ormat Industries. Mr. Chores obtained a Bachelor of Science in Electrical Engineering from Technion Haifa in 1982.

Zvi Krieger . Zvi Krieger performs the function of our Vice President of Geothermal Engineering, and is the Vice President of Geothermal Engineering of Ormat Systems, effective as of July 1, 2004. From 2001 through June 30, 2004, Mr. Krieger was the Vice President of Geothermal Engineering of Ormat Industries. Mr. Krieger has been with Ormat Industries since 1981 and served as Application Engineer, Manager of System Engineering, Director of New Technologies Business Development and Vice President of Geothermal Engineering. Mr. Krieger obtained a Bachelor of Science in Mechanical Engineering from the Technion, Israel Institute of Technology in 1980.

Zvi Reiss . Zvi Reiss performs the function of our Executive Vice President of Project Management, and is the Executive Vice President of Project Management of Ormat Systems, effective as of July 1, 2004. From 2001 through June 30, 2004, Mr. Reiss was the Executive Vice President of Project Management of Ormat Industries, from 1995 to 2000, he was Vice President of Project Management and from 1993 to 1994 he was Director of Projects of Ormat Industries. Mr. Reiss obtained a Bachelor of Science in Mechanical Engineering from Ben Gurion University in 1975.

Etty Rosner . Etty Rosner performs the function of our Corporate Secretary, and is the Corporate Secretary of Ormat Systems, effective as of July 1, 2004. Ms. Rosner is also the Corporate Secretary of Ormat Industries, a position she has held since 1991, and Vice President of Contract Management of Ormat Industries, a position she has held since 1999. From 1991 to 1999, Ms. Rosner was Contract Administrator Manager and Corporate Secretary and from 1981 to 1991, she was the Manager of the Export Department and Office Administrative Manager. Ms. Rosner obtained a Diploma in General Management from Tel Aviv University in 1990.

Connie Stechman . Connie Stechman is a member of our board of directors and our Vice President and Controller, positions she has held since our inception in 1994. Prior to joining Ormat Technologies, Ms. Stechman worked for an international public accounting firm. Ms. Stechman is a Certified Public Accountant and obtained a Bachelor of Science in Business and Concentration Accounting from California State University, Sacramento, in 1977.

Shimon Hatzir . Shimon Hatzir performs the function of our Vice President of Electrical and Conceptual Engineering, and is the Vice President of Electrical and Conceptual Engineering of Ormat Systems, effective as of July 1, 2004. From 2002 through June 30, 2004, Mr. Hatzir was the Vice President of Electrical and Conceptual Engineering of Ormat Industries, from 1996 to 2001, he was Manager of Electrical and Conceptual Engineering of Ormat Industries, and from 1989 to 1995, he was Project Engineer in the Engineering Division. Mr. Hatzir obtained a Bachelor of Science Degree in Mechanical Engineering from Tel Aviv University in 1988.

Ran Raviv . Ran Raviv performs the function of our Vice President of Business Development, and is the Vice President of Business Development of Ormat Nevada, a position he has held since 2001. From 1994 to 1997, Mr. Raviv was a business manager at Green Land Ltd., a subsidiary of Browning Ferris Inc. of Houston, Texas. In 1993, Mr. Raviv was a management consultant at Global Present Ltd. Mr. Raviv obtained a Bachelor of Science Degree in Computer Science and Business Studies from the University of Buckingham in 1992 and a Master of Business Administration Degree from City University Business School in 1993.

Ohad Zimron . Ohad Zimron performs the function of our Vice President of Product Engineering, and is the Vice President of Product Engineering of Ormat Systems, effective as of July 1, 2004. From 1999 through June 30, 2004, Mr. Zimron was the Vice President of Product Engineering

of Ormat Industries, from 1992 to 1999, he was Manager of Product Engineering of Ormat Industries, from 1986 to 1992 he was Product Engineer of Ormat Industries, from 1984 to 1986, he was Product Support Manager of Ormat Systems Inc. and from 1981 to 1984, he was Product Engineer of Ormat Turbines Ltd. Mr. Zimron obtained a Bachelor of Science Degree in Mechanical Engineering from Ben Gurion University in 1979 and a Master of Business Administration from Bar Ilan University in 2002.

Uzi Albert . Uzi Albert performs the function of our Manager of Logistics and Production, and is the Manager of Logistics and Production of Ormat Systems, effective as of July 1, 2004. From 1998 through June 30, 1994, Mr. Albert was the Manager of Logistics and Production of Ormat Industries. Mr. Albert obtained a Diploma of Business Administration from Tel Aviv University in 1991.

Security Ownership of Certain Beneficial Owners and Management

We are a wholly owned subsidiary of Ormat Industries. Ormat Industries is an Israeli company that is publicly traded on the Tel Aviv Stock Exchange. Based on publicly available information, Lucien Bronicki, the Chairman of our board of directors, Yehudit Bronicki, our Chief Executive Officer, Yoram Bronicki, our Chief Operating Officer, and their family beneficially own 35.38%, as of June 30, 2004, of the shares of common stock of Ormat Industries.

Board Composition

Our board of directors is currently composed of three members. Before this offering is completed, we intend to increase the number of directors on our board of directors to a total of six members, including three independent directors. Also, before this offering is completed, our board of directors will be classified into three classes of directors serving staggered, three-year terms and may be removed only for cause. In addition, in order to ensure compliance with the independence requirements of the New York Stock Exchange, the composition of the board of directors may change prior to and following the offering. It is our intention to be in full and timely compliance with all applicable rules of the New York Stock Exchange and applicable laws, including with respect to the independence of our directors. We intend to rely on the "controlled company" exception to the board of directors and committee composition requirements under the rules of the New York Stock Exchange. The "controlled company" exception does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange rules which require that our audit committee be composed of at least three independent directors.

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Our board of directors currently intends to establish an audit committee, a compensation committee and a nominating and corporate governance committee, effective upon completion of this offering.

Audit Committee. The audit committee will select, on behalf of our board of directors, an independent public accounting firm to be engaged to audit our financial statements, discuss with the independent auditors their independence, review and discuss the audited financial statements with the independent auditors and management and review our compliance with legal and regulatory requirements with respect to accounting policies, internal controls and financial reporting. The audit committee will consist of three or more members, all of whom will be independent directors.

Compensation Committee. The compensation committee will review and either approve, on behalf of our board of directors, or recommend to the board of directors for approval (1) the annual salaries and other compensation of our chief executive officer and certain other executive officers and (2) individual stock and stock option grants. The compensation committee also provides recommendations with respect to our compensation policies and practices and incentive compensation plans and equity plans. The compensation committee will consist of three or more members, of which at least two will be independent directors.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee will assist our board of directors in fulfilling its responsibilities by identifying and approving individuals qualified to serve as members of our board of directors, selecting director nominees for our annual meetings of

stockholders, and developing and recommending to our board of directors corporate governance guidelines and oversight with respect to corporate governance and ethical conduct. The nominating and corporate governance committee will consist of three or more directors, of which at least one will be an independent director.

Compensation Committee Interlocks and Insider Participation

Prior to the completion of this offering, we have not had a compensation committee. Lucien Bronicki, Yehudit Bronicki and Connie Stechman served as the Chairman of our board of directors, President and Controller, respectively, during 2003. Lucien Bronicki and Yehudit Bronicki also held such positions in our parent and all of our subsidiaries and Connie Stechman also held such positions in a number of our subsidiaries during fiscal year 2003. See "Certain Relationships and Related Transactions."

Compensation of Directors

After consummation of this offering, we intend to pay our non-employee directors an annual retainer of \$ as fees related to their service on our board of directors and an additional annual retainer of \$ for each committee on which they serve as a member. Any non-employee director who also serves as chairman of the board will receive an annual retainer of \$ in lieu of the foregoing retainers.

We intend to promptly reimburse all directors for reasonable expenses incurred to attend meetings of our board of directors or committees.

Executive Compensation

The following table sets forth all compensation received during the year ended December 31, 2003, 2002 and 2001 by our named executive officers. The compensation described in this table does not include medical, group life insurance, or other benefits which are available generally to all of our salaried employees.

Summary Compensation Table

Name and Principal Position(s)	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Other Annual Compensation (\$) ⁽³⁾	Securities Underlying Options (#) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾
Yehudit Bronicki	2003	45,518	—	—	—	—
Chief Executive Officer	2002	—	—	—	—	—
	2001	—	—	—	—	—
Nadav Amir	2003	—	—	—	—	—
Executive Vice President	2002	—	—	—	—	—
—Engineering	2001	—	—	—	—	—
Hezy Ram	2003	—	—	—	—	—
Executive Vice President	2002	—	—	—	—	—
—Business Development	2001	—	—	—	—	—
Aaron Choresch	2003	—	—	—	—	—
Vice President	2002	—	—	—	—	—
—Operations and Product Support	2001	—	—	—	—	—
Zvi Reiss	2003	—	—	—	—	—
Vice President	2002	—	—	—	—	—
—Geothermal Energy	2001	—	—	—	—	—

- (1) In 2003, 2002 and 2001, in addition to these amounts, Mrs. Bronicki received \$58,438, \$100,206 and \$110,794, respectively, as salary compensation from Ormat Industries; and in 2003, 2002 and 2001, Mr. Amir received \$169,820, \$156,016 and \$166,004, respectively, Mr. Ram received \$145,495, \$110,593 and \$127,951, respectively, Mr. Choreshe received \$115,819, \$110,185 and \$95,688, respectively, and Mr. Reiss received \$135,441, \$124,970 and \$132,993, respectively, as salary compensation from Ormat Industries.
- (2) In 2002, Mr. Amir earned \$101,492, as bonus compensation from Ormat Industries; in 2003, 2002 and 2001, Mr. Ram earned \$333,242, \$128,739 and \$118,516, respectively, and Mr. Choreshe earned \$22,161, \$19,543 and \$16,592, respectively, as bonus compensation from Ormat Industries.
- (3) In 2003, 2002 and 2001, Mr. Amir received options to purchase 33,000, 33,000 and 33,000 shares of Ormat Industries' common stock, respectively, Mr. Ram received options to purchase 33,000, 33,000 and 33,000 shares of Ormat Industries' common stock, respectively, Mr. Choreshe received options to purchase 22,500, 20,000 and 20,000 shares of Ormat Industries' common stock, respectively, and Mr. Reiss received options to purchase 33,000, 33,000 and 24,750 shares of Ormat Industries' common stock, respectively.
- (4) In 2003, 2002 and 2001, Mrs. Bronicki received \$7,872, \$7,271 and \$8,000, respectively, Mr. Amir received \$6,017, \$5,561 and \$5,987, respectively, Mr. Ram received \$3,996, \$3,693 and \$3,316, respectively, Mr. Choreshe received \$3,996, \$3,693 and \$3,757, respectively, and Mr. Reiss received \$3,996, \$3,693 and \$3,757, respectively, from Ormat Industries reflecting the private use of company-leased cars.

Option Grants

We have not granted any options to any of our executive officers since our inception.

Stock Option Plans

Our board of directors intends to adopt, prior to completion of this offering, subject to approval of the shareholders, the Ormat Technologies, Inc. 2004 Incentive Compensation Plan. The plan is a

broad-based equity incentive compensation plan which will cover the employees, directors and independent contractors of Ormat Technologies. The compensation committee will have the flexibility to grant a wide range of equity-based compensation, including incentive and non-qualified stock options, tandem and free-standing stock appreciation rights, restricted and unrestricted stock, restricted and unrestricted stock units, phantom stock, cash incentives, or any combination thereof. For both equity and cash compensation awards, there may either be time-based or performance-based criteria for full vesting of the award. The awards with performance-based criteria for vesting will satisfy the requirements of Internal Revenue Code Section 162(m), where applicable.

Employment Agreements

Mrs. Bronicki is currently employed by us as our President pursuant to an employment agreement dated January 1, 2003. Such employment agreement provides for a monthly base salary of \$3,500, payable in arrears. Pursuant to the terms of Mrs. Bronicki's employment agreement, if we terminate her employment without cause, Mrs. Bronicki is entitled to receive her monthly salary for the following 90-day period. If we terminate her employment for cause, Mrs. Bronicki is not entitled to any subsequent payments. Mrs. Bronicki is also employed as President of Ormat Systems pursuant to an employment agreement that sets forth terms of employment that are generally applicable to all of Ormat Systems' staff, covering matters such as vacation, health and other benefits. Pursuant to such employment agreement, Mrs. Bronicki can be terminated for any reason subject to 30 days prior notice. No prior notice is required in the case of a termination for cause. Mrs. Bronicki's base salary at Ormat Systems is approximately \$104,000. In addition, she has the use of a company-leased car. Mrs. Bronicki is also covered by Ormat Systems' management insurance plan, to which Ormat Systems contributes a percentage of her salary, and which covers any compensation she might be entitled to receive upon termination, other than in the case of termination for cause.

We intend to enter into a new executive employment agreement with Mrs. Bronicki, effective as of July 1,

2004. Such employment agreement will provide for a salary that is yet to be determined. We expect that the employment agreement will be for a two-year term initially expiring on June 30, 2006, but subject to automatic renewal unless terminated in the manner provided in the employment agreement and that it will also include the terms described below.

Pursuant to the terms of such employment agreement, if we terminate Mrs. Bronicki's employment without cause, upon providing 30 days' prior written notice, Mrs. Bronicki will be entitled to her salary, bonus and other compensation and benefits set forth in such agreement for the unexpired portion of the term of the employment agreement. If we terminate her employment for cause, Mrs. Bronicki will not be entitled to any salary, bonus or other compensation or benefits except for accrued but unpaid salary through the last day worked prior to such termination. If Mrs. Bronicki voluntarily terminates her employment upon providing 120 days' prior written notice to us, unless we are in breach of the provisions of such agreement, Mrs. Bronicki will not be entitled to receive any salary, bonus or other compensation or benefits except for accrued but unpaid salary through the last day worked prior to such termination. If Mrs. Bronicki dies during the term of the agreement, we must pay Mrs. Bronicki's estate (1) any unpaid base salary accrued to the date of Mrs. Bronicki's death, (2) any unpaid bonus earned by Mrs. Bronicki for a completed year, and (3) a portion of the annual bonuses for the year of Mrs. Bronicki's death and payable after the end of such year but multiplied by a fraction, the numerator of which is the number of days in the year through Mrs. Bronicki's death and the denominator of which is 365. If Mrs. Bronicki becomes disabled, we may terminate her employment.

Hezy Ram is currently employed by Ormat Nevada and serves as our Executive Vice President of Business Development pursuant to an employment agreement dated January 1, 2004, which expires on December 31, 2004. Mr. Ram's employment agreement provides for an annual base salary of \$175,000. Pursuant to the terms of Mr. Ram's employment agreement, in addition to his annual salary, Mr. Ram is entitled to certain other benefits paid for by us, including, among other things, annual bonuses and medical and hospitalization insurance. Pursuant to the terms of Mr. Ram's employment agreement, if we terminate his employment without cause, Mr. Ram is entitled to receive his monthly salary for the following 90-day period. If Mr. Ram terminates his employment voluntarily, he is not entitled to

receive any subsequent payments. Mr. Ram's employment agreement also contains a one-year non-competition and non-solicitation provision.

Nadav Amir is employed by Ormat Systems and serves as our Executive Vice President of Engineering, Aaron Choresh is employed by Ormat Systems and serves as our Vice President of Operations and Product Support and Zvi Reiss is employed by Ormat Systems and serves as our Vice President of Geothermal Engineering. Each of Messrs. Amir, Choresh and Reiss is party to an employment agreement with Ormat Systems that sets forth their respective terms of employment that are generally applicable to all of Ormat Systems' staff, covering matters such as vacation, health and other benefits. Under such employment agreements, any Ormat Systems employee may be terminated for any reason subject to 30 days' prior notice. However, termination for cause does not require any prior notice. An employee that is terminated for cause is not entitled to any subsequent payments.

The actual salary and other compensation arrangements of Messrs. Amir, Choresh, and Reiss are agreed separately with each employee. Mr. Amir is entitled to a base salary of approximately \$173,750 and a guaranteed bonus for 2004 of approximately \$44,440, Mr. Choresh is entitled to a base salary of approximately \$115,600 and a guaranteed bonus for 2004 of approximately \$35,500 and Mr. Reiss is entitled to a base salary of approximately \$139,500 and a guaranteed bonus for 2004 of approximately \$44,400. Each of these individuals is also covered by Ormat Systems' management insurance plan, to which Ormat Systems contributes a percentage of such individual's salary, and which covers any compensation that such individual may be entitled to receive upon termination. In addition, each of the individuals has the benefit of the use of a company-leased car.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Loan Agreement between us and Ormat Industries

In 2003, we entered into a loan agreement with Ormat Industries. Pursuant to this loan agreement, Ormat Industries agreed to make a loan to us in one or more advances not exceeding a total aggregate amount of \$150,000,000. The proceeds of the loan are to be used to fund our general corporate activities and investments. We are required to repay the loan and accrued interest in full and in accordance with an agreed-upon repayment schedule and in any event on or prior to June 5, 2010.

Interest on the loan is calculated on the balance from the date of the receipt of each advance until the date of payment thereof at a rate per annum equal to Ormat Industries' average effective cost of funds plus 0.3% percent in U.S. dollars, which represented a rate of 7.5% for the advances made during year 2003. All computations of interest shall be made by Ormat Industries on the basis of a year consisting of 360 days. As of March 31, 2004, the outstanding balance of the loan was approximately \$150.5 million.

The loan agreement contains customary representations and warranties to Ormat Industries and also contains customary events of default and notice provisions.

The loan agreement is governed by, and interpreted and construed under the laws of Israel.

Capital Note Issued to Ormat Industries

In 2003, pursuant to the terms of a capital note, Ormat Industries converted outstanding balances owed by us to Ormat Industries into a subordinated non-interest bearing loan in an amount equal to NIS 240.0 million. We can repay the loan in full or, upon demand by Ormat Industries, we will be required to repay the loan in full, at any time after November 30, 2005. The final maturity of the loan is December 30, 2006. In accordance with the terms of such note, we will not be required to repay any amount in excess of \$50 million (using the exchange rate existing on the date of such note).

Guarantee Fee Agreement between us and Ormat Industries

In 1999, we entered into a guarantee fee agreement with Ormat Industries, pursuant to which Ormat Industries agreed to issue certain standby letters of credit and guarantees on our behalf to certain of our customers as well as guarantees with respect to our bank credit lines.

Such agreement establishes a fee, calculated quarterly, equal to 1% per annum of all amounts guaranteed or subject to an outstanding letter of credit during the relevant quarter. Such payment is due quarterly in arrears and is payable against the receipt of an invoice from Ormat Industries.

Asset Purchase Agreement between us and Ormat Industries

Pursuant to an asset purchase agreement, effective as of July 1, 2004, Ormat Industries sold and assigned to our subsidiary, Ormat Systems, certain assets and liabilities related to Ormat Industries' geothermal power plants and power units business, which is described elsewhere in this prospectus as our products business. The parties agreed to use their best efforts to assign the contracts and liabilities related to this business to Ormat Systems within 12 months from July 15, 2004, and until then, their unassigned assets are to be held in trust by Ormat Industries for Ormat Systems. As part of this transaction, Ormat Industries agreed, for so long as it holds more than 50% of the voting interest in us, not to compete or engage in any business which is in the same field of the business acquired by Ormat Systems.

As total consideration for the purchase, Ormat Systems agreed to pay Ormat Industries the amount of \$11.0 million, which consists of a cash payment and the assumption of an outstanding loan to Bank Continental and certain employment liabilities.

As part of this transaction, Ormat Systems also agreed to pay to Ormat Industries certain commissions ranging between 2.5% and 5.0% on revenues from sale orders entered into prior to July 1, 2004.

Our subsidiary, Ormat Systems, has entered into a sublease with Ormat Industries for real estate leased by Ormat Industries from the Israeli Land Administration on which our production and manufacturing facilities are located. Such sublease is effective as of July 1, 2004 and the term of such sublease is 4 years and 11 months, which term may be extended for up to 25 years (which includes the initial term) provided certain consents are obtained from the Israeli Land Administration, if necessary, and if not, the sublease term will automatically be 25 years.

Pursuant to the sublease, Ormat Systems agreed to pay rent, in advance, on a monthly basis, equal to \$52,250.00 (plus VAT) per month. Payment will be adjusted every year to reflect increases in the Israeli Consumer Price Index, but will in no event be lower than the rent paid during the previous year. Pursuant to the sublease, Ormat Systems has also agreed to pay taxes and other compulsory charges, to make other required payments, and to indemnify Ormat Industries for taxes (other than income taxes) imposed in connection with the subleased real estate.

Pursuant to the sublease, Ormat Systems agreed to certain other customary undertakings, including indemnification and insurance undertakings.

The sublease was executed in connection with the asset purchase agreement between Ormat Systems and Ormat Industries.

License Agreement between us and Ormat Industries

On July 15, 2004, our subsidiary, Ormat Systems, entered into a patents and trademarks license agreement, effective as of July 1, 2004, pursuant to which Ormat Industries granted a world-wide royalty-free license to Ormat Systems (which is exclusive with respect to the patents and certain of the trademarks) to internally copy, use, and create derivatives of certain patents and trademarks. The license survives sales and/or transfers of the patents and trademarks and Ormat Systems owns the derivatives created from the licensed patents. The term of the license agreement continues until the patents or trademarks expire or are assigned to Ormat Systems (which are intended to be assigned, subject to tax and other considerations) and the agreement may be terminated if either party becomes insolvent.

The license agreement was executed in connection with the asset purchase agreement between Ormat Systems and Ormat Industries.

Service Agreement between us and Ormat Industries

On July 15, 2004, our subsidiary, Ormat Systems, entered into a services agreement, effective as of July 1, 2004, pursuant to which Ormat Systems agreed to provide, as an independent contractor, certain corporate, financial, secretarial and administrative services to Ormat Industries. At the request of Ormat Industries, Ormat Systems may also provide certain engineering services.

Ormat Industries is required to pay \$10,000 per month for all services (other than engineering services) rendered pursuant to such services agreement plus all out-of-pocket expenses of Ormat Systems. For engineering services, Ormat Industries is required to pay a fee equal to the cost of such services plus 10.0% and all out-of-pocket expenses of Ormat Systems. On each anniversary of such services agreement, such monthly fees are adjusted in accordance with the Israeli Consumer Price Index during the previous 12-month period plus 10.0%.

The services agreement was executed in connection with the asset purchase agreement between Ormat Systems and Ormat Industries.

Reimbursement Agreement between us and Ormat Industries

On July 15, 2004, we entered into a reimbursement agreement pursuant to which we agreed to reimburse Ormat Industries for any draws made on any standby letter of credit subject to the guarantee fee agreement, dated as of January 1, 1999, between us and Ormat Industries, and any

Registration Rights Agreement between us and Ormat Industries

At or prior to the closing of this offering, we will enter into a registration rights agreement with Ormat Industries. Under this agreement, Ormat Industries may require us on one occasion to register our common stock for sale on Form S-1 under the Securities Act if we are not eligible to use Form S-3 under that Act. After we become eligible to use Form S-3, Ormat Industries may require us on unlimited occasions to register our common stock for sale on this form. In addition, we will be required to file a registration statement on Form S-3 to register for sale shares of our common stock that are or have been acquired by directors, officers and employees of Ormat Industries upon the exercise of options granted to them by Ormat Industries. Ormat Industries will also have an unlimited number of piggyback registration rights. This means that any time we register our common stock for sale, Ormat Industries may require us to include shares of our common stock held by it or its directors, officers and employees in that offering and sale. Ormat Industries will not be allowed to exercise any registration rights during the lock-up period.

We will also agree to pay all expenses that result from the registration of our common stock under the registration rights agreement, other than underwriting commissions for such shares and taxes. We have also agreed to indemnify Ormat Industries, its directors, officers and employees against liabilities that may result from their sale of our common stock, including Securities Act liabilities.

Employment Agreement

We intend to enter into an executive employment agreement with Yoram Bronicki. The terms of the employment agreement are substantially similar to those of our Chief Executive Officer. See "Management — Employment Agreements." Yoram Bronicki will be our Chief Operating Officer. The employment agreement will provide for a salary that is yet to be determined.

DESCRIPTION OF CERTAIN MATERIAL AGREEMENTS

The following is a description of certain of our material agreements relating to our projects:

Financing Agreements

Beal Bank Credit Agreement and Related Documents

On December 18, 2003, our subsidiary OrCal Geothermal, Inc. entered into a credit agreement with Beal Bank, S.S.B. pursuant to which Beal Bank made a loan to OrCal Geothermal, Inc. in the amount of \$154,500,000. The proceeds of this loan were used to fund a portion of the purchase price for the Heber 1 and Heber 2 projects and our 50% ownership interest in the Mammoth project. Such loan amortizes quarterly in amounts set forth in the credit agreement. The loan accrues at an interest rate determined on each anniversary date of the loan as the greater of 7.125%, which increases 0.50% starting December 2011, or the three-month LIBOR plus 5.125%, with the margin stepping up after a certain number of years. We have entered into cap transactions with Union Bank of California and Lehman Brothers Special Financing Inc. pursuant to which our effective interest rate is capped at 6% for the period between March 30, 2007 and March 31, 2011. The final maturity of the loan is December 18, 2019. As of March 31, 2004, the outstanding balance on the loan was \$154.5 million.

Effective January 30, 2004, Beal Bank released its security interest over our partnership interest in the Mammoth project which was subsequently included in the collateral package supporting the issuance by Ormat Funding of its 8¼% senior secured notes described below.

The loan is secured by liens over (1) all real and personal property comprising the Heber 1 project and the Heber 2 project, (2) the bank accounts into which revenues from these projects are required to be paid, and (3) all capital stock and partnership interests in OrCal Geothermal, Inc. and its subsidiaries, including the entities that own the Heber 1 project and the Heber 2 project.

The credit agreement and related documents contain various affirmative and negative covenants regarding the manner in which OrCal Geothermal, Inc. and its subsidiaries conduct their business, including their ownership, operation, and maintenance of the Heber 1 project and the Heber 2 project and the performance of their obligations and exercise of their rights under the project documents related to these projects. One such

negative covenant is that OrCal Geothermal, Inc. and its subsidiaries may not expand their geothermal fields, develop new geothermal resources, or drill new geothermal wells without the lenders' consent. In addition, OrCal Geothermal, Inc. is prohibited from paying any dividend or making any other distributions to its immediate parent, Ormat Nevada, unless certain conditions are satisfied, including debt services coverage ratios that are at or above specified levels, cash flow forecasts that do not demonstrate an inability to repay the loan as it amortizes, and the absence of defaults and events of default under the credit agreement and related documents.

The credit agreement contains customary events of default, some of which are subject to cure periods and, in some instances, materiality thresholds. The occurrence of any of such events of default would enable the lenders to enforce their liens on the collateral.

All project revenues from the Heber 1 project and the Heber 2 project are required to be deposited into a bank account over which Beal Bank has a lien. Amounts from time to time on deposit in this account are disbursed into other segregated accounts (over which Beal Bank has liens) available to pay or fund operating expenses of the Heber 1 project and the Heber 2 project, fees and expenses of the lenders and their agents, principal and interest on the loan, debt service reserve obligations, capital expenditure reserve obligations, and dividends. During the 2004 and 2005 calendar years, OrCal Geothermal, Inc. is required to use project revenues to establish and maintain a capital expenditures reserve in an amount equal to 50% of the capital expenditures reasonably anticipated to become due and payable during such years. We estimate the required amount of these reserves during these years to be between \$4.2 million and \$10.5 million. In subsequent calendar years, OrCal Geothermal, Inc. must use project revenues to maintain a capital expenditures reserve in an amount at any time that is equal to 100% of the capital expenditures reasonably anticipated to become due and payable during the next three months.

Senior Secured Notes and Related Documents

On February 13, 2004, our subsidiary Ormat Funding issued \$190,000,000 of 8¼% senior secured notes due 2020 in an offering under Rule 144A and Regulation S of the U.S. Securities Act of 1933, as amended. The proceeds of the senior secured notes were used to finance the acquisition of the Steamboat 2/3 project, refinance the acquisition of the Brady project, the Steamboat 1/1A project and the Mammoth project, provide funds for the capital expenditures associated with the upgrade of the Steamboat 1/1A project and the Galena repowering, fund a reserve account to repay a loan from United Capital Bank (the proceeds of which were previously used to refinance the acquisition of the Ormesa project), repay a portion of a certain subordinated loan from Ormat Nevada, prepay a portion of the Meyberg lease, and pay transaction expenses associated with the issuance of such notes.

The notes have a final maturity date of December 30, 2020, unless redeemed earlier. Interest on the notes is payable in arrears on June 30 and December 30 of each year, beginning June 30, 2004. The principal of the notes amortizes over time in amounts set forth in the indenture.

The notes are secured by liens over (1) the capital stock of Ormat Funding and all of the capital stock held by Ormat Funding in each of the direct and indirect subsidiaries that own the Brady project, the Steamboat 1/1A project, the Steamboat 2/3 project, and the Mammoth project, (2) with certain exceptions for unassigned leases, all real property owned or leased by Ormat Funding and all of its direct and indirect subsidiaries that own the Brady, Steamboat 1/1A and Steamboat 2/3 projects, (3) all contractual rights under the agreements relating to the Brady, Steamboat 1/1A and Steamboat 2/3 projects (such as the power purchase agreements and all other relevant contracts) and all governmental approvals and permits relating to such projects; (4) all of Ormat Funding's revenues and all of the revenues derived from the Brady, Steamboat 1/1A and Steamboat 2/3 projects, including amounts received as distributions from the Ormesa and Mammoth projects, as well as all of Ormat Funding bank accounts and those of Ormat Funding direct and indirect subsidiaries that own the Brady, Steamboat 1/1A, Steamboat 2/3 and Mammoth projects; (5) any intercompany notes payable to Ormat Funding or any of the direct or indirect subsidiaries that own the Brady, Steamboat and Mammoth projects; (6) insurance policies covering the Brady, Steamboat 1/1A and Steamboat 2/3 projects and, to the extent of our interest therein, any insurance maintained with respect to the Mammoth project; and (7) guarantees from each of the direct and indirect subsidiaries that own the Brady, Steamboat 1/1A and Steamboat 2/3 projects.

Following the repayment of the United Capital Bank loan, which we expect will happen on or prior to January 31, 2005, or such other date as of which Ormesa LLC is no longer prohibited by the terms of the United

Capital Bank loan to grant liens on its assets, Ormat Funding and Ormesa LLC are obligated to grant similar liens over similar items of collateral in favor of the indenture trustee and collateral agent for the senior secured notes.

Ormat Funding may redeem all or a portion of the senior secured notes at our option, at any time, at a redemption price equal to the principal amount of the senior secured notes to be redeemed, plus a "make-whole" premium, accrued interest and liquidated damages, if any, to the redemption date. The make-whole premium is calculated using a discount rate equal to the interest on U.S. Treasury securities with a comparable maturity, plus 50 basis points. In no event can the sum of the redemption price for the notes being redeemed and the make-whole premium be less than 100% of the principal amount of senior secured notes to be redeemed.

Under certain circumstances, Ormat Funding must redeem a portion of the senior secured notes. If Ormat Funding has not satisfied certain conditions with respect to the Galena repowering on or prior to September 30, 2005, or Ormat Funding fails to achieve certain levels of generating capacity from the Galena repowering or from the Mammoth enhancement by March 31, 2006 or January 1, 2006, respectively, Ormat Funding will have to redeem the senior secured notes at a price equal to 101% together with accrued interest and liquidated damages, if any, to the redemption date, in an amount calculated in accordance with the indenture for the senior secured notes which cannot exceed, in the aggregate, \$20.0 million. Upon the occurrence of certain loss, eminent domain and similar events described in the indenture for the senior secured notes, Ormat Funding will have to use any

funds received in connection with such events to redeem the senior secured notes at a price equal to the principal amount of the notes scheduled to be redeemed plus accrued interest to the redemption date.

The indenture for the senior secured notes and related documents contains various affirmative and negative covenants regarding the manner in which Ormat Funding and its direct or indirect subsidiaries that own the Brady, Steamboat, Mammoth and, after the repayment of the United Capital Bank loan, Ormesa projects conduct their business, including their ownership, operation and maintenance of these projects and the performance of their obligations and exercise of their rights under the relevant project documents (such as the power purchase agreement and other relevant contracts) relating to such projects. In addition, Ormat Funding cannot make any dividend distribution to its immediate parent, Ormat Nevada, unless certain conditions are satisfied, including compliance with debt service coverage ratios and projected debt service coverage ratios that are at or above specified levels, and the absence of defaults and events of default under the indenture for the senior secured notes and related documents.

The indenture for the senior secured notes contains customary events of default, some of which are subject to cure periods and, in some instances, materiality thresholds. One such event of default is the occurrence of any change in control which, among other things, refers to a situation whereby a party other than Ormat Nevada and certain related parties becomes, in certain circumstances, the beneficial owner of 50% or more of the economic and voting interests in Ormat Funding.

Under the depositary agreement for the senior secured notes, all revenues from the projects (other than the Ormesa project, which are not required to be deposited until the United Capital Bank loan is paid off) are required to be deposited into certain bank accounts established with a collateral agent and pledged as security for payment obligations under the senior secured notes. The principal accounts so established constitute a revenue account, operating account, debt service payment account and debt service reserve account. All revenues are required to be deposited initially in the revenue account, and are then transferred in a prescribed order to pay operating expenses, to pay principal and interest on the senior secured notes, to fund the debt service reserve account, and to fund certain other accounts.

The indenture for the senior secured notes authorizes Ormat Funding to issue an unlimited aggregate principal amount of senior secured notes, subject to compliance with certain financial and other conditions set forth in the indenture. Ormat Funding may decide to issue additional senior secured notes under the indenture in the future in connection with possible financing or refinancing of additional projects.

In connection with the issuance of the senior secured notes, Ormat Funding entered into a registration rights agreement, pursuant to which it (1) undertook to file a registration statement with the Securities and Exchange Commission and offer to exchange the senior secured notes for publicly registered notes with substantially identical terms and conditions to the senior secured notes and consummate the exchange offer within 330 days from February 13, 2004; and (2) undertook to file a shelf registration statement for the resale of senior secured

notes if the exchange offer described in the foregoing clause could not be consummated within the time period prescribed in such agreement and in certain other circumstances. If Ormat Funding does not comply with these exchange or registration obligations, it will be required under certain circumstances to pay to holders of the senior secured notes liquidated damages until such obligations are satisfied.

Credit Facility Agreement (The Momotombo Project)

On September 15, 2000, our subsidiary Ormat Momotombo Power Company Ltd. entered into a credit facility agreement (as amended as of March 25, 2003) with Bank Hapoalim B.M. The loan, in an aggregate amount equal to \$26,435,000, was made pursuant to two tranches, which are used to finance up to 70% of the costs of Phases I and II of the project. Tranche one of the loan bears interest at LIBOR plus 2.375%. Tranche two of the loan bears interest at LIBOR plus 3%. As of March 31, 2004, the outstanding balance on the loan was approximately \$19.2 million. The first tranche of the loan is due by December 2009 and the final maturity of the second tranche of the loan is December 2010.

The loan is secured by liens over (1) all real and personal property comprising the Momotombo project, (2) all project revenues and the bank account into which they are required to be deposited, and (3) all of the equity interests in Ormat Momotombo Power Company Ltd.

Ormat Systems has also guaranteed the repayment of 50% of such outstanding obligations to Bank Hapoalim B.M. upon the occurrence of certain events.

Pursuant to the terms of the credit facility agreement, Ormat Momotombo Power Company Ltd. is required to repay all principal amounts disbursed under the credit facility agreement in approximately equal, successive quarterly installments.

Subject to the successful receipt of any required governmental approvals, Ormat Momotombo Power Company Ltd. may, at any time on at least 30 but not more than 60 days' prior written notice to Bank Hapoalim, prepay all or any part of the outstanding principal amount, without premium or penalty.

The credit facility agreement contains various affirmative and negative covenants regarding the manner in which Ormat Momotombo Power Company Ltd. conducts its business, including its ownership, operation and maintenance of the project and the performance of its obligations and exercise of its rights under the related project documents. Such covenants include, but are not limited to, restrictions on the ability of Ormat Momotombo Power Company Ltd. (1) to take actions which would constitute or result in any material alteration to the nature of its business or the nature and scope of the Momotombo project without Bank Hapoalim's prior written consent, (2) to consolidate, merge or consolidate its assets, (3) to modify or amend its organizational documents or its filings with the Nicaraguan Foreign Investment Committee, (4) to declare dividends or make certain payments to holders of any share capital, (5) to enter into certain leases (subject to certain exceptions contained in the credit facility agreement) or (6) to incur any additional indebtedness. Ormat Momotombo Power Company Ltd. must also maintain certain leverage and debt service coverage ratios under the terms of the credit facility agreement.

The credit facility agreement also contains certain customary events of default, some of which are subject to cure periods and/or materiality thresholds. Upon the occurrence of an event of default, Bank Hapoalim is authorized at any time or from time to time, without notice to Ormat Momotombo Power Company Ltd., to set off and to appropriate and apply any deposits (general or special) and any other indebtedness at any time held or owing by Bank Hapoalim B.M. to or for Ormat Momotombo Power Company Ltd. against and on account of the secured obligations and liabilities of Ormat Momotombo Power Company Ltd. under the credit facility agreement or any related agreement.

Eximbank Credit Agreement (The Leyte Project)

On May 13, 1996, our subsidiary Ormat-Leyte Co. Ltd. entered into a credit agreement with the Export-Import Bank of the United States, an agency of the United States, pursuant to which the Export-Import Bank made a loan to Ormat-Leyte Co. Ltd. in the amount of \$44,448,038. The credit was established as part of the overall debt financing for the construction of the Leyte project and the proceeds of the loan were used to repay in part certain short-term previous loans made by other lenders to the project owner. As of March 31, 2004, the outstanding balance on the loan was approximately \$17.8 million. The final maturity of the loan is July 2007.

The loan is secured by liens over (1) all real and personal property comprising the Leyte project, (2) the bank accounts into which revenues from the project are required to be deposited and (3) all of the equity interests in Ormat-Leyte Co. Ltd.

Pursuant to the terms of the credit agreement, Ormat-Leyte Co. Ltd. is required to repay all principal amounts disbursed under the credit agreement in approximately equal, successive quarterly installments. Ormat-Leyte Co. Ltd. is required to pay interest at a rate equal to 6.54% per annum.

Subject to providing 10 business days' prior written notice, Ormat-Leyte Co. Ltd. may from time to time prepay all or any part of the outstanding principal amount of the loan, together with accrued

interest and all other amounts due to Eximbank under the credit agreement and the related financing documents, and a prepayment premium, as provided for in the credit agreement.

The credit agreement contains various customary affirmative and negative covenants regarding the manner in which Ormat-Leyte Co. Ltd. conducts its business, including its ownership, operation and maintenance of the Leyte project and the performance of its obligations and exercise of its rights under the related project documents.

The credit agreement also contains certain customary events of default, some of which are subject to cure periods and/or materiality thresholds.

Project-related Agreements

Power Purchase Agreements For Our Nevada Projects

Our existing projects in Nevada sell, and the Galena project will sell, their electrical output to Sierra Pacific Power Company under individual power purchase agreements for each project. The Desert Peak 2 and Desert Peak 3 projects will sell their electrical output to Nevada Power Company under separate power purchase agreements. These agreements have different durations, but generally have similar terms and conditions, except as specifically noted below. We refer to our Nevada project, including our projects under development, construction or enhancement as, the Galena, Steamboat 1/1A, Steamboat 2/3, Steamboat Hills, Brady, Desert Peak 2 and Desert Peak 3 projects.

The power purchase agreements with Sierra Pacific Power Company (other than the Steamboat 1 and Galena power purchase agreements) generally provide that they may be terminated by Sierra Pacific Power Company prior to their respective expiry dates if our project subsidiaries fail to deliver energy for 180 consecutive days, so long as our project subsidiaries are not attempting to resume operations of the relevant project. In the case of the Galena, Desert Peak 2 and Desert Peak 3 power purchase agreements, early termination may occur if the required approval from the NPUC or FERC is not obtained or, in the case of the Galena power purchase agreement, after a force majeure event has occurred and continued for longer than six months (or twelve months if the force majeure event caused loss of a major component of the plant). In the case of the Steamboat 1 power purchase agreement, early termination may occur if there is a force majeure event.

Pursuant to the Steamboat 1 and Steamboat 1A power purchase agreements, our project subsidiaries are entitled to receive, on a monthly basis, energy payments equal to the short term avoided cost rates for energy in effect for the relevant billing period. Under the Brady power purchase agreement and the Steamboat 2 and Steamboat 3 power purchase agreements, our project subsidiaries are entitled to receive, on a monthly basis, energy and capacity payments. The energy payment escalates each year under the Steamboat 2, Steamboat 3 and the Brady power purchase agreements. The capacity payments under these power purchase agreements are subject to reduction if certain capacity availability percentages are not met. There is also a scheduled reduction in the capacity price that will occur in the future with respect to the Steamboat 2, Steamboat 3 and Brady power purchase agreements. In addition, under these power purchase agreements, Sierra Pacific Power Company may dispatch the Steamboat 2/3 and Brady projects up to a certain number of hours per year at a reduced energy rate.

Pursuant to the Galena, Desert Peak 2 and Desert Peak 3 power purchase agreements, our project subsidiaries are obligated to deliver energy on a continuous basis, along with dedicating all renewable energy credits and environmental credits, to Sierra Pacific Power Company. Our project subsidiaries receive an energy payment for all energy they deliver under such agreements, which payment escalates over time. In the event our project subsidiaries do not supply 95% of the amount of energy required during a certain period, they must

compensate Sierra Pacific Power Company or Nevada Power Company for its replacement costs to purchase such shortfall amount from an alternate source. In addition, if our project subsidiaries do not transfer all of our renewable energy credits associated with the project to Sierra Pacific Company or Nevada Power Company, our project subsidiaries may have to compensate for Sierra Pacific Power Company's or Nevada Power Company's replacement cost to purchase such credits from alternate sources.

Our project subsidiaries are generally relieved from their obligations under the power purchase agreements to the extent they cannot wholly or partly perform such obligations as a result of the occurrence of a force majeure event. Generally, under these power purchase agreements, such relief is contingent upon our providing Sierra Pacific Power Company or Nevada Power Company with prompt notice of the suspension of our performance and our project subsidiaries attempting to remedy the inability to perform.

Pursuant to most of the power purchase agreements, including those of the Brady, Steamboat 1A, Steamboat 2, Steamboat 3, Steamboat Hills, Desert Peak 2 and Desert Peak 3 projects, the non-availability of the geothermal resource by itself is not a force majeure event. The Brady, Steamboat 2 and Steamboat 3 power purchase agreements provide that if the project does not maintain Peak Period Capacity values of at least 85% of those listed in the contract, our relevant project subsidiary will be obligated to pay liquidated damages to Sierra Pacific Power Company in amounts ranging from \$1.0 million to \$1.5 million.

Pursuant to these power purchase agreements, our project subsidiaries have certain customary obligations to indemnify Sierra Pacific Power Company and Nevada Power Company under certain circumstances.

Pursuant to the Steamboat Hills and Steamboat 1A power purchase agreements, our project subsidiaries must provide notice of the project's availability for sale to Sierra Pacific Power Company. Under the Steamboat 2, Steamboat 3, Brady, Galena, Desert Peak 2 and Desert Peak 3 power purchase agreements, our project subsidiaries must provide Sierra Pacific Power Company or Nevada Power Company, as the case may be, with a right of first refusal for the acquisition of such projects.

Our project subsidiaries are generally required to coordinate scheduled maintenance on the plants with Sierra Pacific by providing a list of proposed maintenance operations certain months in advance. In the case of the Steamboat 1 power purchase agreement, our project subsidiary is obligated only to give notice to Sierra Pacific Power Company of scheduled maintenance outages. In the case of the Galena, Desert Peak 2 and Desert Peak 3 power purchase agreements, our project subsidiaries have an obligation to obtain Sierra Pacific Power Company's or Nevada Power Company's, as the case may be, consent for any non-forced outage and are limited to fifteen days per year for the Galena project and thirty days per year for the Desert Peak 2 and Desert Peak 3 projects.

Our project subsidiaries are required to obtain and maintain insurance coverage for our plants. Other than in the case of the Steamboat 1, Desert Peak 2, Desert Peak 3 and the Galena power purchase agreements, if our project subsidiaries fail to carry insurance, our project subsidiaries may not deliver capacity and energy to Sierra Pacific Power Company and Sierra Pacific Power Company has no obligation to accept or pay for any capacity or energy until appropriate insurance is obtained or reinstated. If any of our Desert Peak 2 or Desert Peak 3 project subsidiaries fails to maintain the requisite coverage, it must indemnify Nevada Power Company for liabilities that would have been protected against had our project subsidiary maintained such coverage.

Pursuant to the Desert Peak 2 and Desert Peak 3 power purchase agreements, our project subsidiaries are required to maintain a certain credit rating or to provide certain security as collateral in favor of Nevada Power Company. Pursuant to the Galena power purchase agreement, our project subsidiary is required to provide certain collateral as security in favor of Sierra Pacific Power Company.

Our project subsidiaries generally cannot assign the power purchase agreements without the prior written consent of Sierra Pacific Power Company or Nevada Power Company, as the case may be, although the power purchase agreements of all our project subsidiaries provide for collateral assignment for financing purposes without consent from Sierra Pacific Power Company or Nevada Power Company.

The Steamboat 1 power purchase agreement term continues until December 5, 2006 and is then automatically renewed each year unless terminated by either party; the Steamboat 1A power purchase agreement expires on December 14, 2018; the Steamboat 2 and Steamboat 3 power purchase agreements expire on December 19, 2022; the Steamboat Hills power purchase agreement expires in

February, 2018; the Brady power purchase agreement expires in July 2022; and the Galena, Desert Peak 2 and Desert Peak 3 power purchase agreements expire twenty years from the first January 1 after the commercial operation date, which we currently expect to be the end of 2005, in the case of the Galena project, and early 2006 in the case of the Desert Peak 2 and Desert Peak 3 projects.

Interconnection Arrangements For Our Nevada Projects

The Steamboat 1A plant is interconnected to Sierra Pacific Power Company's grid pursuant to the terms of a special facilities agreement. There are no material outstanding obligations under this agreement remaining to be performed by our project subsidiary. The Steamboat 1 and Steamboat Hills projects are interconnected to Sierra Pacific Power Company's grid pursuant to the terms of each project's power purchase agreement.

Our project subsidiaries also have interconnected the Steamboat 2 and Steamboat 3 plants to Sierra Pacific Power Company's grid pursuant to the terms of a special facilities agreement. Our project subsidiaries reimburse Sierra Pacific Power Company, the interconnecting utility, for costs incurred in the operation, maintenance and refurbishment of the interconnection facilities and equipment. As a part of the interconnection agreement, it was stipulated that Sierra Pacific Power Company would perform a reduced scope of work, as certain recommendations made by Sierra Pacific Power Company were not agreed to by us. As a result of the reduced scope of work performed by Sierra Pacific Power Company, our project subsidiaries agreed, under the terms of the agreement to assume certain increased risks of outages, indemnify Sierra Pacific Power Company from liability resulting from the reduced scope of work, and add certain equipment to our facilities before expanding the plants.

All of the special facilities agreements for the Steamboat 1A, Steamboat 2, and Steamboat 3 projects require our project subsidiaries to indemnify Sierra Pacific Power Company from liability arising out of the engineering, design, construction, maintenance or operation of, or the making of improvements or additions to, our facilities. However, our project subsidiaries do not have an obligation to indemnify Sierra Pacific Power Company for liability or loss to the extent such liability or loss results from Sierra Pacific Power Company's negligence or willful misconduct.

Our project subsidiary has interconnected the Brady project to Sierra Pacific Power Company's grid pursuant to the terms of the Brady power purchase agreement. Our project subsidiary has an obligation under this agreement to maintain all project property required for the receipt of energy from the interconnecting utility.

Power Purchase Agreements For Our California Projects

Our California project subsidiaries sell electricity from our Mammoth, Ormesa, Heber 1 and Heber 2 projects under seven separate power purchase agreements with Southern California Edison Company. In the case of our Mammoth project subsidiary, there are three such agreements which we refer to as the G-1, G-2 and G-3 power purchase agreements. In the case of our Ormesa project subsidiary, there are two such power purchase agreements, which we refer to as the Ormesa I and Ormesa II power purchase agreements. Each of our Heber 1 and Heber 2 project subsidiaries also has one such power purchase agreement. These agreements have different durations, but generally have the same terms and conditions, except as specifically noted below.

The G-1, G-2, G-3, Ormesa I, Ormesa II, Heber 1 and Heber 2 power purchase agreements do not terminate at their stated expiry dates unless either party gives prior written notice. The notice period is five years in the case of the G-1 power purchase agreement and 90 days in the case of the other power purchase agreements. The Heber 1 power purchase agreement may be terminated by our project subsidiary prior to its stated expiry upon making a certain payment to Southern California Edison Company.

Under all of the power purchase agreements, our project subsidiaries are entitled to receive, against performance of their obligations, capacity and energy payments on a monthly basis. The energy payments for all of our California project subsidiaries are currently set pursuant to the terms

of settlement agreements through April 2007, but beginning in May 2007 will be based on Southern California Edison Company's short run avoided cost. Under the G-3, Ormesa I, Ormesa II and Heber 1 and 2 power purchase agreements, our project subsidiaries potentially are entitled to receive capacity bonuses if the performance of the respective facilities exceed certain requisite performance requirements. Under the G-2, G-3, Ormesa I, Ormesa II and Heber 2 power purchase agreements, Southern California Edison Company may request that our project subsidiaries discontinue or reduce the delivery of energy during off-peak periods if certain economic circumstances exist.

Our project subsidiaries are entitled to perform scheduled maintenance on the respective facilities subject to certain limitations. Under the G-1 power purchase agreement, our project subsidiary has agreed to give reasonable prior written notice of its intent to perform scheduled maintenance and must use its best efforts to schedule such outages during off-peak hours. Under the G-2, G-3, Ormesa I, Ormesa II, Heber 1 and Heber 2 power purchase agreements, our project subsidiaries have agreed to give prior written notice of all scheduled outages; not to perform major overhauls during peak months; to use reasonable efforts to schedule routine maintenance during off-peak months; to cap the number of outage hours that may be taken during peak hours of peak months; and to cap the number of outage hours that may be taken during any twelve-month period.

Under the G-3, Ormesa I, Ormesa II and Heber 1 and 2 power purchase agreements, each of our project subsidiaries has an obligation to meet certain minimum performance requirements set forth in such agreements and to demonstrate its capacity on an annual basis. If one of our project subsidiaries fails to meet the performance requirements, it may be placed on probation, the capacity of the relevant plant may be permanently reduced and, in such an instance, a refund would be owed from such project subsidiary to Southern California Edison Company. If one of our project subsidiaries fails to demonstrate its capacity, the capacity of the relevant power plant may be permanently reduced and, in such case, a refund would be required to be made from such project subsidiary to Southern California Edison Company. Our project subsidiary may also reduce the capacity of the plants upon notice to Southern California Edison Company and after making a certain payment to it.

All of our project subsidiaries have an obligation pursuant to their respective power purchase agreements to indemnify Southern California Edison Company under certain circumstances.

As part of their obligations, our project subsidiaries must maintain certain insurance coverage for the relevant project. If any of our project subsidiaries fails to maintain such coverage, it must indemnify Southern California Edison Company for liabilities to the extent Southern California Edison Company would have been protected had our project subsidiary maintained such insurance coverage.

Our project subsidiaries are released from their obligations under the relevant power purchase agreement to the extent any of them cannot wholly or partly perform such obligations as a result of uncontrollable force, so long as our project subsidiary provides prompt written notice to Southern California Edison Company and attempts to remedy its inability to perform. In addition, under the G-3, Ormesa I, Ormesa II, and Heber 1 and 2 power purchase agreements, Southern California Edison Company is obligated to make capacity payments for up to 90 days during the occurrence of an uncontrollable force. Also, pursuant to the Heber 1, Ormesa I and Ormesa II power purchase agreements, an uncontrollable force that prevents operation for certain prolonged periods of time is deemed to be an abandonment of the project. An abandonment, whether due to an uncontrollable force or other specified events provides Southern California Edison Company with certain rights to purchase the relevant power plant.

All of our project subsidiaries are prohibited from assigning their respective power purchase agreements without the prior written consent of Southern California Edison Company, except that all of our project subsidiaries other than Heber 1 may assign their respective power purchase agreement in connection with the merger or a sale of substantially all of the project assets. The Ormesa II power purchase agreement may be assigned by our project subsidiary to a lender in connection with a related financing. Our Heber 1 and 2 project subsidiaries may assign their power purchase agreements without the prior written consent of Southern California Edison Company to an affiliate.

Under the Ormesa I and Ormesa II power purchase agreements, under certain circumstances, Southern California Edison Company or its designee has a right of first refusal to acquire the facility. Under the G-1 power purchase agreements, under certain circumstances, Southern California Edison Company or its subsidiary or affiliate has a right of first refusal to acquire the facility. Under the Heber 1 power purchase agreement, under certain circumstances, Southern California Edison Company or its subsidiary has a right of first refusal to acquire

the facility.

The G-1 power purchase agreement expires on February 26, 2014; the G-2 power purchase agreement expires on December 7, 2020 and the G-3 power purchase agreement expires on December 22, 2020. The Ormesa I and Ormesa II power purchase agreements expire on October 2016 and March 1, 2017, respectively. Our Heber 1 and 2 power purchase agreements expire on December 2015 and July 2023, respectively.

Interconnection Arrangements for our California Projects

Each of our project subsidiaries have entered into an interconnection facilities agreement for the Mammoth G-1, G-2 and G-3 plants with Southern California Edison Company. Each of our project subsidiaries has an obligation to operate and maintain the interconnection facilities at its own expense. Each of our project subsidiaries must indemnify the interconnecting utility from liability arising out of any fault or damage to our interconnection facilities, the interconnecting utility's transmission system or the public as a result of its operation of the G-1, G-2 and G-3 plants.

Each of our project subsidiaries interconnects the Ormesa project (for the Ormesa I and Ormesa II power purchase agreements) and Heber 1 and 2 projects to Southern California Edison Company's grid by way of transmission lines owned by the Imperial Irrigation District, which we refer to as IID. These transmission lines interconnect the Ormesa, Heber 1 and Heber 2 projects with Southern California Edison Company's transmission system and are governed by the terms of certain plant connection agreements. IID has the right to curtail the amount of electricity it carries on such transmission lines under certain circumstances. Transmission service charges are paid monthly to IID pursuant to certain transmission service agreements.

Power Purchase Agreement for the Puna Project

Our Puna project subsidiary in Hawaii sells its electrical output to Hawaii Electric Light Company under a long-term power purchase agreement.

The power purchase agreement with Hawaii Electric Light Company provides that either party may terminate the agreement if an event of force majeure occurs and is continuing for twelve consecutive months and the affected party has not taken action to cure the event.

Under the Puna power purchase agreement, our project subsidiary is entitled to receive, on a monthly basis, energy payments and capacity payments. The energy payments for a portion of the energy delivered by our project subsidiary are equal to the higher of the short term avoided cost rates for energy in effect for the relevant billing period or a fixed rate. The energy payments for a smaller portion of energy to be delivered by our project subsidiary to Hawaii Electric Light Company are equal to an amount based on a fuel rate and a variable operation and maintenance rate, as each are adjusted over the term of the agreement, but which rate will never go below a certain floor. Our project subsidiary also receives a payment for providing reactive power to Hawaii Electric Light Company. Our project subsidiary is required to make certain payments to Hawaii Electric Light Company if certain performance requirements under the Puna power purchase agreement are not met.

Our project subsidiary is not required to perform its obligations under the power purchase agreement following the occurrence of a force majeure event, upon providing Hawaii Electric Light Company with prompt notice of the suspension of our project subsidiary's performance and commencing with remedial measures. Issues with the geothermal resource by itself do not constitute a force majeure event unless our project subsidiary has taken adequate measures to try to mitigate the adverse impacts of such issues.

Our project subsidiary has an obligation to indemnify Hawaii Electric Light Company in certain circumstances. Our project subsidiary also is required to obtain and maintain insurance coverage for the power plant.

Our project subsidiary is generally required to coordinate scheduled maintenance with respect to the power plant with Hawaii Electric Light Company. Our project subsidiary has an obligation to obtain Hawaii Electric Light Company's approval in order to schedule the days each year during which a plant overhaul may be performed.

Our project subsidiary cannot assign the power purchase agreement without the prior written consent of Hawaii Electric Light Company, although our project subsidiary may assign the power purchase agreement to

lending institutions in connection with the financing of the project without the prior consent of Hawaii Electric Light Company.

The initial term of the Puna power purchase agreement is scheduled to expire on December 31, 2027 which term will continue in effect after such initial term until either party has given notice of not less than five years of its intent to terminate such power purchase agreement.

Interconnection Arrangement for the Puna Project

Our project subsidiary is interconnected to Hawaii Electric Light Company's transmission system pursuant to agreements to design and construct transmission lines and substation facilities. There are no material outstanding obligations under these agreements.

Foreign Projects

Power Purchase Agreement for the Leyte Project

The Leyte project in the Philippines sells energy and capacity to the Philippine National Power Corporation. According to the BOT agreement which was subsequently amended in February and April 1996, Ormat-Leyte Co. Ltd. is required to deliver the electricity generated at the Leyte Project to the Philippine National Power Corporation, on behalf of PNOC-Energy Development Corporation. PNOC-Energy Development Corporation agreed to supply Ormat-Leyte Co. Ltd. with the geothermal fluid necessary for operating the power plant during the entire term of the BOT agreement at no cost. Under the BOT agreement, our project subsidiary will dedicate all energy and capacity of the power plant to the purchaser, and the purchaser is obligated to purchase all of the electricity generated by the project and provide our project with capacity payments and energy fees. PNOC-Energy Development Corporation agreed to make the Leyte Power Expansion Geothermal Reservation site available exclusively to us at no cost in exchange for the construction and operation of the project. The BOT agreement expires in September 2007, at the end of which the power plant will be transferred to PNOC-Energy Development Corporation (for no further consideration).

Power Purchase Agreement for the Momotombo Project

The Momotombo project in Nicaragua sells electricity to the Nicaraguan Electricity Company. The Momotombo project has a power purchase agreement and a concession agreement with Nicaraguan Electricity Company, both of which will expire in 2014. The revenues from the Momotombo project will cease at the time the concession expires. The term of the concession may be extended for an additional period of 15 years or less with both parties' consent. There is also a provision for possible extension of the power purchase agreement, subject to both parties' consent. In 2001, Nicaraguan Electricity Company assigned the power purchase agreement to Empresa Distribuidora de Electricidad del Norte (DISNORTE) and Empresa Distribuidora de Electricidad del Sur (DISSUR), two corporations which own the power-distribution rights in Nicaragua. Under the power purchase agreement, Ormat Momotombo Power Company, our wholly owned project subsidiary that operates the project, is required to use all available geothermal steam extracted by the plant in order to generate electricity. Our project subsidiary cannot sell the electricity to any person or organization other than the power purchasers. The power purchasers are required to pay for the

electricity each month according to the amount of electricity that our project subsidiary sold or is deemed to have sold. Our project subsidiary may sell electricity to third parties if the power purchase agreement is terminated prior to the end of its term for reasons attributable to the power purchasers. However, if the price at which the electricity is sold to the third party is higher than the price fixed in the power purchase agreement, the power purchasers are entitled to 85% of such difference.

Power Purchase Agreement for the Olkaria III Project

The Olkaria III project in Kenya sells electricity to the Kenya Power & Lighting Co. Ltd. Under the power purchase agreement, the purchaser is obligated to pay the project a capacity fee and an energy fee. The term of the power purchase agreement expires in 2020 or, if Phase II of the project is constructed, 20 years from the date on which such Phase II commences commercial operation, and may be extended with both parties' consent on such terms as the parties may agree.

Power Purchase Agreement for the Zunil Project

The Zunil project in Guatemala sells electricity to Instituto Nacional de Electrificación. Pursuant to the power purchase agreement, which will expire in October 2019, the power purchaser is responsible for supplying the geothermal fluid to the plant. The power purchaser is obligated to purchase all the power generated by the plant's facilities, as converted from the geothermal fluid. The power purchaser is required to make both an energy payment and a capacity payment to the project, the rate of which is pre-determined under the power purchase agreement, regardless of whether or not the power purchaser is able to supply the geothermal fluid to the plant. Instituto Nacional de Electrificación has the option to receive, by way of allotment for no consideration, 3% of the issued share capital of Orzunil, the owner of the Zunil project. Upon termination of the power purchase agreement, Instituto Nacional de Electrificación will have the right of first refusal to acquire the power plant's assets at a price no lower than its market value. In the event that our project terminates the power purchase agreement, it will have the right to continue and operate the power plant and sell electricity to any other purchaser. Pursuant to the power purchase agreement, the purchaser is responsible, among other things, for building and maintaining transmission lines and maintaining and operating the geothermal reservoir.

Bureau of Land Management Geothermal Leases

Certain of our domestic project subsidiaries have entered into geothermal resources leases with the U.S. government, pursuant to which they have obtained the right to conduct their geothermal development and operations on federally-owned land. These leases are made pursuant to the Geothermal Steam Act of 1970, which we refer to as the Act, and the lessor under such leases is the U.S. government, acting through the U.S. Department of the Interior, Bureau of Land Management, which we refer to as the BLM.

Typically, BLM geothermal leases grant projects the exclusive right and privilege to drill for, extract, produce, remove, utilize, sell and dispose of geothermal steam and associated geothermal resources. The projects are also granted certain nonexclusive rights, which include, among others, the right to conduct within the leased area geological and geophysical exploration (in accordance with certain applicable regulations), as well as the right to construct and operate within the leased area power generating plants and certain other works and related structures and to use so much of the surface of the land as may be necessary or reasonably convenient for the production, utilization and processing of geothermal resources (subject to applicable laws and regulations). Additionally, projects are granted the right to reinject into the leased lands geothermal resources and condensates to the extent that such resources and condensates are not utilized and to the extent that such reinjection is necessary for geothermal operations.

The leases provide for a primary term of 10 years and so long thereafter as geothermal steam is being produced or utilized in commercial quantities, but cannot exceed a period of 40 years after the end of the primary term. However, if at the end of the such 40-year period geothermal steam is still being produced or utilized in commercial quantities and the applicable leased lands are not needed for

other purposes, the project will have a preferential right for a renewal of the lease for a second 40-year term, in accordance with such terms and conditions as the BLM deems appropriate. If actual drilling operations are commenced on the leased lands or under an approved plan or agreement on behalf of the leased lands prior to the end of the primary term and are being diligently prosecuted at the end of the primary term, the lease will be extended for 5 additional years and so long thereafter (but not more than 35 years) as geothermal steam is produced or utilized in commercial quantities. If at the end of such extended term, geothermal steam is still being produced or utilized in commercial quantities, the project will have the preferential right for a renewal for a second term. The leases also provide for extensions under certain other circumstances.

Under the terms of the BLM leases, projects are required to pay an annual rental fee (on a per acre basis), which escalates according to a schedule described therein, until production of geothermal steam in commercial quantities has commenced. After such production has commenced, the projects are required to pay royalties (on a monthly basis) on the amount or value of (1) steam, (2) by-products derived from production and (3) commercially de-mineralized water sold or utilized by the project (or reasonably susceptible to such sale or use).

Such BLM leases include certain covenants that require the projects to conduct their operations under the lease in a workmanlike manner and in accordance with all applicable laws and BLM directives and to take all mitigating actions required by the BLM to protect the surface of and the environment surrounding the land.

Additionally, certain leases contain additional requirements, some of which concern the mitigation or avoidance of disturbance of any antiquities, cultural values or threatened or endangered plants or animals, the payment of royalties for timber and the imposition of certain restriction on residential development on the leased land.

In the event of a default under any such BLM lease, or the failure to comply with any of the provisions of the Act or regulations issued under the Act or the terms or stipulations of the lease, the BLM may, 30 days after notice of default is provided to the relevant project, (1) suspend operations until the requested action is taken or (2) cancel the lease.

Private Geothermal Leases

Certain of our domestic project subsidiaries have entered into geothermal resources leases with private parties, pursuant to which they have obtained the right to conduct their geothermal development and operations on privately owned land.

Typically, the leases grant our project subsidiaries the exclusive right and privilege to drill for, produce, extract, take and remove from the leased land water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gases associated with oil), and other products produced or extracted by such project subsidiary. The project subsidiaries are also granted certain rights pertaining to the construction and operation of plants, structures and facilities on the leased land. Additionally, the project subsidiaries are granted the right to dispose of waste brine and other waste products as well as the right to reinject into the leased land water, brine, steam and gases in a well or wells for the purpose of maintaining or restoring pressure in the productive zones beneath the leased land or other land in the vicinity.

The leases provide for a term consisting of a primary term in the range of five to 30 years, depending on the lease, and so long thereafter as lease products are being produced or the project subsidiary is engaged in drilling, extraction, processing or reworking operations on the leased land.

As consideration under such leases, the project subsidiary must pay to the lessor a certain specified percentage of the value "at the well" (which is not attributable to the enhanced value of electricity generation) of all lease products produced, saved and sold on a monthly basis.

In addition, pursuant to the leases, the project subsidiary typically agrees to commence drilling, extraction or processing operations on the leased land within the primary term, and to conduct such operations with reasonable diligence until lease products have been found, extracted and processed in quantities deemed "paying quantities" by the project subsidiary, or until further operations would, in such project subsidiary's judgment, be unprofitable or impracticable, or the project subsidiary may at

any time within the primary term terminate the lease and surrender the relevant land. If the project subsidiary has not commenced any such operations on said land or on the unit area or terminated the lease within the primary term, the project subsidiary must pay to the lessor, annually in advance, a rental fee until operations are commenced on the leased land.

If the project subsidiary fails to pay any installment of royalty or rental when due and if such default continues for a period of 15 days after its receipt of written notice thereof from the lessor, then at the option of the lessor, the lease will terminate as to the portion or portions thereof as to which the project subsidiary is in default.

If the project subsidiary defaults in the performance of any obligations under the lease, other than a payment default, and if, for a period of 90 days after written notice is given to it by the lessor of such default, the project subsidiary fails to commence and thereafter diligently and in good faith take remedial measures to remedy such default, the lessor may terminate the lease.

PRINCIPAL STOCKHOLDERS

The following table shows information with respect to the beneficial ownership of our common stock as of June 30, 2004, and as adjusted to reflect the sale of common stock being offered in this offering, for:

- each person, or group of affiliated persons, known to us to own beneficially 5% or more of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Percentage ownership before the offering is based on 32,307,692 shares of common stock outstanding as of June 30, 2004, subject to the assumptions set forth below. Percentage ownership after the offering is based on shares of common stock outstanding immediately after the closing of this offering. Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by footnote and subject to community property laws where applicable, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are exercisable as of June 30, 2004, or will become exercisable within 60 days thereafter are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Name of Beneficial Owner	Shares of Ormat Technologies Common Stock Beneficially Owned			Shares of Ormat Industries Common Stock Beneficially Owned		Maximum Number of Shares being Sold in the Over- Allotment Option, if Any	Shares Beneficially Owned After the Offering if the Underwriters' Over- Allotment Option is Exercised in Full	
	Number of Shares	Percent in this Offering		Number	Percent		Number of Shares	Percentage Ownership
		Before Offering	After Offering					
Principal Stockholder:								
Ormat Industries Ltd. [†]	32,307,692	100%	%	—	—			
Directors and Executive Officers:								
Yehudit Bronicki [†]	—	—	%	32,269,130 ⁽¹⁾	35.38%			
Nadav, Amir [†]	—	—	%	33,000 ⁽²⁾	*			
Hezy Ram ^{††}	—	—	%	24,750 ⁽³⁾	*			
Aaron Choresh [†]	—	—	%	20,625 ⁽⁴⁾	*			
Zvi Reiss [†]	—	—	%	28,875 ⁽⁵⁾	*			
All executive officers and directors as a group (eleven (11) persons)	—	—	%	38,906,811	42.66%			
Holders of more than 5% of shares:								
Bronicki Investment Ltd. [†]	—	—	%	32,269,030	35.38%			
Youval Bronicki [†]	—	—	%	6,456,968 ⁽⁶⁾	7.08%			
Yoram Bronicki [†]	—	—	%	6,453,806 ⁽⁷⁾	7.08%			
Michal Cath [†]	—	—	%	6,453,806 ⁽⁷⁾	7.08%			
Bank Leumi	—	—	%	8,049,015	8.82%			
Bank Hapoalim B.M.	—	—	%	6,599,990	7.24%			

† c/o Ormat Industries Ltd., Industrial Area, P.O. Box 68 Yavneh 81100, Israel

†† c/o Ormat Technologies, Inc., 980 Greg Street, Sparks, NV 89431

* Represents beneficial ownership of less than 1% of the outstanding shares of common stock.

(1) Includes shares beneficially owned by Bronicki Investment Ltd. Mr. and Mrs. Bronicki are directors of Bronicki

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Investment Ltd. and each also owns 20% of Bronicki Investment Ltd. Accordingly, they may be deemed to share beneficial ownership of such shares held by Bronicki Investment Ltd. Each of Mr. and Mrs. Bronicki disclaims beneficial ownership of all shares held by Bronicki Investment Ltd., except to the extent of his or her 20% ownership in Bronicki Investment Ltd.

- (2) Represents currently exercisable options granted to Mr. Amir to purchase 33,000 shares of common stock of Ormat Industries; this excludes options to purchase 66,000 shares of common stock of Ormat Industries which are not exercisable within 60 days of June 30, 2004.
- (3) Represents currently exercisable options granted to Mr. Ram to purchase 24,750 shares of common stock of Ormat Industries; this excludes options to purchase 66,000 shares of common stock of Ormat Industries which are not exercisable within 60 days of June 30, 2004.
- (4) Represents currently exercisable options granted to Mr. Choshesh to purchase 20,625 shares of common stock of Ormat Industries; this excludes options to purchase 41,875 shares of common stock of Ormat Industries which are not exercisable within 60 days of June 30, 2004.
- (5) Represents currently exercisable options granted to Mr. Reiss to purchase 28,875 shares of common stock of Ormat Industries; this excludes options to purchase 61,875 shares of common stock of Ormat Industries which are not exercisable within 60 days of June 30, 2004.
- (6) Includes shares indirectly owned through the 20% ownership in Bronicki Investment Ltd.
- (7) Represents shares indirectly owned through the 20% ownership in Bronicki Investment Ltd.

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DESCRIPTION OF CAPITAL STOCK

The following is a description of our capital stock and the material provisions of our amended and restated certificate of incorporation, amended and restated by-laws and other agreements to which we and our stockholders are parties, in each case upon the closing of this offering. The following is only a summary and is qualified by applicable law and by the provisions of the amended and restated certificate of incorporation, amended and restated by-laws and other agreements, copies of which are available as set forth under the caption entitled "Where You Can Find More Information."

General

As of June 30, 2004, 32,307,692 shares of our common stock were issued and outstanding, all of which were owned by Ormat Industries. Our amended and restated certificate of incorporation provides that our authorized capital stock will consist of an aggregate number of 200,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share, of which our board of directors has designated 500,000 shares as Series A Junior Participatory Preferred Stock for issuance in connection with the exercise of our preferred share purchase rights pursuant to a rights plan which we intend to adopt. See "—Rights Plan" below. Each such outstanding share of our common stock will be validly issued, fully

paid and non-assessable. In addition, at such time, shares of our common stock will be reserved for issuance upon exercise of outstanding options.

Common Stock

Voting. The holders of our common stock are entitled to one vote for each outstanding share of common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Stockholders are not entitled to vote cumulatively for the election of directors.

Dividend Rights. Subject to the dividend rights of the holders of any outstanding series of preferred stock, holders of our common stock are entitled to receive ratably such dividends and other distributions of cash or any other right or property as may be declared by our board of directors out of our assets or funds legally available for such dividends or distributions.

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to stockholders after payment of liabilities. If we have any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences. In either such case, we must pay the applicable distribution to the holders of our preferred stock before we may pay distributions to the holders of our common stock.

Conversion, Redemption and Preemptive Rights. Holders of our common stock have no conversion, redemption, preemptive, subscription or similar rights.

Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors, subject to limitations prescribed by law, to issue up to 5,000,000 shares of preferred stock in one or more series without further stockholder approval. The board will have discretion to determine the rights, preferences, privileges and restrictions of, including, without limitation, voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of, and to fix the number of shares of, each series of our preferred stock.

Our board of directors has designated 500,000 shares of our preferred stock as Series A Junior Participatory Preferred Stock for issuance in connection with the exercise of our preferred share purchase rights pursuant to a rights plan which we intend to adopt. Although our board of directors has no intention at the present time of doing so, it could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. See "—Rights Plan" below.

Limitations on Directors' Liability

Our amended and restated certificate of incorporation and by-laws contain provisions indemnifying our directors and officers to the fullest extent permitted by law. Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our directors which may, in some cases, be broader than the specific indemnification provisions contained under Delaware law.

In addition, as permitted by Delaware law, our amended and restated certificate of incorporation provides that no director will be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duty as a director, except that a director will be personally liable for:

- any breach of his or her duty of loyalty to us or our stockholders;
- acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law;
-

the payment of dividends or the redemption or purchase of stock in violation of Delaware law; or

- any transaction from which the director derived an improper personal benefit.

This provision does not affect a director's liability under the federal securities laws.

To the extent that our directors, officers and controlling persons are indemnified under the provisions contained in our amended and restated certificate of incorporation, Delaware law or contractual arrangements against liabilities arising under the Securities Act, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and Delaware Law that May Have an Anti-Takeover Effect

Amended and Restated Certificate of Incorporation and Amended and Restated By-laws

Certain provisions in our amended and restated certificate of incorporation and amended and restated by-laws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

Classified Board of Directors . Our amended and restated certificate of incorporation provides that the number of directors is fixed by our board of directors. Other than directors elected by the holders of any series of preferred stock or any other series or class of stock (except common stock), our directors are divided into three classes. Each class consists as nearly as possible of an equal number of directors. Currently, the terms of office for the three classes of directors expire, respectively, at our annual meetings in 2005, 2006 and 2007. The term of the successors of each class of directors expires three years from the year of election. Directors elected by stockholders at an annual meeting of stockholders will be elected by a plurality of all votes cast.

Special Meetings . Our amended and restated certificate of incorporation and amended and restated by-laws provide that a special meeting of stockholders may be called only by the Chairman of the Board, the President, our board of directors, the holders of not less than a majority of all of the outstanding shares of the corporation entitled to vote at the meeting or, at any time that Ormat Industries (or a certain transferee of Ormat Industries) owns at least 20% of the then outstanding shares of our common stock, by Ormat Industries (or such transferee). Stockholders are not permitted to call, or to require that the board of directors call, a special meeting of stockholders. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business

brought before the meeting pursuant to the notice of the meeting given by us. Our amended and restated by-laws establish an advance notice procedure for stockholders to nominate candidates for election as directors or to bring other business before meetings of our stockholders.

The foregoing proposed provisions of our amended and restated certificate of incorporation and amended and restated by-laws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Rights Plan

Prior to the completion of this offering, we intend to enter into a rights agreement. The material terms of such rights agreement and the preferred share purchase rights will be determined and disclosed upon adoption of the rights plan prior to the completion of this offering.

Delaware Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any "business combination" (as defined below) with any "interested stockholder" (as defined below) for a period of three years following the date that such stockholder became an interested stockholder, unless: (1) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (2) on consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (3) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 of the Delaware General Corporation Law defines "business combination" to include: (1) any merger or consolidation involving the corporation and the interested stockholder; (2) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (3) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (4) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (5) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

The New York Stock Exchange

We will apply to list our common stock on the New York Stock Exchange under the symbol "ORA".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is _____.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a significant public market for our common stock may not develop or be sustained after this offering. Future sales of significant amounts of our common stock, including shares of our outstanding common stock and shares of our common stock issued upon exercise of outstanding options, in the public market after this offering could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

Sale of Restricted Shares and Lock-Up Agreements

Upon the closing of this offering, we will have outstanding shares of common stock based upon our shares outstanding as of _____.

Of these shares, the _____ shares of common stock sold in this offering will be freely tradable without restriction under the Securities Act, unless purchased by affiliates of our company, as that term is defined in Rule 144 under the Securities Act.

The remaining _____ shares of common stock were issued and sold by us in private transactions, and are eligible for public sale if registered under the Securities Act or sold in accordance with Rules 144, 144(k) or 701 of the Securities Act. However, _____ of these remaining shares of common stock are held by officers, directors, and existing stockholders who are subject to lock-up agreements for a period of 180 days after the date of this prospectus under which all holders of our common stock have agreed not to sell or otherwise dispose of their shares of common stock. The representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements.

Lehman Brothers Inc., in its sole discretion, may release the shares subject to the lock-up agreements in whole or in part at anytime with or without notice. We have been advised by Lehman Brothers Inc. that, when determining whether or not to release shares from the lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. Lehman Brothers Inc. has advised us that they have no present intention to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up period.

As of the date of this prospectus, up to of the remaining shares may be eligible for sale in the public market. Beginning 180 days after the date of this prospectus, of these remaining shares will be eligible for sale in the public market, although all but shares will be subject to certain volume limitations under Rule 144.

Rule 144

In general, Rule 144 allows a stockholder (or stockholders where shares are aggregated) who has beneficially owned shares of our common stock for at least one year and who files a Form 144 with the SEC to sell within any three month period commencing 90 days after the date of this prospectus a number of those shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of the Form 144 with respect to such sale.

Sales under Rule 144, however, are subject to specific manner of sale provisions, notice requirements, and the availability of current public information about our company. We cannot estimate the number of shares of common stock our existing stockholders will sell under Rule 144, as this will depend on the market price for our common stock, the personal circumstances of the stockholders, and other factors.

Rule 144(k)

Under Rule 144(k), in general, a stockholder who has beneficially owned shares of our common stock for at least two years and who is not deemed to have been an affiliate of our company at any

time during the immediately preceding 90 days may sell shares without complying with the manner of 98 sale provisions, notice requirements, public information requirements, or volume limitations of Rule 144. Affiliates of our company, however, must always sell pursuant to Rule 144, even after the otherwise applicable Rule 144(k) holding periods have been satisfied.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

As of the date of this prospectus, no shares of our outstanding common stock had been issued in reliance on Rule 701 as a result of exercises of stock options.

Options

In addition to the shares of common stock outstanding, immediately after this offering, as of , there

were outstanding options to purchase shares of our common stock. As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock issued or reserved for issuance under our 2004 Incentive Compensation Plan. Accordingly, shares of our common stock registered under such registration statement will be available for sale in the open market upon exercise by the holders, subject to vesting restrictions with us, contractual lock-up restrictions, and/or market stand-off provisions applicable to each option agreement that prohibit the sale or other disposition of the shares of common stock underlying the options for a period of 180 days after the date of this prospectus without the prior written consent from us or our underwriters.

Registration Rights

At or prior to the closing of this offering, we will enter into a registration rights agreement with Ormat Industries. See "Certain Relationships and Related Transactions." We do not have any other contractual obligations to register our common stock.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a description of the material United States federal income tax consequences that may be relevant to Non-U.S. Holders, as defined below, with respect to the acquisition, ownership and disposition of our common stock. This description addresses only the United States federal income tax considerations of holders that are initial purchasers of our common stock pursuant to the offering and that will hold our common stock as capital assets. This description does not address tax considerations applicable to holders that are U.S. persons or that may be subject to special tax rules, including:

- financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- persons that received our stock as compensation for the performance of services;
- persons that will hold our stock as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;
- persons that have a "functional currency" other than the U.S. dollar; or
- holders that own or are deemed to own 10% or more, by voting power or value, of our stock.

Moreover, except as set forth below, this description does not address the United States federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of our common stock.

This description is based on the Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "Non-U.S. Holder" is a beneficial owner of our common stock that, for

United States federal income tax purposes, is not:

- a citizen or resident of the United States;
- a partnership or corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust validly elects to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our common stock, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner should consult its tax advisor as to its tax consequences.

You should consult your own tax advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning and disposing of our common stock.

Distributions

Generally, but subject to the discussions below under "Status as United States Real Property Holding Corporation" and "Backup Withholding Tax and Information Reporting Requirements," if

you are a Non-U.S. Holder, distributions of cash or property paid to you will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable United States income tax treaty. In order to obtain the benefit of any applicable United States income tax treaty, you will have to file certain forms (e.g., Form W-8BEN). Such forms generally would contain your name and address and a certification that you are eligible for the benefits of such treaty.

Except as may be otherwise provided in an applicable United States income tax treaty, if you are a Non-U.S. Holder and conduct a trade or business within the United States, you generally will be taxed at ordinary United States federal income tax rates (on a net income basis) on dividends that are effectively connected with the conduct of such trade or business and such dividends will not be subject to the withholding described above. If you are a foreign corporation, you may also be subject to a 30% "branch profits tax" unless you qualify for a lower rate under an applicable United States income tax treaty. To claim an exemption from withholding because the income is effectively connected with a United States trade or business, you must provide a properly executed Form W-8ECI (or such successor form as the Internal Revenue Service designates) prior to the payment of dividends.

Sale or Exchange of Our Common Stock

Generally, but subject to the discussions below under "Status as United States Real Property Holding Corporation" and "Backup Withholding Tax and Information Reporting Requirements," if you are a Non-U.S. Holder, you will not be subject to United States federal income or withholding tax on any gain realized on the sale or exchange of our common stock unless (1) such gain is effectively connected with your conduct of a trade or business in the United States or (2) if you are an individual, you are present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Status as United States Real Property Holding Corporation

If you are a Non-U.S. Holder, under certain circumstances, gain recognized on the sale or exchange of, and certain distributions in excess of basis with respect to, our common stock would be subject to United States federal income tax, notwithstanding your lack of other connections with the United States, if we are or have been a "United States real property holding corporation" for United States federal income tax purposes at any time during the five-year period ending on the date of such sale or exchange (or distribution). We believe that we will not be classified as a United States real property holding corporation as of the date of this offering and do not expect to become a United States real property holding corporation.

Federal Estate Tax

Our common stock held by an individual at death, regardless of whether such individual is a citizen, resident or domiciliary of the United States, will be included in the individual's gross estate for United States federal estate tax purposes, subject to an applicable estate tax or other treaty, and therefore may be subject to United States federal estate tax.

Backup Withholding Tax and Information Reporting Requirements

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. The backup withholding tax rate is currently 28%.

If you are not a United States person, under current Treasury regulations, backup withholding will not apply to distributions on our common stock to you, provided that we have received valid certifications meeting the requirements of the Code and neither we nor the payor has actual knowledge or reason to know that you are a United States person for purposes of such backup withholding tax requirements.

If provided by a beneficial owner, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such person is

neither a citizen or resident of the United States, and must be signed by the owner under penalties of perjury. If provided by a financial institution, other than a financial institution that is a qualified intermediary, the certification must state that the financial institution has received from the beneficial owner the certificate set forth in the preceding sentence, set forth the information contained in such certificate (and include a copy of such certificate), and be signed by an authorized representative of the financial institution under penalties of perjury. Generally, the furnishing of the names of the beneficial owners of our common stock that are not United States persons and a copy of such beneficial owner's certificate by a financial institution will not be required where the financial institution is a qualified intermediary.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of such United States Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above, and the trust or partnership, as the case may be, will need to provide an appropriate intermediary certification form, in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our common stock. You should consult your own tax advisor concerning the tax consequences of your particular situation.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, Lehman Brothers Inc. and _____, as representatives of the underwriters listed below, have severally agreed to purchase from us, on a firm commitment basis, subject only to the conditions contained in the underwriting agreement, the number of shares of common stock shown opposite each of their names below:

<u>Underwriter</u>	<u>Number of Shares</u>
Lehman Brothers Inc.	_____
Total	=====

The underwriting agreement provides that the underwriters' obligations to purchase our common stock depend on the satisfaction of the conditions contained in the underwriting agreement, which include:

- if any shares of common stock are purchased by the underwriters, then all of the shares of common stock the underwriters agreed to purchase must be purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The representatives have advised us that the underwriters propose to offer the common stock directly to the public at the public offering price presented on the cover page of this prospectus, and to selected dealers, that may include the underwriters, at the public offering price less a selling concession not in excess of \$ _____ per share. The underwriters may allow, and the selected dealers may re-allow, a concession not in excess of \$ _____ per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions that we will pay. The underwriting discount is the difference between the offering price and the amount the underwriters pay to purchase the shares from us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional _____ shares. The underwriting discounts and commissions equal _____ % of the public offering price.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per share	\$ _____	\$ _____
Total		

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately _____. We have agreed to pay such expenses.

Over-Allotment Option

We have granted to the underwriters an option to purchase up to an aggregate of additional shares of common stock, exercisable to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option at any time, and from time to time, until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the

underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to that underwriter's initial commitment as indicated in the preceding table, and we will be obligated, under the over-allotment option, to sell the additional shares of common stock to the underwriters.

Lock-Up Agreements

Pursuant to lock-up agreements, we will agree not to, and each of our officers, directors and stockholders will agree not to, for period of 180 days from the date of this prospectus, directly or

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indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock or securities convertible into or exchangeable for common stock (other than the stock and shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights), or sell or grant options, rights or warrants with respect to any shares of common stock or securities convertible into or exchangeable for common stock (other than the grant of options pursuant to option plans existing on the date hereof), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, in each case without the prior written consent of Lehman Brothers Inc. on behalf of the underwriters. If (1) during the last 17 days of such 180-day period we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of such 180-day period, we announce that we will release earnings results during the 17-day period beginning on the last day of such 180-day period, then such 180-day period shall continue to apply until the expiration of the 17-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives will consider:

- prevailing market conditions;
- estimates of our business potential and earning prospects;
- our historical performance and capital structure;
- an overall assessment of our management; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities relating to the offering, including liabilities under the Securities Act, liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Discretionary Shares

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares of our common stock offered by them.

Stabilization, Short Positions and Penalty Bids

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Over-allotment involves sales by the underwriters of shares of common stock in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a

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naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option, in whole or in part, or purchasing shares in the open market.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we, nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Stamp Taxes

Purchasers of the shares of our common stock offered in this prospectus may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay those taxes or charges, as well as any other tax consequences that may arise under the laws of the country of purchase.

Electronic Distribution

A prospectus in electronic format may be made available on Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

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Relationships

The underwriters may in the future perform investment banking and advisory services for us from time to time for which they may in the future receive customary fees and expenses. The underwriters may, from time to time, engage in transactions with or perform services for us in the ordinary course of their business.

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VALIDITY OF COMMON STOCK

The validity of the shares of common stock offered hereby will be passed upon for us by Chadbourne & Parke LLP, New York, New York, and for the underwriters by White & Case, New York, New York. Chadbourne & Parke LLP has from time to time represented Lehman Brothers, Inc. on unrelated matters. White & Case has from time to time represented one of our subsidiaries on unrelated matters.

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EXPERT

Our financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 and those of Puna Geothermal Venture as of December 31, 2002 and 2003 and for the year ended December 31, 2002 and for the period from January 1, 2003 to December 10, 2003, and for the period from December 11, 2003 to December 31, 2003, Combined Heber and Affiliates as of December 31, 2002 and December 17, 2003, and for the years ended December 31, 2001 and 2002, and for the period from January 1, 2003 to December 17, 2003, and Mammoth-Pacific, L.P. as of December 31, 2002 and September 30, 2003 and for the year ended December 31, 2002 and the nine months ended September 30, 2003, included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. The report on Combined Heber and Affiliates contains an explanatory paragraph indicating that Heber and Affiliates filed a petition for reorganization under the provisions of Chapter 11 of the Bankruptcy Code on April 1, 2002 and emerged from bankruptcy on December 18, 2003.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including the exhibits, schedules, and amendments to the registration statement) under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus does not contain all the information set forth in the registration statement. For further information with respect to us and the shares of common stock to be sold in this offering, we refer you to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document to which we make reference are not necessarily complete. In each instance, we refer you to the copy of such contract, agreement or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by the more complete description of the matter involved. Our World Wide Web site is located at <http://www.ormat.com>. Information contained on our company Web site is not a part of this prospectus.

Upon completion of this offering, we will become subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended, and, as a result, will file periodic and current reports, proxy statements, and other information with the SEC. You may read and copy this information at the Public Reference Room of the SEC located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Copies of all or any part of the registration statement may be obtained from the SEC's offices upon payment of fees prescribed by the SEC. The SEC maintains an Internet site that contains periodic and current reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

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Ormat Technologies, Inc. and Subsidiaries

**Report on Audits of
Consolidated Financial Statements
As of December 31, 2002 and 2003, and for the years
ended December 31, 2001, 2002 and 2003 and
Unaudited Consolidated Financial Statements
As of March 31, 2004 and for three month periods
ended March 31, 2003 and 2004**

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of
Ormat Technologies, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income (loss), of stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Ormat Technologies, Inc. and its subsidiaries at December 31, 2002 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 11 to the financial statements, effective January 1, 2003, the Company adopted the provisions of Statement of Financial Accounting Standards No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*.

/s/ PricewaterhouseCoopers LLP

Sacramento, California

July 19, 2004

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Ormat Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets (dollars in thousands, except per share amounts)

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>March 31, 2004</u>
			(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 36,684	\$ 8,873	\$ 28,901
Restricted cash and cash equivalents	8,010	16,371	50,645
Receivables:			
Trade	20,713	28,689	25,721
Related entities	1,756	6,337	2,529
Other	2,658	729	1,433
Inventories, net	5,948	3,712	4,285
Costs and estimated earnings in excess of billings on uncompleted contracts	—	1,922	4,211
Prepaid expenses and other	1,853	2,091	2,446
Total current assets	<u>77,622</u>	<u>68,724</u>	<u>120,171</u>
Restricted cash and cash equivalents	—	—	25,800
Unconsolidated investments	8,363	46,760	52,210
Deposits and other	12,395	13,071	10,710
Property, plant and equipment, net	152,342	344,015	398,630
Construction-in-process	27,776	35,118	37,990
Deferred financing costs, net	1,624	7,843	16,388
Intangible assets, net	7,256	32,005	35,985
Total assets	<u>\$ 287,378</u>	<u>\$ 547,536</u>	<u>\$ 697,884</u>
Liabilities and Stockholder's Equity			
Current liabilities:			

Short-term debt	\$ 65,000	\$ —	\$ —
Accounts payable and accrued expenses	18,650	27,479	36,236
Billings in excess of costs and estimated earnings on uncompleted contracts	3,153	7,843	6,301
Current portion of long-term debt:			
Limited and non-recourse	11,036	15,686	22,402
Full recourse	8,271	10,490	30,482
Senior secured notes (non-recourse)	—	—	511
Due to Parent	<u>53,171</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>159,281</u>	<u>61,498</u>	<u>95,932</u>
Long-term debt, net of current portion:			
Limited and non-recourse	44,171	193,251	166,171
Full recourse	32,329	41,061	18,521
Senior secured notes (non-recourse)	—	—	189,489
Notes payable to Parent	—	177,004	150,504
Other liabilities	1,549	1,469	1,449
Deferred income taxes	11,951	13,886	14,903
Liabilities for severance pay	9,534	9,993	9,823
Asset retirement obligation	<u>—</u>	<u>5,737</u>	<u>6,752</u>
Total liabilities	<u>258,815</u>	<u>503,899</u>	<u>653,544</u>
Minority interest in net assets of subsidiaries	<u>2,532</u>	<u>2,113</u>	<u>69</u>
Commitments and contingencies (Notes 6, 11, 17 and 18)			
Stockholder's equity:			
Common stock, par value \$0.001 per share; authorized 200,000,000 shares; issued and outstanding 30,769,230 shares	31	31	31
Additional paid-in capital	6,980	6,994	6,994
Unearned stock-based compensation	(111)	(86)	(76)
Retained earnings	<u>19,131</u>	<u>34,585</u>	<u>37,322</u>
Total stockholder's equity	<u>26,031</u>	<u>41,524</u>	<u>44,271</u>
Total liabilities and stockholder's equity	<u>\$ 287,378</u>	<u>\$ 547,536</u>	<u>\$ 697,884</u>

The accompanying notes are an integral part of these financial statements.

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Ormat Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (loss)
(dollars in thousands, except per share amounts)

	<u>Year Ended December 31,</u>			<u>Three Months Ended March 31,</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>
	<u>(unaudited)</u>				
Revenues:					
Electricity	\$ 33,956	\$ 65,491	\$ 77,752	\$ 17,604	\$ 33,459
Products	<u>13,959</u>	<u>20,138</u>	<u>41,688</u>	<u>7,812</u>	<u>14,146</u>
	<u>47,915</u>	<u>85,629</u>	<u>119,440</u>	<u>25,416</u>	<u>47,605</u>
Cost of revenues:					
Electricity	12,536	33,482	46,726	10,148	19,390
Products	<u>17,454</u>	<u>17,293</u>	<u>29,494</u>	<u>6,317</u>	<u>11,328</u>
	<u>29,990</u>	<u>50,775</u>	<u>76,220</u>	<u>16,465</u>	<u>30,718</u>

Gross margin	17,925	34,854	43,220	8,951	16,887
Operating expenses:					
Research and development expenses	1,729	1,503	1,391	439	302
Selling and marketing expenses	6,535	6,051	7,087	1,367	1,854
General and administrative expenses	<u>5,444</u>	<u>7,073</u>	<u>9,252</u>	<u>2,057</u>	<u>2,332</u>
Operating income	<u>4,217</u>	<u>20,227</u>	<u>25,490</u>	<u>5,088</u>	<u>12,399</u>
Other income (expense):					
Interest income	1,441	1,319	542	109	244
Interest expense	(4,451)	(6,889)	(8,055)	(1,720)	(8,523)
Foreign currency translation and transaction gain (loss)	305	(323)	(316)	(114)	(321)
Equity in income of investees	166	314	559	89	787
Other non-operating income	<u>300</u>	<u>1,195</u>	<u>464</u>	<u>133</u>	<u>(24)</u>
Income from continuing operations before minority interest and income taxes	1,978	15,843	18,684	3,585	4,562
Minority interest in earnings of subsidiaries	<u>645</u>	<u>1,194</u>	<u>519</u>	<u>201</u>	<u>108</u>
Income from continuing operations before income taxes	1,333	14,649	18,165	3,384	4,454
Income tax provision	<u>(3,065)</u>	<u>(6,135)</u>	<u>(2,506)</u>	<u>(1,397)</u>	<u>(1,717)</u>
Income (loss) from continuing operations	(1,732)	8,514	15,659	1,987	2,737
Discontinued operations (Note 2):					
Loss from operations of discontinued activities in Kazakhstan	(4,681)	(3,114)	—	—	—
Loss on sale of Kazakhstan operations	<u>—</u>	<u>(6,444)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income (loss) before cumulative effect of change in accounting principle	(6,413)	(1,044)	15,659	1,987	2,737
Cumulative effect of change in accounting principle (net of tax benefit of \$125)	<u>—</u>	<u>—</u>	<u>(205)</u>	<u>(205)</u>	<u>—</u>
Net income (loss)	(6,413)	(1,044)	15,454	1,782	2,737
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	<u>(1,133)</u>	<u>(51)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Comprehensive income (loss)	<u>\$ (7,546)</u>	<u>\$ (1,095)</u>	<u>\$ 15,454</u>	<u>\$ 1,782</u>	<u>\$ 2,737</u>
Basic and diluted income (loss) per share:					
Income (loss) from continuing operations	\$ (0.06)	\$ 0.28	\$ 0.51	\$ 0.06	\$ 0.09
Loss from discontinued operations	(0.15)	(0.31)	—	—	—
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>—</u>
Net income (loss)	<u>\$ (0.21)</u>	<u>\$ (0.03)</u>	<u>\$ 0.50</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>
Weighted average number of shares outstanding	<u>30,769,230</u>	<u>30,769,230</u>	<u>30,769,230</u>	<u>30,769,230</u>	<u>30,769,230</u>

The accompanying notes are an integral part of these financial statements.

Ormat Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (dollars in thousands)

<u>Common Stock</u>	<u>Additional Paid-in</u>	<u>Unearned Stock-based</u>	<u>Retained</u>	<u>Accumulated Other Comprehensive</u>

	<u>Shares</u> <u>(in</u> <u>thousands)</u>	<u>Amount</u>	<u>Capital</u>	<u>Compensation</u>	<u>Earnings</u>	<u>Loss</u>	<u>Total</u>
Balance, December 31, 2000	30,769	\$ 31	\$ 6,831	\$ —	\$ 26,588	\$ —	\$ 33,450
Foreign currency translation adjustments	—	—	—	—	—	(1,133)	(1,133)
Net loss	—	—	—	—	(6,413)	—	(6,413)
Balance, December 31, 2001	30,769	31	6,831	—	20,175	(1,133)	25,904
Foreign currency translation adjustments	—	—	—	—	—	(51)	(51)
Reduction of accumulated foreign currency translation losses	—	—	—	—	—	1,184	1,184
Unearned stock-based compensation	—	—	149	(149)	—	—	—
Amortization of unearned stock-based compensation	—	—	—	38	—	—	38
Net loss	—	—	—	—	(1,044)	—	(1,044)
Balance, December 31, 2002	30,769	31	6,980	(111)	19,131	—	26,031
Unearned stock-based compensation	—	—	14	(14)	—	—	—
Amortization of unearned stock-based compensation	—	—	—	39	—	—	39
Net income	—	—	—	—	15,454	—	15,454
Balance, December 31, 2003	30,769	31	6,994	(86)	34,585	—	41,524
Amortization of unearned stock- based compensation (unaudited)	—	—	—	10	—	—	10
Net income (unaudited)	—	—	—	—	2,737	—	2,737
Balance, March 31, 2004 (Unaudited)	<u>30,769</u>	<u>\$ 31</u>	<u>\$ 6,994</u>	<u>\$ (76)</u>	<u>\$ 37,322</u>	<u>\$ —</u>	<u>\$ 44,271</u>

The accompanying notes are an integral part of these financial statements.

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Ormat Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (dollars in thousands)

	<u>Year Ended December 31,</u>			<u>Three Months Ended March 31,</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>
	<u>(unaudited)</u>				
Cash flows from operating activities:					
Net income (loss)	\$ (6,413)	\$ (1,044)	\$ 15,454	\$ 1,782	\$ 2,737
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	11,245	14,477	16,619	3,596	9,142
Minority interest in earnings of subsidiaries	645	1,194	519	201	108
Loss on sale of subsidiary	—	6,444	—	—	—
Equity in income of investee	(166)	(314)	(559)	(89)	(787)
Provision for (recovery of) doubtful accounts	465	(256)	(234)	(6)	(7)
Deferred income tax provision	2,782	5,883	2,059	1,401	1,053
Cumulative effect of change in accounting principle	—	—	205	205	—
Changes in operating assets and liabilities, net of sale and acquisitions:					
Receivables	629	(11,079)	508	1,791	2,558
Costs and estimated earnings in excess of billings on uncompleted contracts	2,307	—	(1,922)	—	(2,290)
Inventories	(3,365)	408	2,236	(1,457)	(573)
Prepaid expenses and other	(99)	2,102	867	469	19
Deposits and other	1,659	(1,721)	(639)	2,138	1,959

Accounts payable and accrued expenses	899	(4,619)	5,623	(1,210)	5,910
Due from/to related entities, net	214	195	(150)	(45)	3,975
Billings in excess of costs and estimated earnings on uncompleted contracts	74	(581)	4,691	—	(1,542)
Liabilities for severance pay	516	456	511	153	160
Asset retirement obligation	—	—	231	—	74
Net cash provided by operating activities	<u>11,392</u>	<u>11,545</u>	<u>46,019</u>	<u>8,929</u>	<u>22,496</u>
Cash flows from investing activities:					
Change in restricted cash and cash equivalents	254	(3,343)	(2,403)	(292)	(64,218)
Capital expenditures	(32,265)	(22,710)	(25,296)	(6,024)	(2,774)
Decrease of cash resulting from deconsolidation of OLCL	—	—	—	—	(1,800)
Increase in severance fund asset, net	(565)	(448)	(446)	(112)	(105)
Repayment from joint ventures	651	1,674	794	245	218
Cash received from sale of subsidiary	—	3,966	—	—	—
Cash paid for acquisitions, net of cash received	<u>(30,511)</u>	<u>(39,660)</u>	<u>(257,829)</u>	<u>—</u>	<u>(82,767)</u>
Net cash used in investing activities	<u>(62,436)</u>	<u>(60,521)</u>	<u>(285,180)</u>	<u>(6,183)</u>	<u>(151,446)</u>
Cash flows from financing activities:					
Due to Parent, net	10,394	9,987	(6,937)	(6,634)	(26,951)
Proceeds from issuance of notes payable to Parent	—	—	126,339	—	—
Distributions to minority shareholders	(890)	(1,320)	(940)	(220)	—
Proceeds from issuance of short-term debt	—	50,000	—	—	—
Proceeds from issuance of long-term debt	51,662	20,279	178,018	13,449	190,000
Payments of long-term debt	(6,698)	(6,437)	(23,336)	(2,453)	(5,133)
Payments of short-term debt	—	—	(55,000)	(20,000)	—
Deferred debt issue costs	—	—	(6,794)	—	(8,938)
Net cash provided by (used in) financing activities	<u>54,468</u>	<u>72,509</u>	<u>211,350</u>	<u>(15,858)</u>	<u>148,978</u>
Effect of foreign currency translation adjustments	(293)	(51)	—	—	—
Net increase (decrease) in cash and cash equivalents	3,131	23,482	(27,811)	(13,112)	20,028
Cash and cash equivalents, beginning of the period	<u>10,071</u>	<u>13,202</u>	<u>36,684</u>	<u>36,684</u>	<u>8,873</u>
Cash and cash equivalents, end of the period	<u>\$ 13,202</u>	<u>\$ 36,684</u>	<u>\$ 8,873</u>	<u>\$ 23,572</u>	<u>\$ 28,901</u>
Supplemental disclosure of cash flow information:					
Cash paid during the year for:					
Interest	<u>\$ 4,248</u>	<u>\$ 5,055</u>	<u>\$ 4,937</u>	<u>\$ 1,050</u>	<u>\$ 837</u>
Income taxes	<u>\$ 297</u>	<u>\$ 453</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Supplemental non-cash investing and financing activities:					
Effect of adopting SFAS No. 143:					
Asset retirement cost	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,475</u>	<u>\$ —</u>	<u>\$ —</u>
Asset retirement obligation	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,805</u>	<u>\$ —</u>	<u>\$ —</u>
Conversion of amounts due to Parent to notes payable to Parent	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50,665</u>	<u>\$ —</u>	<u>\$ —</u>
Accounts payable related to purchases of fixed assets	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ 748</u>	<u>\$ 219</u>	<u>\$ 757</u>
Net deferred tax liabilities resulting from the change in functional currency of the Company's Kazakhstan operations	<u>\$ 839</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Business acquisitions — See Note 2					

The accompanying notes are an integral part of these financial statements.

Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

1. Business and Significant Accounting Policies

Business

Ormat Technologies, Inc. ("Company"), a wholly owned subsidiary of Ormat Industries Ltd. ("Parent"), is engaged in the geothermal and recovered energy business, including supply of equipment that is manufactured by the Company and design and construction of such power plants for projects owned by the Company or for third parties. The Company owns and operates geothermal power plants in various countries, including Kenya, Nicaragua, the Philippines, Guatemala and the United States of America ("U.S."). The Company also owned coal fueled heating and electricity power plants and distribution facilities in the Republic of Kazakhstan ("Kazakhstan"), that were sold on September 16, 2002 (Note 2). The Company's equipment manufacturing operations are located in Israel.

Several of the Company's power plant facilities are listed as Qualifying Facilities (QF) under the Public Utility Regulatory Policies Act (PURPA). The related power purchase agreements for such facilities are dependent upon the Company maintaining the QF status.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, an 85% interest in OrYunnan Geothermal Co. Ltd. ("OrYunnan"), a 79% interest in Ormat Leyte Co, Ltd. ("OLCL"), a 50% interest in Karaganda Holding Company ("KHC") prior to March 12, 2002, and a 100% interest in KHC from March 12, 2002 to September 16, 2002. All intercompany accounts and transactions are eliminated.

In November 1999, the Company, through a wholly owned subsidiary, entered into an agreement with Yunnan Province Geothermal Development Co. ("YPGD") to form OrYunnan, a limited liability joint venture, whereby the Company is to contribute, for an 85% ownership interest, \$2,550 and YPGD is to contribute, for the remaining 15% ownership interest, \$450. Pursuant to such agreement, 15% of the capital contribution was made in April 2000, and the remaining portion is to be paid within 60 days after the date on which a power purchase agreement is executed. OrYunnan is currently in the process of negotiating a power purchase agreement. OrYunnan was formed for the purpose of utilizing, for electric power generation, all of the geothermal resources of Teng Chong County of the Yunnan Province in the Republic of China.

OLCL is a limited partnership established for the purpose of developing, financing, constructing, owning, operating, and maintaining geothermal power plants in Leyte Provina, the Philippines.

The Company's consolidated balance sheets include 100% of the assets and liabilities of OrYunnan and of OLCL prior to March 31, 2004. The unrelated entity's 15% interests in OrYunnan, and 21% interest in OLCL prior to March 31, 2004, have been reflected as "Minority interest in net assets of subsidiaries" in the Company's consolidated balance sheets and the earnings therefrom have been reflected on the consolidated statements of operations and comprehensive income for all periods presented and have been reflected in "Minority interest in earnings of subsidiaries". Intercompany accounts and transactions have been eliminated in the consolidation.

The Company accounts for its interests in partnerships and companies in which it has equal to or less than a 50% ownership interest under the equity method. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of undistributed earnings or losses of such companies. The Company's earnings in investments accounted for under the equity method have been reflected as "Equity in income of investees" on the Company's consolidated statements of operations and comprehensive income.

Adoption of FIN No. 46R

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB 51* ("FIN No. 46"), and amended

on the identification of Variable Interest Entities ("VIEs") for which control is achieved through means other than ownership of a majority of the voting interest of the entity, and how to determine which company (if any), as the primary beneficiary, should consolidate the VIE. A variable interest in a VIE, by definition, is an asset, liability, equity, contractual arrangement or other economic interest that absorbs the entity's economic variability.

Effective as of March 31, 2004, the Company adopted FIN No. 46R. In connection with the adoption of FIN No. 46R, the Company concluded that OLCL, in which the Company has an 80% ownership interest, should be deconsolidated. OLCL's operating results continue to be accounted for using the consolidated method of accounting for the three month period ended March 31, 2004, and effective April 1, 2004, the Company's ownership interest in OLCL will be accounted for using the equity method of accounting. The Company's maximum exposure to loss as a result of its involvement with OLCL is estimated to be \$4.9 million, which is the Company's net investment at March 31, 2004 (unaudited).

The Company also has variable interests in certain other consolidated wholly owned VIEs that will continue to be consolidated because the Company is the primary beneficiary. Further, the Company has concluded that the Company's remaining significant equity investments do not require consolidation as they are not VIEs.

Purchase of the power generation business from the Parent

As of July 1, 2004, a wholly owned subsidiary of the Company, Ormat Systems Ltd. ("OSL"), an Israeli company, acquired from the Parent for \$11 million the power generation business which includes the manufacturing and sale of energy-related products pertaining mainly to the geothermal and recovered energy industry.

The Company considers this business to be synergistic with its ownership and operation of geothermal power plants as well as to the construction of the projects (on a turnkey basis). In addition to acquiring the tangible net assets of the power generation business, OSL has assumed the title and interest to certain related contracts and liabilities and rights under agreements with employees and consultants, and obtained a perpetual license of all intellectual property pertaining to the power generation business from the Parent. Further, in connection with binding work and product orders that the Parent had with its customers, which were transferred to OSL as part of the acquisition, OSL has agreed to pay the Parent a commission ranging from 2.5% to 5% of sales by OSL related to such work and product orders.

In connection with the acquisition, OSL and the Parent have entered into an agreement whereby OSL will provide to the Parent, for a monthly fee of \$10, services including certain corporate administrative services, including the services of executive officers. In addition, OSL has agreed to provide the Parent with services of certain skilled engineers at OSL's cost plus 10%. Such agreements may be terminated by either party after the initial term through 2009.

Also in connection with the acquisitions, OSL entered into a rental agreement with the Parent for the use of office and manufacturing facilities in Yavne, Israel, for a monthly rent of \$52, adjusted annually for the Israeli Consumer Price Index, plus tax and other costs to maintain the properties. The term of the rental agreement is for 59 months and expires in June 2009.

The Company has recorded the purchase of the power generation business at historical net book value, and has accounted for the purchase as a transfer of assets between entities under common control in a manner similar to the pooling of interests, accordingly, all prior period consolidated financial statements of the Company have been restated to include the results of operations, financial position, and cash flows of the power generation business.

Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Interim financial data

The interim financial data as of March 31, 2004, and for the three months ended March 31, 2003 and 2004, is unaudited, however, in the opinion of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for such interim periods. The interim amounts presented are not necessarily indicative of the results of operations of the Company for the year ending

December 31, 2004.

Cash and cash equivalents

The Company considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

Restricted cash and cash equivalents

Under the terms of certain long-term debt agreements, the Company is required to maintain certain debt service reserve, cash collateral and operating fund accounts that have been classified as restricted cash and cash equivalents. Funds that will be used to satisfy obligations due during the next twelve months are classified as current restricted cash and cash equivalents, with the remainder classified as non-current restricted cash and cash equivalents. Such amounts are invested primarily in money market accounts. The Company considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

Concentration of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and accounts receivable.

The Company places its temporary cash investments with high credit quality financial institutions located in the U.S. and in foreign countries. At December 31, 2002 and 2003, and March 31, 2004 (unaudited), the Company had deposits in four, six and seven, respectively, U.S. financial institutions that were federally insured up to \$100 per financial institution. At December 31, 2002 and 2003, and March 31, 2004 (unaudited), the Company's deposits in foreign countries of approximately \$9,642, \$9,927, and \$10,382, respectively, were not insured.

At December 31, 2002 and 2003, and March 31, 2004 (unaudited), accounts receivable related to operations in foreign countries amounted to approximately \$15,093, \$13,029, and \$10,198, respectively. The Company performs ongoing credit evaluations of its customers' financial condition. The Company requires the customer in Nicaragua to provide a cash security arrangement for its payment obligations. The Company has historically been able to collect on all of its receivable balances, and accordingly, no provision for doubtful accounts has been made.

As further described in Note 15, a substantial portion of the Company's revenues are earned from major power companies. Power sales from operations in foreign countries amounted to approximately 82%, 37%, 33%, 38% and 17% of total power sales during the years ended December 31, 2001, 2002, and 2003, and the three months ended March 31, 2003 and 2004 (unaudited), respectively. Five geothermal power customers accounted for 76%, 57%, 80%, and 53% of the Company's total revenues for the years ended December 31, 2002 and 2003, and the three months ended March 31, 2003 and 2004 (unaudited), respectively, and three geothermal power customers accounted for 63% of the Company's total revenues for the year ended December 31, 2001. These customers also accounted for 66%, 74% and 66% of the Company's accounts receivable as of December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively.

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Inventories

Inventories consist primarily of raw material parts and sub assemblies for power units, and are stated at the lower of cost or market value, using the moving-average cost method, which approximates the first-in first-out method, and is stated net of provision for slow-moving and obsolescence, which was not significant.

Deposits and other

Deposits and other consist primarily of performance bonds for construction projects and a long-term insurance contract.

Property, plant and equipment

Property, plant and equipment are stated at cost. All costs associated with the acquisition, development and construction incurred as part of the construction of power plants operated by the Company are capitalized. Major improvements are capitalized and repairs and maintenance costs are expensed. Power plants operated by the Company are depreciated using the straight-line method over the term of the relevant power purchase agreement. The geothermal power plants in the Philippines and Nicaragua are to be fully depreciated over the period that the plants are owned by the Company. The other assets are depreciated using the straight-line method over their estimated useful lives of three to twenty years. The cost and accumulated depreciation of items sold or retired are removed from the accounts. Any resulting gain or loss is recognized currently and is recorded in operating income.

The Company capitalizes interest costs as part of constructing power plants. Such capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest costs amounted to approximately \$974, \$201, and \$297 for the years ended December 31, 2001, 2002 and 2003, respectively. No amounts were capitalized during the three months ended March 31, 2003 and 2004 (unaudited).

Intangible assets

Intangible assets consist of allocated acquisition cost of power purchase agreements, that are amortized over the 15 to 20-year terms of the agreements using the straight-line method.

Deferred financing costs

Deferred financing costs are amortized over the term of the related obligation using the effective interest method. Amortization of deferred financing costs are presented as interest expense in the statement of operations. Accumulated amortization related to deferred financing costs amounted to \$0, \$576 and \$900 at December 31, 2002 and 2003 and March 31, 2004 (unaudited), respectively. Amortization expense for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004 (unaudited) amounted to \$0, \$0, \$576, \$142 and \$324, respectively.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no impairment exists for long-lived assets, however, future estimates as to the recoverability of such assets may change based on revised circumstances.

Derivative instruments

Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted by other related accounting literature, establishes accounting and reporting standards for derivative instruments (including certain derivative instruments embedded in other contracts). SFAS No. 133 requires companies to record derivatives on their balance sheets as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized currently in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Company maintains a risk management strategy that incorporates the use of interest rate swaps and interest

rate caps to minimize significant fluctuation in cash flows and/or earnings that are caused by interest rate volatility. Gain or loss on contracts that initially qualify for cash flow hedge accounting is included as a component of other comprehensive income and are subsequently reclassified into earnings when interest on the related debt is paid. Gain or loss on contracts that are not designated to qualify as a cash flow hedge is included as a component of interest expense.

The Company is subject to the provisions of SFAS No. 133 Derivative Implementation Group ("DIG") Issue No. C15 (DIG Issue No. C15), *Normal Purchases and Normal Sales Exception for Certain Option-Type Contracts and Forward Contracts in Electricity*, which expands the requirements for the normal purchase and normal sales exception to include electricity contracts entered into by a utility company when certain criteria are met. Also under DIG Issue No. C15, contracts that have a price adjustment clause based on an index that is not directly related to the electricity generated, as defined in SFAS No. 133, do not meet the requirements for the normal purchases and normal sales exception. The Company has power sales agreements that qualify as derivative instruments under DIG Issue No. C15 because they have a price adjustment clause based on an index that does not directly relate to the sources of the power used to generate the electricity. The adoption of the provisions of DIG Issue No. C15 in 2002 did not have a material impact on the Company's consolidated financial position and results of operations.

In June 2003, the FASB issued DIG Issue No. C20, *Scope Exceptions: Interpretation of the Meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature*. DIG Issue No. C20 superseded DIG Issue No. C11 *Interpretation of Clearly and Closely Related in Contracts That Qualify for the Normal Purchases and Normal Sales Exception*, and specified additional circumstances in which a price adjustment feature in a derivative contract would not be an impediment to qualifying for the normal purchases and normal sales scope exception under SFAS No. 133. DIG Issue No. C20 was effective as of the first day of the fiscal quarter beginning after July 10, 2003, (i.e. October 1, 2003, for the Company). In conjunction with initially applying the implementation guidance, DIG Issue No. C20 requires contracts that did not previously qualify for the normal purchases normal sales scope exception, and do qualify for the exception under DIG Issue No. C20, to freeze the fair value of the contract as of the date of the initial application, and amortized such fair value over the remaining contract period. Upon adoption of DIG Issue No. C20, the Company elected the normal purchase and normal sales scope exception under FAS No. 133 related to its power purchase agreements. Such adoption did not have a material impact on the Company's consolidated financial position and results of operations.

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Foreign currency translation

The functional currency of all foreign entities is the reporting currency (U.S. dollars). For these entities, monetary assets and liabilities are translated at the current exchange rate, while non-monetary items are translated at historical rates. Income and expense items are translated at the average exchange rate for the year, except for depreciation, which is translated at historical rates. Translation adjustments and transaction gains or losses are included in results of operations.

The Company's functional currency of certain Kazakhstan activities was considered to be the local currency, accordingly all assets and liabilities were translated at the exchange rate as of the balance sheet date. Revenues, costs and expenses were translated at the weighted average exchange rate for the period. Translation adjustments were accumulated in a separate component of equity. Upon sale of the Kazakhstan business (Note 2), the accumulated foreign currency translation losses were eliminated.

Revenue and cost of revenues

Revenues are primarily related to (i) sale of electricity from geothermal power plants owned and operated by the Company; and (ii) geothermal and recovered energy power plant equipment engineering, sale, construction and installation and operating services.

Revenues related to the sale of electricity from geothermal power plants and capacity payments are recorded

based upon output delivered and capacity provided at rates specified under relevant contract terms. Revenues from engineering, operating services, and parts and product sales are recorded upon providing the service or delivery of the products and parts. Revenue from the construction of geothermal and recovered energy power plant equipment on behalf of others is recognized on the percentage completion method. Revenue is based on the percentage relationship that incurred costs bear to total estimated costs. Costs include direct material, labor, and indirect costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Warranty on products sold

The Company generally provides a one-year warranty against defects in workmanship and materials related to the sale of products for electricity generation. A provision for warranty reserve is recorded currently for the estimated costs that may be incurred under its warranty. Such reserve is estimated based on past experience, which have historically been immaterial.

Research and development

Research and development costs incurred by OSL, a wholly owned Israeli subsidiary, for the development of existing and new geothermal, recovered energy, and remote power technologies, are expensed as incurred. Grants received from the Office of the Chief Scientist ("OCS") of the Israeli Government are offset against the related research and development expenses. Such grants amounted to \$1,030, \$531 and \$142 during the years ended December 31, 2001, 2002, and 2003, respectively. No grants were received during the three months ended March 31, 2003 and 2004 (unaudited). During 2003, OSL discontinued requesting any further grants from OCS.

Advertising expense

Advertising costs are expensed as incurred and totaled \$118, \$72, \$58, \$11, and \$25 for the years ended December 31, 2001, 2002, and 2003, and the three months ended March 31, 2003 and 2004 (unaudited), respectively.

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Income taxes

Income taxes are accounted for using an asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and deferred tax assets and liabilities are based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The Company accounts for investment tax credits as a reduction to income taxes in the year in which the credit arises. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Income (loss) per share

Basic income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. The Company does not have any equity instruments that are dilutive. The stock options granted to employees of the Company in the Parent's stock are not dilutive to the Company's earnings per share.

Stock-Based compensation

The Company accounts for stock-based compensation based on the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and FASB Interpretation No. 44,

Accounting for Certain Transactions Involving Stock Compensation, and other related interpretations which states that no compensation expense is recorded for stock options or other stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of common stock on the grant date. In the event that stock options are granted at a price lower than the fair market value at that date, the difference between the fair market value of the common stock and the exercise price of the stock options is recorded as unearned compensation. Unearned compensation is amortized to compensation expense over the vesting period applicable to the stock option. The Company has adopted the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), as it relates to stock options granted to employees, which requires proforma net income be disclosed based on the fair value of the options granted at the date of the grant.

The Company calculated the fair value of each option on the date of grant using the Black-Scholes option pricing model using the following assumptions. There were no options granted during the three months ended March 31, 2004 (unaudited):

	Year Ended December 31,		
	2001	2002	2003
Risk-free interest rates	4.8%	4.7%	4.7%
Expected lives (in years)	5	5	5
Dividend yield	0%	0%	0%
Expected volatility	44%	37%	31%

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Had compensation cost for the options granted to employees of the Company been determined based on the fair value method prescribed by SFAS No. 123, the Company's proforma net income (loss) and earnings (loss) per share would have been as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	
Net income (loss):					
As reported	\$ (6,413)	\$ (1,044)	\$ 15,454	\$ 1,782	\$ 2,737
Add: Total stock-based employee compensation expense included in reported net income, net of tax	—	24	24	—	6
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax	—	(94)	(175)	—	—
Pro forma net income (loss)	<u>\$ (6,413)</u>	<u>\$ (1,114)</u>	<u>\$ 15,303</u>	<u>\$ 1,782</u>	<u>\$ 2,743</u>
Basic and diluted net income (loss) per share:					
As reported	\$ (0.21)	\$ (0.03)	\$ 0.50	\$ 0.05	\$ 0.09
Pro forma	\$ (0.21)	\$ (0.03)	\$ 0.50	\$ 0.05	\$ 0.09

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those

instruments. The fair value of long-term debt is estimated based on the current borrowing rates for similar issues, which approximates carrying amount.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of such financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New accounting pronouncements

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies the accounting and reporting for derivative instruments, including certain derivatives embedded in other contracts, and hedging activities under SFAS No. 133. The amendments in SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative according to SFAS No. 133 and clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. The requirements of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company adopted the provisions of SFAS No. 149 effective July 1, 2003, which did not have a material impact on its consolidated results of operations and financial position as of December 31, 2003.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer

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Ormat Technologies, Inc. and Subsidiaries **Notes to Consolidated Financial Statements** **(dollars in thousands, except per share amounts)**

classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. The requirements of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, effective the first interim period beginning after June 15, 2003. For financial instruments created prior to the issuance date of SFAS No. 150, transition shall be achieved by reporting the cumulative effect of a change in accounting principle. The Company adopted the provisions of SFAS No. 150 effective July 1, 2003, which did not have a material impact on its consolidated results of operations and financial position as of December 31, 2003.

In May 2003, the Emerging Issues Task Force ("EITF") reached consensus in EITF Issue No. 01-08, *Determining Whether an Arrangement Contains a Lease*, to clarify the requirements of identifying whether an arrangement should be accounted for as a lease at its inception. The guidance in the consensus is designed to broaden the scope of arrangements, such as power purchase agreements, accounted for as leases. EITF Issue No. 01-08 requires both parties to an arrangement to determine whether a service contract or similar arrangement is, or includes, a lease within the scope of SFAS No. 13, *Accounting for Leases*. The consensus is being applied prospectively to arrangements agreed to, modified, or acquired in business combination on or after July 1, 2003. The adoption of EITF No. 01-08 did not have a material effect to the Company's financial position or results of operations.

2. Business Acquisitions and Sale

Karaganda Holding Company ("KHC")

KHC was established for the purpose of generating power and selling and distributing electricity and heating power in Kazakhstan. Prior to March 12, 2002, the Company had a 50% ownership interest in KHC. Effective March 12, 2002, the Company purchased the remaining 50% interest in KHC for \$500. Such transaction was accounted for using the purchase method, and the allocation of the \$500 purchase price was as follows:

Cash and cash equivalents	\$ 2,541
Accounts receivable assumed	6,988
Property, plant and equipment	9,089
Other assets assumed	3,056
Accounts payable and accrued liabilities assumed	(9,747)
Long-term debt assumed	(10,632)
Deferred tax liabilities assumed	(795)
Total purchase price allocation	<u>\$ 500</u>

On September 16, 2002, the Company sold all of its ownership interest in KHC to a third party for approximately \$4.1 million, less \$184 of costs related to the sale. The Company recognized a loss on the sale of this subsidiary equal to approximately \$6.4 million during 2002, in addition to the operational losses incurred prior to such sale. The net assets of KHC on the date of the sale were as follows:

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Accounts receivable	\$ 12,718
Inventory, prepaid expenses and other	5,035
Property, plant and equipment	27,061
Accounts payable and accrued liabilities	(13,966)
Long-term debt	(19,988)
Deferred tax liabilities	(1,634)
Accumulated foreign currency translation adjustments	1,184
Net assets	<u>\$ 10,410</u>

The sale of KHC resulted in the Company discontinuing its operating activities in Kazakhstan. The net results of operations of the discontinued activities in Kazakhstan prior to September 16, 2002 are shown in the statement of operations as "Loss from discontinued activities in Kazakhstan" for the year ended December 31, 2001 and 2002.

The Ormesa Project

In April 2002, the Company acquired 100% of the equity interests in the combined 52-megawatt ("MW") generating capacity of the Ormesa Project, located in Imperial Valley, Southern California, to expand its geothermal power plant operations. The Ormesa Project consists of six power plants and was owned by several unrelated companies. The Company acquired 100% interests in four of the entities and acquired the assets of a fifth entity. These entities and assets were merged into Ormesa, LLC ("Ormesa") in 2002. The Company paid approximately \$41.7 million for the ownership of the Ormesa Project, of which approximately \$35.7 million and \$6 million has been allocated to property, plant and equipment and intangible assets, respectively. The acquisition was accounted for as a purchase and the acquired assets are being depreciated over their estimated useful lives of five to fifteen years.

The Steamboat Projects

On June 30, 2003, the Company acquired from two groups of unrelated sellers, a 100% interest in Steamboat Geothermal LLC ("SG"), which owns geothermal power plants ("Steamboat 1/1A") in Nevada. The purchase price of \$1,215 was paid in cash, of which, \$2,138 has been recorded as property, plant and equipment, less assumption of liabilities of \$923. The acquisition has been accounted for as a purchase and the acquired assets are being depreciated over their estimated useful lives of three to fifteen years.

On February 11, 2004, the Company acquired 100% of the outstanding shares of capital stock of Steamboat Development Corp. ("SDC"), and certain real property ("Meyberg Property") from an unrelated party. SDC owned certain leasehold interests as a lessee in the two Steamboat 2/3 geothermal power plants and certain related geothermal leases. On February 13, 2004, the Company acquired all of the beneficial rights, title, and interest in the Steamboat 2/3 geothermal power plants from the lessor. The Company acquired SDC and the Meyberg Property to increase its geothermal power plant operations in the United States. The Company acquired the lessee and lessor positions of the Steamboat 2/3 geothermal power plants for a combined purchase price of approximately \$82 million, plus transaction cost of approximately \$0.8 million. The results of SDC's operations have been included in the consolidated financial statements since February 11, 2004.

The acquisition of the Steamboat 2/3 power plants and the Meyberg Property have been accounted for under the purchase method of accounting and the depreciable acquired assets and intangibles, are being depreciated over their estimated useful lives of approximately 19 years. The purchase price of the lessee and lessor position has been allocated based on independent valuation and management's estimates as follows (unaudited):

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Current assets	\$ 1,944
Property, plant and equipment	78,719
Intangibles (power purchase agreement)	4,499
Accounts payable and other liabilities assumed	<u>(2,395)</u>
Net assets acquired	<u>\$ 82,767</u>

The Heber and Mammoth Projects

On December 18, 2003, the Company purchased certain geothermal assets from Covanta Energy Corporation ("CEC"), an unrelated entity for a total purchase price of \$215 million, plus transaction costs of approximately \$3.2 million. As further discussed in Note 10, the Company entered into a loan agreement and borrowed \$154.5 million from Beal Bank, all of which is collateralized by the acquired assets described below, except for the assets related to the Company's 50% ownership interest in Mammoth-Pacific, L.P. ("Mammoth").

The assets purchased include (i) a 100% ownership in Heber Geothermal Company, which owns a 38 MW geothermal power plant ("Heber 1") located near Heber, California, (ii) a 100% ownership in Second Imperial Geothermal Company ("SIGC"), that has rights to the lessee position of a 38 MW geothermal power plant ("Heber 2"), adjacent to the Heber 1 plant, (iii) a 100% ownership in Heber Field Company, that has the rights to the geothermal resources used by Heber 1 and Heber 2, and (iv) 50% ownership interest in Mammoth, that owns and operates three geothermal plants, with a combined generating capacity of 26 MW located near the city of Mammoth, California.

In addition, the Company acquired all of the beneficial rights, title and interest in the Heber 2 geothermal power plant from the lessor for a purchase price of approximately \$38.5 million.

The SG and Heber and Mammoth projects asset acquisitions have been accounted for under the purchase method of accounting and the acquired assets and intangibles are being depreciated over their estimated useful lives of three to 20 years. The purchase price has been allocated based on independent valuation and management's estimates as follows:

	SG	Projects	Total
Cash and cash equivalents	\$ —	\$ 195	\$ 195
Restricted cash	—	5,959	5,959
Accounts receivable assumed	—	7,155	7,155
Property, plant and equipment	2,138	184,585	186,723
Intangibles (power purchase agreement)	—	25,273	25,273
Investment in Mammoth	—	38,632	38,632
Other assets assumed	—	270	270
Accounts payable and other liabilities assumed	(923)	(2,559)	(3,482)
Asset retirement obligation	—	(2,701)	(2,701)
	<u>—</u>	<u>(2,701)</u>	<u>(2,701)</u>
Total purchase price allocation	<u>\$ 1,215</u>	<u>\$ 256,809</u>	<u>\$ 258,024</u>

The following unaudited pro forma financial information for the years ended December 31, 2002 and 2003, assumes the Heber and Mammoth projects acquisition occurred as of the beginning of the respective periods, after giving effect to certain adjustments, including the amortization of intangible assets, interest expense on acquisition debt, depreciation based on the adjustments to the fair market value of the property, plant and equipment acquired, and related income tax effects. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the

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results of operations that may occur in the future or that would have occurred had the acquisition of the Heber and Mammoth projects been affected on the dates indicated.

	Year Ended December 31,	
	2002	2003
	(unaudited)	
Revenues	\$ 150,707	\$ 185,571
Income before cumulative effect of accounting change	10,684	42,246
Net income	10,684	40,381
Basic and diluted income per share	\$ 0.35	\$ 1.31

3. Cost and Estimated Earnings on Uncompleted Contracts

	December 31,		March 31,
	2002	2003	2004
	(unaudited)		
Costs and estimated earnings incurred on uncompleted contracts	\$ 7,622	\$ 12,493	\$ 24,454
Less billings to date	(10,775)	(18,414)	(26,544)
Total	<u>\$ (3,153)</u>	<u>\$ (5,921)</u>	<u>\$ (2,090)</u>

These amounts are included in the accompanying balance sheets under the following captions:

	December 31,		March 31,
	2002	2003	2004
			(unaudited)
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ —	\$ 1,922	\$ 4,211
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,153)	(7,843)	(6,301)
Total	<u>\$ (3,153)</u>	<u>\$ (5,921)</u>	<u>\$ (2,090)</u>

The completion costs of the Company's construction contracts are subject to estimation. Due to uncertainties inherent in the estimation process, it is reasonably possible that estimated contract earnings will be further revised in the near term.

4. Inventories

Inventories consist of the following:

	December 31,		March 31,
	2002	2003	2004
			(unaudited)
Raw materials and purchased parts for assembly	\$ 3,090	\$ 2,181	\$ 3,550
Self-manufactured assembly parts and finished products	2,858	1,531	735
Total	<u>\$ 5,948</u>	<u>\$ 3,712</u>	<u>\$ 4,285</u>

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5. Unconsolidated Investments

Unconsolidated investments in power plant projects consist of the following:

	December 31,		March 31,
	2002	2003	2004
			(unaudited)
Orzunil:			
Investment	\$ 2,303	\$ 2,722	\$ 2,881
Advances	6,060	5,266	5,048
	<u>8,363</u>	<u>7,988</u>	<u>7,929</u>
Mammoth	—	38,772	39,400
OLCL	—	—	4,881
Total	<u>\$ 8,363</u>	<u>\$ 46,760</u>	<u>\$ 52,210</u>

The Zunil Project

The Company has a 21% ownership interest in Orzunil I de Electricidad, Limitada ("Orzunil"), a limited responsibility company incorporated in Guatemala and established for the purpose of the generation and co-generation of power from a geothermal power plant in the Province of Quetzaltenango in Guatemala. The Company operates and maintains the geothermal power plant and the power purchaser supplies geothermal fluid to the power plant. The Company's 21% ownership interest in Orzunil is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Orzunil.

Notes receivable for cash advances to Orzunil consist of the following:

	<u>December 31,</u>		<u>March 31,</u>	<u>Interest</u>	<u>Maturity</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>		
			(unaudited)	Rate	Date
Subordinated	\$ 4,499	\$ 4,207	\$ 4,122	Libor +4%	11/15/2011
Junior subordinated	1,561	1,059	926	0%	see below
	<u>\$ 6,060</u>	<u>\$ 5,266</u>	<u>\$ 5,048</u>		

All available cash after the debt service under the Subordinated Loan is used to repay the Junior Subordinated Loan. Interest income received from these loans amounted to approximately \$546, \$296, \$270, and \$56 during the years ended December 31, 2001, 2002 and 2003, and the three months ended March 31, 2004 (unaudited), respectively.

The Company's equity in income of Orzunil was not significant for each of the periods presented in the accompanying financial statements.

The Mammoth Project

As discussed in Note 2, on December 18, 2003, the Company acquired a 50% interest in the Mammoth Project, which is comprised of three geothermal power plants. The purchase price was less than the underlying net equity of Mammoth by approximately \$9.5 million. As such, the basis difference will be amortized over the remaining useful life of the property, plant and equipment and the power purchase agreements, which range from 12 to 17 years. Effective December 18, 2003, the Company operates and maintains the geothermal power plants under an O&M agreement. The Company's 50% ownership interest in Mammoth is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Mammoth.

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The condensed financial position and results of operations of Mammoth are summarized below:

	<u>December 31,</u>	<u>March 31,</u>
	<u>2003</u>	<u>2004</u>
		(unaudited)
Condensed balance sheets:		
Current assets	\$ 11,182	\$ 13,191
Non-current assets	88,918	87,652
Current liabilities	608	369
Non-current liabilities	3,680	3,704
Stockholders' equity	95,812	96,770

	Period from December 18, 2003 to December 31, 2003	Three Months Ended March 31, 2004 (unaudited)
Condensed statements of operations:		
Net sales	\$ 672	\$ 3,892
Gross margin	252	1,013
Net income	246	958
Company's equity in income of Mammoth:		
50% of Mammoth net income	\$ 123	\$ 479
Plus amortization of the equity	18	148
	<u>\$ 141</u>	<u>\$ 627</u>

The Leyte Project

The Company holds an 80% interest in OLCL (which owns the Leyte Project), however, as further discussed in Note 1, upon the adoption of FIN No. 46R, the balance sheet of OLCL was deconsolidated as of March 31, 2004, and the income and cash flow statements will be deconsolidated effective April 1, 2004.

The condensed financial position of OLCL at March 31, 2004, is summarized below (unaudited):

Condensed balance sheets:	
Current assets	\$ 7,528
Non-current assets	21,509
Current liabilities	5,754
Non-current liabilities	12,699
Stockholders' equity	10,584

OLCL's operating results for all periods prior to March 31, 2004 have been accounted for on the consolidated method of accounting, and effective April 1, 2004, the Company's ownership interest in OLCL will be accounted for using the equity method of accounting.

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6. Property, plant and equipment

Property, plant and equipment, net, consists of the following :

December 31,	March 31,
2002	2003
	(unaudited)

Land	\$ 399	\$ 1,090	\$ 9,465
Leasehold improvements	993	907	915
Machinery and equipment	9,630	10,672	10,802
Office equipment	2,151	2,218	2,288
Automobiles	1,003	1,221	1,238
Geothermal power plants, including geothermal wells:			
United States of America	71,094	269,108	340,429
Foreign countries	111,212	113,177	64,037
Asset retirement cost	—	5,316	6,257
	<u>196,482</u>	<u>403,709</u>	<u>435,431</u>
Less accumulated depreciation	<u>(44,140)</u>	<u>(59,694)</u>	<u>(36,801)</u>
	<u>\$ 152,342</u>	<u>\$ 344,015</u>	<u>\$ 398,630</u>

U.S. operations:

The net book value of the property, plant and equipment, including construction in progress, located in the United States is approximately \$67,640, \$274,465 and \$387,820, as of December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively.

Foreign operations:

In 1996, OLCL entered into a Build, Operate, and Transfer ("BOT") agreement with PNOC-Energy Development Corporation (PNOC) in connection with the geothermal power plants located in Leyte, Philippines. The BOT agreement calls for the Company to design, construct, own, and operate geothermal electricity generating plants, utilizing the geothermal resources of the Leyte Geothermal Power Optimization Project Area. During 1997, the power plants started commercial operations and began selling power to PNOC under a 10 year power purchase agreement (tolling arrangement). The Company owns the plants for a ten-year period ending September 2007, at which time they will be transferred to PNOC for no further consideration. As such, the Company's cost is being depreciated over the 10 year period. The net book value of the assets related to the geothermal power plants located in the Philippines amounted to approximately \$22,078 and \$17,433, at December 31, 2002 and 2003. As further discussed in Note 1, the Company deconsolidated the balance sheet of OLCL as of March 31, 2004.

During 1998, the Company entered into a power purchase agreement with Kenya Power and Lighting Company Limited ("KPLC"). Under the agreement, the Company will design, construct and operate geothermal power plants in Kenya in several phases. Upon the completion of construction of each phase, KPLC is committed to purchase the electricity generated by the power plants for a minimum of 20 years under the terms of the power purchase agreement. The first phase has been completed and the net book value of the assets related to the generation power plant and the related wells amounted to approximately \$33,269, \$32,722 and \$32,320 at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively. The Company is currently in discussions with the Kenyan government and KPLC regarding, among other things, the construction of Phase II of the Olkaria III project in Kenya and the provision of certain collateral and government support. The Company must notify KPLC, by

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April 17, 2005, whether the Company will proceed to construct Phase II of the Olkaria III project and, if the company notifies KPLC that the Company will not proceed with such construction, then the portion of the current power purchase agreement applicable to Phase II of the Olkaria III project will be terminated (but the current portion applicable to Phase I will be unaffected). If the Company fails to provide such notification the Company will be required to construct Phase II and reach commercial operations by May 31, 2007 in order to avoid the application of financial penalties, or at the latest by April 17, 2008 in order to avoid termination of the entire power purchase agreement. As of December 31, 2002 and 2003, and March 31, 2004 (unaudited), the Company had incurred approximately \$22,913, \$22,189 and \$22,198, respectively, (included in construction-in-

process) in connection with construction of Phase II of the power plant, which is required to be completed no later than 2007. Management believes that the discussions will be successful and the project will be completed in the required timeframe.

In June 1999, the Company entered into an agreement with Nicaraguan Electricity Company ("NEC") a Nicaraguan power utility, whereby the Company will rehabilitate existing wells, drill new wells, and operate the geothermal facilities. The Company owns the plants for a fifteen-year period ending in 2014, at which time they will be transferred to NEC at no cost. The Company sells the power from the facilities to two power companies who are assignees of NEC at the agreed upon price and terms of the "take or pay" power purchase agreement. The net book value of the assets related to the constructed plant and wells and rehabilitated existing wells amounted to approximately \$27,567, \$26,087 and \$25,435 at December 31, 2002 and 2003, and March 31, 2004 (unaudited), respectively. Additionally, as of December 31, 2002 and 2003, and March 31, 2004 (unaudited), the Company has incurred approximately \$1,506, \$1,103 and \$1,153, respectively, (included in construction-in-process) to drill an additional well.

The Company is engaged in the construction of several geothermal power plants in other foreign countries. At December 31, 2002 and 2003, and March 31, 2004 (unaudited), such projects were in the early stages of construction and the related costs totaling approximately \$2,260, \$3,588 and \$4,443, respectively, have been included as construction-in-process.

7. Intangible assets

Intangible assets consist of power purchase agreements amounting to \$7,256, \$32,005 and \$35,985, net of accumulated amortization of \$402, \$926 and \$1,446 as of December 31, 2002, 2003 and March 31, 2004 (unaudited), respectively. Amortization expense for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004 (unaudited) amount to \$40, \$362, \$524, \$120, and \$520, respectively.

Estimated future amortization expense for the intangible assets as of December 31, 2003 is as follows:

Year ending December 31:	
2004	\$ 1,743
2005	1,743
2006	1,743
2007	1,743
2008	1,743
Thereafter	23,290
Total	<u>\$ 32,005</u>

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8. Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following:

December 31,		March 31,
2002	2003	2004
		(unaudited)

Trade payables	\$ 9,455	\$ 11,528	\$ 19,824
Scheduling and transmission charges	890	3,684	2,602
Royalties	406	2,570	858
Salaries and other payroll costs	3,216	3,854	4,123
Debt issue costs	—	1,313	—
Accrued interest	1,460	631	5,533
VAT payable	349	306	308
Other	2,874	3,593	2,988
Total	<u>\$ 18,650</u>	<u>\$ 27,479</u>	<u>\$ 36,236</u>

9. Short-term debt

Line of credit

In July 2002, the Company consolidated an existing line of credit into a new line of credit for \$55,000, all of which was outstanding as of December 31, 2002. During 2003, the line of credit was repaid in full and expired on June 30, 2004.

Bridge loan

During 2002, the Company entered into a \$40,000 bridge loan agreement ("Bridge Loan") with an unrelated party, of which \$10,000 was outstanding at December 31, 2002. During 2003, the Bridge Loan was amended and reclassified to long-term debt (Note 10).

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10. Long-term debt

Long-term debt consists of notes payable under the following agreements:

	December 31, 2002	December 31, 2003	March 31, 2004 (unaudited)
Limited and non-recourse agreements:			
Non-recourse agreements:			
Eximbank Credit Agreement (Term loan)	\$ 24,129	\$ 19,049	\$ —
Ormesa loan	20,000	15,473	14,879
Beal bank credit agreement	—	154,500	154,500
Limited recourse agreements:			
Credit facility agreement	11,078	19,915	19,194
	<u>55,207</u>	<u>208,937</u>	<u>188,573</u>
Less current portion	<u>(11,036)</u>	<u>(15,686)</u>	<u>(22,402)</u>
	<u>\$ 44,171</u>	<u>\$ 193,251</u>	<u>\$ 166,171</u>
Full recourse agreements with banks:			
Loan one	\$ 6,000	\$ 5,000	\$ 5,000
Loan two	5,600	4,900	4,550
Loan three	10,000	6,667	5,833

Loan four	9,500	8,143	6,786
Loan five	9,500	6,786	6,786
Bridge loan	—	20,000	20,000
Other	—	55	48
	<u>40,600</u>	<u>51,551</u>	<u>49,003</u>
Less current portion	(8,271)	(10,490)	(30,482)
	<u>\$ 32,329</u>	<u>\$ 41,061</u>	<u>\$ 18,521</u>
Senior secured notes (non recourse)	\$ —	\$ —	\$ 190,000
Less current portion	—	—	(511)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 189,489</u>

Eximbank Credit Agreement (Term Loan)

In connection with the construction of four geothermal power generation plants, with a total capacity of 49MW in Leyte, Philippines, the Company obtained a term loan ("Term Loan") amounting to approximately \$44.5 million from the Export-Import Bank of the government of the United States ("Eximbank"). Principal is payable in equal quarterly installments through July 2007. Interest on the Term Loan is at a fixed rate of 6.54% and is payable quarterly. The Term Loan is collateralized by mortgage on all real property, assignment of revenues, and pledge of partnership interest in OLCL. There are various covenants under the Term Loan, which include maintaining minimum levels of equity ratio, as defined, and limitations on additional indebtedness and payment of dividends.

Ormesa Loan

On December 31, 2002, a wholly owned subsidiary of the Company ("Ormesa LLC"), that owns and operates the Ormesa Complex, entered into a credit facility agreement ("Ormesa Loan") amounting to \$20 million with a bank. Principal payments are payable in 20 varying quarterly payments that

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commenced in March 2003. As further discussed below, in connection with the Company's issuance of 8¼% senior secured notes, the Company has committed under the terms of the notes to repay in full the Ormesa Loan no later than January 31, 2005. Interest is computed at LIBOR (2.1% at December 31, 2003, and 1.96% at March 31, 2004 – unaudited) plus 5%, and is also payable quarterly. The Ormesa Loan is collateralized by all of the assets of Ormesa LLC and the Company's ownership interest in Ormesa LLC. There are various restrictive covenants under the Ormesa Loan, which include limitations on additional indebtedness and payments of dividends.

As required by the Ormesa Loan agreement, the Company entered into an interest rate cap agreement ("Cap Agreement") with another bank. This agreement allows the Company to receive limited reimbursement, as defined in the Cap Agreement, for interest payments the Company will pay to the bank under the Ormesa Loan if the LIBOR rate should increase to more than 6%.

Beal Bank Credit Agreement

In December 2003, in connection with the acquisition of the CEC geothermal power plant assets (Note 2), OrCal Geothermal, Inc. ("OrCal"), a wholly owned subsidiary of the Company, entered into a loan agreement with Beal Bank ("Beal Bank Credit Agreement") amounting to \$154.5 million. Principal payments range from 0.25% to 3.5% of the outstanding balance and are payable quarterly, commencing in June 2004 and continuing through December 2019. Interest payments on the unpaid principal balance commenced in March 2004, and are payable quarterly at a variable rate determined on each anniversary date of the loan as the greater of 7.125% or LIBOR plus 5.125%. The applicable interest rate will increase by 0.5% starting in December 2011.

The Beal Bank Credit Agreement is collateralized by substantially all of the assets of OrCal and certain OrCal subsidiaries ("OrCal Subsidiaries"). Performance under the Beal Bank Credit Agreement is guaranteed by OrCal

and its subsidiaries. Funds held in debt service reserve accounts established under a depository agreement are pledged for the benefit of Beal Bank and have been included in restricted cash in the accompanying balance sheet.

There are various restrictive covenants under the Beal Bank Credit Agreement, which include limitations on indebtedness, transactions with related parties and payments of dividends. Beal Bank maintains the right, through December 31, 2004, to refinance up to \$100 million of the Beal Bank Credit Agreement as senior secured notes under the 1933 Securities Act, at terms consistent with the terms of the Beal Bank Credit Agreement. Should Beal Bank exercise its right, OrCal would be required to provide necessary information in connection with the issuance of such senior secured notes, and pay reasonable fees and expenses, not to exceed \$25. Mandatory prepayment of the Beal Bank Credit Agreement is required to the extent that OrCal or its subsidiaries receives funds from an issuance of equity or debt securities, as well as in the occurrence of a major casualty resulting from damage or destruction of power plants owned by OrCal, whereby, receipt of insurance proceeds are in excess of \$2,500.

Credit Facility Agreement (the Momotombo Project)

In September 2000, Ormat Momotombo Power Company ("OMPC"), a wholly owned subsidiary of the Company, entered into a credit facility agreement with Bank Hapoalim B.M. pursuant to which the Company executed a two-phase loan with the bank in the amounts of \$11,435 ("Phase I Loan") and \$36,800 ("Phase II Loan") (collectively "Credit Facility Agreement"). In March 2003, the Company signed an amendment to the Credit Facility Agreement changing the amount of the Phase II Loan from \$36,800 to \$15,000. Principal and interest payments on the Phase I Loan are payable in 32 equal quarterly payments that commenced upon completion of Phase I of the project in December 2001. Interest on the Phase I Loan is variable based on LIBOR plus 2.375%. Principal and interest payments on the Phase II Loan are payable in equal 28 quarterly payments that commenced

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in March 2004. Interest on the Phase II Loan is variable based on LIBOR plus 3.0%, and is added to the outstanding balances of the Phase II Loan until the commencement of the principal and interest payments. At December 31, 2003, and March 31, 2004 (unaudited), approximately \$8,046 and \$7,749, respectively, was outstanding under the Phase I Loan and approximately \$11,869 and \$11,445, respectively, was outstanding under the Phase II Loan. The Credit Facility Agreement is collateralized by liens over all real and personal property comprising the Momotombo Project and the Company's ownership interest in OMPC. Additionally, the Parent has provided to the lender a repayment guarantee of 50% of the unpaid principal, interest and all other amounts of the Credit Facility Agreement which become past due and are not paid by the Company due to any event of default as defined in the Credit Facility Agreement. There are various restrictive covenants under the Credit Facility Agreement, which include maintaining certain levels of debt to equity ratio and debt service coverage ratio, and limitations on additional indebtedness and payment of dividends.

Loan one

In May 1998, the Company entered into an \$8,000 loan agreement, with principal payable in \$1,000 annual installments that commenced in May 2001, and continue through May 2008. Interest is computed at LIBOR plus 1.7%, and is payable annually. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan.

Loan two

In July 2000, the Company entered into a \$5,600 loan agreement with principal payable in equal semi-annual payments that commenced in January 2003, and continue through July 2010. Interest is computed at LIBOR plus 1.7% and is payable semi-annually. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan. On July 14, 2004 (unaudited), the Company repaid the loan in full.

Loan three

In March 2001, the Company entered into a \$10,000 loan agreement, with principal payable in equal quarterly payments that commenced in April 2003, and continue through January 2006. Interest is computed at LIBOR plus a margin as calculated by the bank each quarter (1.8% at December 31, 2003), and is payable quarterly. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan.

Loan four

In July 2001, the Company entered into a \$9,500 loan agreement with a bank, with principal payable in equal semi-annual payments that commenced in July 2003, and continue through July 2006. Interest is computed at LIBOR plus 1% and is payable annually. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan. In July 2004 (unaudited) the Company committed to the lender to repay the entire loan no later than January 14, 2005 or convert the outstanding balance into a five year loan bearing interest at LIBOR plus 2.5%. In addition, the Company is subject to various restrictive covenants. If neither of the actions is taken, the lender is entitled to demand immediate repayment of the above loan.

Loan five

In July 2001, the Company entered into a \$9,500 loan agreement with a bank, with principal payable in equal semi-annual payments that commenced in May 2003, and continue through May 2006.

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Interest is computed at LIBOR plus 1% and is payable annually. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan. In July 2004 (unaudited) the Company committed to the lender to repay the entire loan no later than January 14, 2005 or convert the outstanding balance into a five year loan bearing interest at LIBOR plus 2.5%. In addition, the Company is subject to various restrictive covenants. If neither of the actions is taken, the lender is entitled to demand immediate repayment of the above loan.

In December 2002, the Company entered into an interest rate swap agreement with a financial institution that involves the exchange of fixed interest rate payments at a rate of 2.26% on a notional amount of \$9,500 at the effective date of February 21, 2003, that is reduced periodically (\$8,143 at December 31, 2003) in exchange for floating interest rate payments that equal the interest due under Loan Five. As the Company did not achieve hedge accounting on such swap, the net payments or receipts under such agreement are recognized as an adjustment to interest expense. This agreement expires on May 22, 2006.

The fair value of the interest rate swap is the estimated amount that the Company would currently pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The estimated fair value of the interest rate swap was a liability of \$41 at December 31, 2003. The effect of the interest rate swap utilized to offset variable rate funding was to increase interest expense by approximately \$74 in 2003.

Bridge loan

During 2003, a wholly owned subsidiary of the Company amended the Bridge Loan by changing the maximum loan amount from \$40,000 to \$20,000. The amendment also changed the interest rate from LIBOR plus 1% to LIBOR plus 1.5%, which is payable quarterly, and extended the maturity date to February 2005. Under the terms of the Bridge Loan, the Parent has provided a letter of credit in the amount of \$21 million that expires in March 2005 as collateral for the Bridge Loan.

Future minimum payments under long-term obligations as of December 31, 2003 are as follows:

Year ending December 31:	
2004	\$ 26,176
2005	48,048
2006	26,082
2007	23,960
2008	15,016
Thereafter	121,206
Total	<u>\$ 260,488</u>

Senior Secured Notes (Unaudited)

On February 13, 2004, the Company, through Ormat Funding Corporation ("OFC"), a wholly owned subsidiary, completed the issuance of 8¼% senior secured notes ("Notes") pursuant to an exempt offering under Rule 144A and Regulation S of the Securities Act of 1933 ("Offering"), amounting to \$190 million, and received net cash proceeds of approximately \$179.7 million net of bond issuance costs of approximately \$10.3 million, which have been included in intangible assets at March 31, 2004. The Notes have a final maturity date of December 30, 2020. Principal and interest on the Notes are payable semi-annually beginning June 30, 2004. The Notes are collateralized by substantially all of the assets of OFC and fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC, other than Ormesa LLC ("Ormesa"), which will be obligated to guarantee the Notes upon the

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Ormat Technologies, Inc. and Subsidiaries Notes to Consolidated Financial Statements (dollars in thousands, except per share amounts)

earlier of (i) January 31, 2005, (ii) the date that all the obligations under the Ormesa Loan have been repaid in full, and (iii) the date that Ormesa is no longer prohibited pursuant to the terms of the Ormesa Loan from providing a guarantee and (with certain exceptions) by all real property, contractual rights, revenues and bank accounts, intercompany notes, certain insurance policies and guarantees of OFC and its subsidiaries. There are various restrictive covenants under the Note, which include limitations on additional indebtedness and payment of dividends.

The Company may redeem the Notes, in whole or in part, at any time at a redemption price equal to the principal amount of the Notes to be redeemed plus accrued interest, premium and liquidated damages, if any, plus a "make-whole" premium. Under certain conditions, as defined in the note agreement, the Company may be required to redeem the Notes at a redemption price ranging from 100% to 101% of the principal amount of the Notes being redeemed plus accrued interest, premium and liquidated damages, if any.

OFC has agreed to file a registration statement with the Securities and Exchange Commission and offer to exchange the Notes for publicly registered exchange notes with substantially identical terms and consummate the exchange offer prior to January 8, 2005.

Non-current restricted cash at March 31, 2004 relating to proceeds from the Offering consists of the following:

Galena re-powering construction reserve

As required by the Offering, the Company has set aside approximately \$25.8 million to replace the existing equipment at the Steamboat 1/1A project with more efficient equipment, in order to optimize the geothermal resources available. After such replacement, the company will rename the Steamboat 1/1A project as the Galena project. The Company expects the re-powering will be complete and the project will achieve commercial operations by the end of 2005.

Also as required under the terms of the Notes, the Company has restricted cash accounts, consisting of the following, which are classified as current on the balance sheet:

Debt service reserve

The Company maintains an account to fund an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the Notes in the following six months. As of March 31, 2004 the required funds amounted to \$10.5 million.

Ormesa debt reserve

The Company has committed under the Offering to repay in full the Ormesa Loan no later than January 31, 2005. Approximately \$13.6 million of the proceeds from the Offering equal to the outstanding balance on the Ormesa Loan, less the deposit in the Debt Service reserve account described above, was placed in escrow to be released to the Company for principal payments toward the Ormesa Loan. If the Ormesa Loan is not paid in full by January 31, 2005, the balance in the escrow account will be used to repay the outstanding balance on the Ormesa Loan.

Revenue reserve

The Company deposits all revenues received into the revenue account. Such amounts are used to pay operating expenses and fund the debt service reserve account, but the funds are only available to the Company upon submission of draw requests by the Company to the bank. As such amounts are not fully unrestricted to use by the Company, they have been classified as restricted on the accompanying balance sheet. As of March 31, 2004 the balance of such account was approximately \$4 million.

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11. Asset Retirement Obligation

The Company adopted SFAS No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*, effective January 1, 2003. Under SFAS No. 143, entities are required to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. The Company's legal liabilities include capping wells and post-closure costs of geothermal power producing sites. When a new liability for asset retirement obligations is recorded, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, an entity settles the obligation for its recorded amount or incurs a gain or loss. On January 1, 2003, the Company recorded a cumulative effect of change in accounting principle of \$205, net of related tax benefit of \$125. As a result of adopting the provisions of SFAS No. 143, the net income for the year ended December 31, 2003, decreased by \$238, net of tax benefit of \$144. The proforma net loss for the years ended December 31, 2001 and 2002 reflecting the adoption of SFAS No. 143 applied retroactively would have been \$6,435 and \$1,227, respectively.

The following table summarizes the impact on the Company's balance sheet following the adoption of SFAS No. 143:

	Balance at December 31, 2002	Change Resulting from Application of SFAS No. 143	Balance at January 1, 2003
Property, plant and equipment	\$ 196,482	\$ 2,615	\$ 199,097
Accumulated depreciation	(44,140)	(140)	(44,280)
Net property, plant and equipment	<u>\$ 152,342</u>	<u>\$ 2,475</u>	<u>\$ 154,817</u>
Deferred income tax liability (benefit)	<u>\$ 11,951</u>	<u>\$ (125)</u>	<u>\$ 11,826</u>
Non-current asset retirement obligation	<u>\$ —</u>	<u>\$ 2,805</u>	<u>\$ 2,805</u>

The proforma changes to the non-current asset retirement obligation, based on the information, assumptions and interest rates as of January 1, 2003 are presented below to show what the Company would have reported if the provisions of SFAS No. 143 had been in effect for the periods presented below (unaudited):

	2001	December 31, 2002	2003	March 31, 2004 (unaudited)
Balance, beginning of period	\$ —	\$ 580	\$ 2,805	\$ 5,737
Liabilities incurred	556	2,057	2,701	941
Accretion expense	24	168	231	74
Balance, end of period	<u>\$ 580</u>	<u>\$ 2,805</u>	<u>\$ 5,737</u>	<u>\$ 6,752</u>

12. Stock Options

The Parent has four stock option plans: the 2001 Employee Stock Option Plan, the 2002 Employee Stock Option Plan, the 2003 Employee Stock Option Plan, and the 2004 Employee Stock Option Plan (collectively "the Plans"). Options under the 2004 Employee Stock Option Plan were granted in April 2004. Under the Plans, employees of the Company were granted options in the Parent's Ordinary shares, which are registered and traded on the Tel-Aviv Stock Exchange Ltd. Options under the Plans cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months. Vested shares may be exercised for up to five years

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from the date of grant. The maximum aggregate number of shares that may be optioned and sold under the Plans is determined each year by the board of directors of the Parent, and is equal to the number of options granted during each plan year.

The following table summarizes the status of the Plans as of and for the periods presented below (shares in thousands):

	2001		Year Ended December 31, 2002		2003		Three Months Ended March 31, 2004 (unaudited)	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Outstanding, beginning of year	—	\$ —	695	\$ 2.26	1,320	\$ 1.83	1,930	\$ 1.73
Granted, above fair value	706	2.26	—	—	—	—	—	—
Granted, below fair value	—	—	693	1.41	710	1.75	—	—
Exercised	—	—	—	—	(68)	2.26	(136)	2.10
Forfeited	(11)	2.26	(68)	1.82	(32)	2.00	—	—
Outstanding at period end	<u>695</u>	2.26	<u>1,320</u>	1.86	<u>1,930</u>	1.81	<u>1,794</u>	1.76
Options exercisable at period end	<u>—</u>	—	<u>—</u>	—	<u>92</u>	2.26	<u>313</u>	1.89
Weighted-average fair value of options granted during the period:								

Above fair value	\$ 0.92	\$ —	\$ —	\$ —
Below fair value	\$ —	\$ 0.85	\$ 0.60	\$ —

The following table summarizes information about stock options outstanding at December 31, 2003 (shares in thousands):

Exercise Prices	Number of Shares Outstanding	Weighted-Average	Number of Shares Exercisable	Weighted-Average
		Remaining Contractual Life in Years		Remaining Contractual Life in Years
\$ 1.41	656	3.2	—	—
1.75	704	4.2	—	—
2.26	570	2.1	92	2.1
	<u>1,930</u>	<u>3.2</u>	<u>92</u>	<u>2.1</u>

The following table summarizes information about stock options outstanding at March 31, 2004 (shares in thousands)(unaudited):

Exercise Prices	Number of Shares Outstanding	Weighted-Average	Number of Shares Exercisable	Weighted-Average
		Remaining Contractual Life in Years		Remaining Contractual Life in Years
\$ 1.41	630	2.9	138	2.9
1.75	704	3.9	—	—
2.26	460	1.8	175	1.8
	<u>1,794</u>	<u>3.0</u>	<u>313</u>	<u>2.3</u>

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13. Power Purchase Agreements

U.S. operations:

The Company has various power purchase agreements in the U.S. as follows:

Southern California Edison Company ("SCE")

The Company has two power purchase agreements ("PPAs") with SCE related to the Ormesa Complex and two PPAs related to Heber 1 and Heber 2. The PPAs provide for the sale of capacity and energy through their respective terms, with the following expiring dates: Ormesa PPAs expiring in 2017 and 2018, and Heber 1 and Heber 2 PPAs expiring in 2015 and 2023, respectively. Under the PPAs, the Company receives a fixed energy payment through April 30, 2007, and thereafter an energy payment based on SCE's short-run avoided cost ("SRAC"). The PPAs provide for firm capacity and bonus payments established by the contracts and are paid to the Company each month through the contracts' term based on plant performance. Bonus capacity payments are earned based on actual capacity available during certain peak hours.

SPPC — Nevada

The Company also has four power purchase agreements with Sierra Pacific Power Company ("SPPC"); one

related to the Brady Power Plant, two related to the Steamboat 1 and 1A Power Plants, and one related to the Steamboat 2 and 3 Power Plants. The PPAs provide for the sale of energy, and for capacity for all power plants except Brady, through their respective terms, with the following expiring dates: Steamboat 1 and 1A expire in 2006 and 2018, and Brady and Steamboat 2 and 3 expire in 2022. Energy payments under the Brady PPA are based on deliveries during specified winter and summer seasons for on-peak, mid-peak, and off-peak times.

Foreign operations:

The Company has power purchase agreements in various foreign countries as follows:

The Olkaria III Project (Kenya)

In connection with the agreement with KPLC (Note 6), the subsidiary in Kenya sells power to KPLC at the agreed upon price and terms of a 20-year power purchase agreement. Fees are paid each month through the term of the agreement and vary based on plant performance.

The Leyte Project (Philippines)

In connection with the BOT agreement with PNOC (Note 6), the subsidiary in the Philippines converts the steam delivered by PNOC into electric energy required by the National Power Corporation ("NPC") in accordance with the power purchase agreement between NPC and PNOC during the term of the BOT agreement. OLCL receives capacity and energy fees from PNOC established by the BOT agreement. Fees are paid each month through the term of the BOT agreement and vary based on plant performance.

The Momotombo Project (Nicaragua)

In connection with the agreement with NEC (Note 6), the subsidiary in Nicaragua sells power to two assignees of NEC at the agreed upon price and terms of a "take or pay" power purchase agreement. Fees are paid each month through the term of the agreement and vary based on plant performance.

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Pursuant to the terms of certain of the power purchase agreements described above, the Company may be required to make payments to the relevant power purchaser under certain conditions, such as shortfall on delivery of renewable energy and energy credits, and not meeting certain threshold performance requirements, as defined.

14. Income Taxes

Income (loss) from continuing operations before provision for income taxes consisted of:

	Year Ended December 31,			Three Months Ended	
	2001	2002	2003	2003	2004
				(unaudited)	
U.S.	\$ (2,843)	\$ 5,756	\$ 2,263	\$ 988	\$ 1,230
Non-U.S. (foreign)	4,176	8,893	15,902	2,396	3,224
	<u>\$ 1,333</u>	<u>\$ 14,649</u>	<u>\$ 18,165</u>	<u>\$ 3,384</u>	<u>\$ 4,454</u>

The components of income tax expense (benefit) from continuing operations are as follows:

Three Months Ended

	Year Ended December 31,			March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	
Current:					
Federal	\$ 188	\$ —	\$ —	\$ —	\$ —
Foreign	95	252	446	—	590
	<u>283</u>	<u>252</u>	<u>446</u>	<u>—</u>	<u>590</u>
Deferred:					
Federal	(1,077)	1,614	(1,210)	336	392
State	—	878	432	95	81
Foreign	3,859	3,391	2,838	966	654
	<u>2,782</u>	<u>5,883</u>	<u>2,060</u>	<u>1,397</u>	<u>1,127</u>
	<u>\$ 3,065</u>	<u>\$ 6,135</u>	<u>\$ 2,506</u>	<u>\$ 1,397</u>	<u>\$ 1,717</u>

The significant components of the deferred income tax expense (benefit) from continuing operations are as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	
Deferred tax expense (exclusive of the effect of other components listed below)	\$ 3,657	\$ 9,846	\$ 5,233	\$ 2,148	\$ 2,970
Benefit of operating loss carryforwards – US	(1,154)	(3,573)	(1,643)	(751)	(1,843)
(Benefit) utilization of operating loss carryforwards – Israel	(4,482)	(1,248)	1,019	(119)	(58)
Change in valuation allowance	4,539	1,248	(1,019)	119	58
Benefit of investment tax credits	222	(390)	(1,530)	—	—
	<u>\$ 2,782</u>	<u>\$ 5,883</u>	<u>\$ 2,060</u>	<u>\$ 1,397</u>	<u>\$ 1,127</u>

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The difference between the U.S. federal statutory tax rate and the Company's effective rate are as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	
U.S. federal statutory tax rate	34.0%	34.0%	34.0%	34.0%	34.0%
State taxes, net of federal benefit	—	2.7	1.7	1.8	2.8
Effect of foreign income tax, net	(138.7)	(4.4)	(7.0)	1.1	0.3
Valuation allowance – Israel	340.5	8.5	(5.6)	3.5	1.3
Investment tax credits	—	(2.7)	(8.4)	—	(0.1)
Other, net	(5.9)	3.8	(0.9)	0.9	0.2
	<u>229.9%</u>	<u>41.9%</u>	<u>13.8%</u>	<u>41.3%</u>	<u>38.5%</u>

The net deferred tax assets and liabilities consist of the following:

	December 31,		March 31,
	2002	2003	2004
			(unaudited)
Deferred tax assets (liabilities):			
Net foreign deferred taxes, primarily depreciation	\$ (8,194)	\$ (11,032)	\$ (11,638)
Depreciation	(9,361)	(11,704)	(13,960)
Net operating loss carryforwards – U.S.	5,702	7,345	9,188
Net operating loss carryforwards – Israel	7,047	6,028	6,086
Investment tax credits	441	1,971	1,971
State income taxes	—	73	75
	<u>(4,365)</u>	<u>(7,319)</u>	<u>(8,278)</u>
Valuation allowance	<u>(7,586)</u>	<u>(6,567)</u>	<u>(6,625)</u>
	<u>\$ (11,951)</u>	<u>\$ (13,886)</u>	<u>\$ (14,903)</u>

Realization of the deferred tax assets and investment tax credits is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that the deferred tax asset, except for those of the Company's Israeli operations (separate tax jurisdiction), will be realized.

At December 31, 2003, the Company had U.S. federal and state net operating loss carryforwards of approximately \$20.7 million and \$7.3 million, respectively, available to reduce future taxable income, which expire between 2021 and 2023, and 2014, respectively. The investment tax credits carry over indefinitely until utilized.

At December 31, 2003, the Company had net operating loss carryforwards related to its Israeli operations of approximately \$16.7 million available to reduce future taxable income, which carryover indefinitely until utilized. Further, despite the fact that the net operating losses carryforward indefinitely, there is currently uncertainty as to the Israeli tax laws related to establishing limitations on the use of net operating losses. Due to OSL's history of operating losses and based on OSL's inability to generate sufficient taxable income in the foreseeable future, management believes it is not more likely than not that such net operating loss carry forwards will be utilized. Accordingly, the Company has recorded a full valuation allowance against such deferred tax assets.

The total amount of undistributed earnings of foreign subsidiaries for income tax purposes was approximately \$31 million at December 31, 2003. It is the Company's intention to reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or U.S. income taxes which

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may become payable if undistributed earnings of foreign subsidiaries were paid as dividends to the Company. The additional taxes on that portion of undistributed earnings which is available for dividends are not practicably determinable.

Income taxes related to foreign operations

Philippines – From OLCL's inception in 1996 to September 2003, OLCL, an 80% owned subsidiary with operations in the Philippines, had an income tax holiday. Subsequent to September 2003, OLCL is subject to the Philippines regular corporate income tax rate of 32%. The tax holiday, assuming a tax rate of 32%, has the effect of reducing tax expense by \$1,032, \$1,978, \$798, \$327, and \$0, and increasing earnings per share by \$0.03,

\$0.06, \$0.03, \$0.01, and \$0, for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004 (unaudited), respectively.

Israel – The Company's operations in Israel through OSL are taxed at the regular corporate tax rate of 36%. However, under the Israeli Law for the Encouragement of Capital Investments, some of the operations of OSL have been granted "Approved Enterprise" status under expansion plan of 1996 and 2003, whereby income from the Approved Enterprise, which is determined as the increase of revenues in a particular year compared to those of the program's determined base year (1995 and 2002), will be exempt from taxes for two years commencing in the first year OSL generates taxable income, which for OSL has not commenced yet, and at a reduced tax rate of 25% for a remaining five years. The Approved Enterprise status plans of 1996 and 2003 expire in 2010 and 2017, respectively.

Other significant foreign countries – The Company's operations in Nicaragua and Kenya are taxed at the rates of 25% and 40%, respectively.

15. Business Segments

The Company engages in the following business segments, which report to the Company's management for decision-making purposes: The electricity segment is engaged in the maintenance and operation of wholly or partly owned power plants and in the production of electricity according to contracts. The products segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. Transfer prices between the operating segments were determined on current market value or cost plus markup of the seller's business segment.

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Ormat Technologies, Inc. and Subsidiaries Notes to Consolidated Financial Statements (dollars in thousands, except per share amounts)

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Electricity	Products	Consolidated
Year ended December 31, 2001:			
Net revenues from external customers	\$ 33,956	\$ 13,959	\$ 47,915
Intersegment revenues	—	1,481	1,481
Depreciation and amortization expense	10,634	611	11,245
Operating income (loss)	12,931	(8,714)	4,217
Segment assets at period end	202,658	23,959	226,617
Expenditures for long-lived assets	68,324	52	68,376
Year ended December 31, 2002:			
Net revenues from external customers	\$ 65,491	\$ 20,138	\$ 85,629
Intersegment revenues	—	10,157	10,157
Depreciation and amortization expense	13,780	697	14,477
Operating income	21,971	(1,744)	20,227
Segment assets at period end	260,181	27,197	287,378
Expenditures for long-lived assets	76,568	207	76,775
Year ended December 31, 2003:			
Net revenues from external customers	\$ 77,752	\$ 41,688	\$ 119,440
Intersegment revenues	—	7,130	7,130

Depreciation and amortization expense	15,969	650	16,619
Operating income	20,390	5,100	25,490
Segment assets at period end	519,140	28,396	547,536
Expenditures for long-lived assets	276,266	386	276,652

Three months ended March 31, 2003 (unaudited):

Net revenues from external customers	\$ 17,604	\$ 7,812	\$ 25,416
Intersegment revenues	—	2,280	2,280
Operating income	5,084	4	5,088
Segment assets at period end	247,931	25,780	273,711

Three months ended March 31, 2004 (unaudited):

Net revenues from external customers	\$ 33,459	\$ 14,146	\$ 47,605
Operating income	11,127	1,272	12,399
Segment assets at period end	670,934	26,950	697,884

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	
Revenues:					
Total segment revenues	\$ 47,915	\$ 85,629	\$ 119,440	\$ 25,416	\$ 47,605
Intersegment revenues	1,481	10,157	7,130	2,880	—
Elimination of intersegment sales	(1,481)	(10,157)	(7,130)	(2,880)	—
Total consolidated sales	<u>\$ 47,915</u>	<u>\$ 85,629</u>	<u>\$ 119,440</u>	<u>\$ 25,416</u>	<u>\$ 47,605</u>
Operating income:					
Operating income	\$ 4,217	\$ 20,227	\$ 25,490	\$ 5,088	\$ 12,399
Interest expenses, net	(3,010)	(5,570)	(7,513)	(1,611)	(8,279)
Equity in income of investee	166	314	559	89	787
Non-operating income and other	605	872	148	19	(345)
Minority interest in earnings of subsidiaries	(645)	(1,194)	(519)	(201)	(108)
Total consolidated income from continuing operations before income taxes	<u>\$ 1,333</u>	<u>\$ 14,649</u>	<u>\$ 18,165</u>	<u>\$ 3,384</u>	<u>\$ 4,454</u>

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Business segments according to geographical location: The Company sells products for power plants and others, mainly to the geographical areas according to location of the customers, as detailed below. The following table presents certain data by geographic area:

	<u>Year Ended December 31,</u>			<u>Three Months Ended March 31,</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>
				(unaudited)	
Revenues from external customers attributable to: ⁽¹⁾					
North America	\$ 4,901	\$ 33,557	\$ 52,534	\$ 10,047	\$ 26,104
Pacific Rim	1,646	4,502	10,340	—	11,566
Latin America	12,002	18,459	25,016	8,624	3,347
Africa	8,688	9,236	12,171	2,346	2,508
Far East	16,119	17,937	17,793	3,673	3,736
Europe	4,559	1,938	1,586	726	344
Consolidated total	<u>\$ 47,915</u>	<u>\$ 85,629</u>	<u>\$ 119,440</u>	<u>\$ 25,416</u>	<u>\$ 47,605</u>

⁽¹⁾ Revenues as reported in the geographic area in which they originate

	<u>December 31,</u>			<u>March 31,</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
				(unaudited)
Long-lived assets (primarily power plants and related assets) relating to continuing operations located in:				
North America	\$ 37,537	\$ 77,617	\$ 314,296	\$ 401,837
Latin America	18,256	31,333	30,778	31,031
Africa	50,189	56,182	54,911	54,518
Far East	26,592	22,078	17,433	—
Europe	2,240	1,788	1,563	1,607
Consolidated total	<u>\$ 134,814</u>	<u>\$ 188,998</u>	<u>\$ 418,981</u>	<u>\$ 488,993</u>

Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

The following table presents revenues from major customers:

	Year ended December 31,						Three months ended March 31,			
	2001		2002		2003		2003		2004	
	Revenues	%	Revenues	%	Revenues	%	Revenues	%	Revenues	%
	(unaudited)									
Revenues from major customers:										
Customer A (1)	\$ —	—	\$21,845	26	\$32,458	27	\$ 6,089	24	\$19,350	41
Customer B (2)	—	—	—	—	10,318	9	—	—	8,538	18
Customer C (1)	12,475	26	15,593	18	12,620	11	3,198	13	3,096	7
Customer D (1)	8,910	19	9,221	11	11,617	10	3,095	12	2,968	6
Customer E (1)	3,964	8	9,606	11	11,389	10	2,879	11	5,958	13
Customer F (1)	8,607	18	9,225	11	9,669	8	2,343	9	2,398	5
Customer G (2)	—	—	7,025	8	10,754	9	5,075	20	—	—

(1) Revenues reported in electricity segment

(2) Revenues reported in products segment

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

16. Transactions with related entities

Transactions between the Company and the related entities during the periods presented below and balances as of the periods presented below, other than those disclosed elsewhere in the financial statements, approximated:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(unaudited)				
Transactions					
Revenues on construction project to subsidiary of Parent	\$ 303	\$ —	\$ —	\$ —	\$ —
Revenues on construction of Zunil project	\$ 330	\$ —	\$ —	\$ —	\$ —
Property rental fee expense paid to Parent	\$ 627	\$ 627	\$ 627	\$ 157	\$ 157
Interest expense on note payable to Parent	\$ 1,131	\$ 1,068	\$ 1,874	\$ 171	\$ 2,198
Guarantee fees to Parent	\$ 145	\$ 783	\$ 709	\$ 307	\$ 123
Corporate financial, administrative and executive services provided to Parent	\$ 120	\$ 120	\$ 120	\$ 30	\$ 30
Year-End Balances (at end of period)					
Due from Orzunil		\$ 132	\$ 145		\$ 140
Due from subsidiaries of Parent		\$ 1,624	\$ 1,761		\$ 881
Due from Parent		\$ —	\$ 4,431		\$ 1,508

The Company has an agreement with the Parent whereby, for a fee, the Parent maintains certain standby letters of credit on behalf of the Company. During the years ended December 31, 2001, 2002 and 2003, and the three months ended March 31, 2003 and 2004 (unaudited), the fees under the agreement totaled approximately \$145, \$783, \$709, \$307 and \$123, respectively.

The current liability due to Parent at December 31, 2002 and 2003, and March 31, 2004 (unaudited) of \$53,171, \$0 and \$0, respectively, represents the net obligation resulting from ongoing operations and transactions with the Parent and is payable from available cash flow. Interest is computed on balances greater than 60 days at LIBOR plus 1%, however not less than the Israeli Consumer Price Index plus 4%, compounded quarterly, and is accrued and paid to the Parent annually.

Notes payable to Parent

In 2003, the Company entered into a loan agreement ("Parent Loan Agreement") with the Parent pursuant to which the Company may borrow up to \$150 million in one or more advances. Interest accrues on the unpaid principal of the loan amount at a rate per annum of the Parent's average effective interest plus 0.3% (7.5% during 2003). The principal and interest on the Parent Loan Agreement are payable in varying amounts through the loan due date of June 2010. The outstanding balance of such loan at December 31, 2003 and March 31, 2004 (unaudited) was \$126,339 and \$99,839, respectively. As further discussed in Note 19, on June 29, 2004, \$20,000 outstanding under the Parent Loan Agreement was converted to 1,538,462 shares of \$0.001 par value common stock of the Company.

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Ormat Technologies, Inc. and Subsidiaries **Notes to Consolidated Financial Statements** **(dollars in thousands, except per share amounts)**

In 2003, the Company entered into a \$50,665 non-interest bearing note agreement with the Parent. Principal is payable upon demand at any time after November 2005, but no later than December 2006. The loan is subordinated to all other liabilities of the Company.

Future minimum payments under the notes payable to Parent as of December 31, 2003 are as follows:

Year ending December 31:	
2004	\$ —
2005	17,834
2006	78,100
2007	27,435
2008	27,435
Thereafter	26,200
	<u>\$ 177,004</u>

17. Employee benefit plan

401(k) Plan

Prior to July 1, 2002, the Company had a Simple IRA ("IRA Plan") plan covering substantially all employees of the Company, age 21 or older, with minimum service requirements. The Company contributed 2% of the eligible employees' compensation for the year. The Company contributed \$17 and \$6 to the plan for year ended December 31, 2001 and for the six-month period ended June 30, 2002, respectively. On July 1, 2002 the Company discontinued making contributions to the IRA Plan, as the Company exceeded the maximum number of employees allowed for such a plan due to the purchase of the Ormesa Project. Any amounts remaining in the IRA Plan will continue to be invested, and earnings applied to the participating employees' accounts. All contributions made after July 1, 2002 are contributed into the Company's new 401(k) plan, discussed below.

On July 1, 2002 the Company established a 401(k) Plan (the "Plan") for the benefit of its employees. Employees of the Company who have completed one year of service or who had one year of service upon establishment of the Plan are eligible to participate in the Plan. Contributions are made by employees through pretax deductions up to 60% of their annual salary. Contributions made by the Company are matched up to a maximum of 2% of the employee's annual salary. The Company's contributions to the Plan were \$46, \$83, \$23 and \$39 and for the six-month period ended December 31, 2002, the year ended December 31, 2003 and for the three months ended March 31, 2003 and 2004 (unaudited), respectively.

Severance plan

The Company, through OSL, provides limited non-pension benefits to all current employees in Israel who are entitled to benefits in the event of termination or retirement in accordance with the Israeli government sponsored programs. These plans generally obligate the Company to pay one month's salary per year of service to employees in the event of involuntary termination. There is no limit on the number of years of service in calculation of the benefit obligation. The liabilities for these plans are accounted for under the guidance of EITF 88-1, *Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan*, using what is commonly referred to as the "shut down" method, where a company records the undiscounted obligation as if it was payable at each balance sheet date. Such liabilities have been presented on the balance sheet as "Liability for severance pay". The Company has an obligation to partially fund the liabilities through regular deposits in pension funds and severance pay funds. The amounts funded amounted to \$9,047, \$9,440, and \$9,215 at December 31,

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

2002 and 2003, and March 31, 2004 (unaudited), of which \$8,067, \$8,227 and \$8,034 was restricted, respectively, and have been presented on the balance sheet as part of "Deposits and other". Under the severance pay law, restricted funds may not be withdrawn or pledged until the respective severance pay obligations have been met. As allowed under the program, earnings from the investment are used to offset severance pay costs. Severance pay expenses for the years ended December 31, 2001, 2002 and 2003, and for the three month periods ended March 31, 2003 and 2004 (unaudited) were \$516, \$456, \$511, \$153, and \$162, respectively, which includes losses (income) amounting to \$(49), \$8, \$65, \$40, and \$55, respectively, generated from the regular deposits and amounts accrued in severance funds.

18. Commitments and contingencies

Geothermal Resources

The Company, through its project subsidiaries in the United States, controls certain rights to geothermal fluids through certain leases with the Bureau of Land Management ("BLM") or through private leases. Royalties on the utilization of the geothermal resources are computed and paid to the lessors as defined in the respective agreements. Royalties expense under the geothermal resource agreements were \$135, \$925, \$1,181, \$290 and \$917 for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004, respectively.

Letters of credit

In the ordinary course of business with customers, vendors, and lenders, the Company is contingently liable for performance under letters of credit and other financial guarantees obtained by the Parent and issued on behalf of the Company totaling \$19,736 and \$25,642 at December 31, 2003 and March 31, 2004 (unaudited). Management does not expect any material losses to result from these off-balance-sheet instruments because performance is not expected to be required, and, therefore, is of the opinion that the fair value of these instruments is zero.

Grants and royalties

The Company, through OSL, has historically requested and received grants for research and development from the Office of the Chief Scientist of the Israeli Government. OSL is required to pay royalties to the Israeli Government at a rate of 3.5% to 5.0% of the revenues derived from products and services developed using such

grants, and amounted to \$42, \$700, \$1,171, \$231, and \$389 for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004 (unaudited), respectively. Such royalties are capped at the amount of the grants received plus interest at LIBOR, and the cap at December 31, 2003 and March 31, 2004 (unaudited), amounted to \$7,050 and \$6,966, respectively, of which approximately \$5,268 and \$5,352 of the cap, respectively, increases based on the LIBOR rate, as defined.

In addition, OSL is obligated to pay royalties to an unaffiliated entity at 2% of its domestic sales up to a cumulative amount of \$9.25 million, and royalties at a rate of 0.2% of revenues on the next \$5.4 million related to a certain technology that is not currently being utilized. However, no royalties will be paid after 30 years have elapsed from the completion of the related project. OSL has not derived any revenues from this technology to date, nor have any royalties been paid to date.

Contingencies

In August 2003, Ormesa agreed to enter into binding arbitration with the Imperial Irrigation District in connection with Imperial Irrigation District's claim that Ormesa is obligated to pay scheduling and transmission charges in the amount of \$529 through the effective date of relinquishment of nominated

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

capacity for two of the Ormesa Project plants. Ormesa contends that it is not obligated to pay the subject charges after the January 1, 2003, effective date of the Energy Services Agreement that Ormesa entered into with the Imperial Irrigation District. The Company believes that the dispute will be resolved in 2004 and that any outcome will not have a material impact on the Company's operations or relationship with the Imperial Irrigation District.

In response to an order issued by a California State Court of Appeal, the California Public Utilities Commission ("CPUC"), has commenced an administrative proceeding in order to address short run avoided cost pricing for Qualifying Facilities for the period spanning from December 2000 to March 2001. The court directed that the CPUC modify short run avoided cost pricing on a retroactive basis to the extent that the CPUC determined that short run avoided cost prices were not sufficiently "accurate" or "correct." If the short run avoided cost prices charged during the period in question were determined by the CPUC to not be "accurate" or "correct," retroactive price adjustments could be required for any of the Company's Qualifying Facilities in California whose payments are tied to short run avoided cost pricing, including the Heber 1, Heber 2, Mammoth and Ormesa projects. Currently it is not possible to predict the outcome of such proceeding, however, any retroactive price adjustment required to be made in relation to any of the Company's projects may require such projects to make refund payments, which could materially effect the financial condition, future results and cash flow of the Company.

SG is party to litigation related to a dispute over amounts owed to the plaintiffs under certain operating agreements. SG has initiated settlement discussions with the plaintiff and the Company believes that any outcome will not have a material impact on the Company's results of operations.

The Company is a defendant in various other legal suits in the ordinary course of business. It is the opinion of the Company's management that the expected outcome of these matters, individually or in the aggregate, will not have a material effect on the results of operations and financial condition of the Company.

Certain of the Company's projects are subject to contested FERC rulings whereby an adverse outcome could result in a refund of a portion of previous revenues and/or a reduction in future revenues from those projects. The outcome of this matter cannot be predicted at this time.

19. Subsequent events (unaudited)

Acquisition of Steamboat Hills

On May 20, 2004, the Company acquired 100% ownership interest in Yankee Caithness Joint Venture, L.P. ("Yankee") from unrelated parties for a purchase price of approximately \$20.2 million. Yankee owns and operates a geothermal electric generation plant, located in the city of Steamboat Springs, Nevada. The Company purchased Yankee to increase its geothermal power plant operations in the United States. Yankee was

subsequently renamed to Steamboat Hills.

Acquisition of Puna Geothermal Plant

On April 22, 2004, the Company entered into an agreement with an unrelated party to acquire 100% interests in Puna Geothermal Venture ("PGV"), which operates a geothermal power plant ("Puna Project") located on the island of Hawaii. The Company purchased PGV to increase its geothermal power plant operations in the United States. The PGV acquisition was completed on June 3, 2004 with a purchase price of approximately \$72.8 million, including acquisition costs of \$200, which purchase price is subject to working capital adjustments. Of the total purchase price of \$72,831, the Company allocated \$66,812 to property, plant and equipment, \$6,500 to the power purchase agreement, \$1,600 to net working capital, and \$2,081 liability related to asset retirement obligation.

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Such allocation is preliminary, pending completion of an independent valuation, and may differ from the final allocation. The property, plant and equipment and power purchase agreement will be amortized over their estimated useful life of 23 years. The Puna Project was not in compliance with the threshold minimum performance requirements of its power purchase agreement at the time of the acquisition, and is currently not in compliance with such requirements, which non-compliance has resulted in the imposition of sanctions that reduce the aggregate amounts of revenues payable to the Company from the power purchaser.

Loan agreement

In June 2004, the Company entered into a \$20,000 loan agreement with a financial institution, with principal payable by November 2005. Interest is computed at LIBOR plus 1.45%, and is payable semi-annually. The Parent has provided a guarantee, whereby in the event that the Company fails to perform its obligation under the loan agreement, the Parent would be required to pay the bank the remaining outstanding balance of the loan.

Interest rate cap agreements

During the second quarter of 2004, the Company entered into two separate interest rate cap agreements ("Cap Transactions") with two different financial institutions pursuant to which the Company paid an aggregate of \$3,820 to the financial institutions. The Cap Transactions are effective on March 30, 2007 and terminate on March 31, 2011. Under the terms of the Cap Transactions, the financial institutions are required to pay the Company the difference between the LIBOR rate and 6.0% (if LIBOR is greater than 6.0%), times the notional amount, which for each of the contracts will be \$67,401 on the effective date and reduces each payment period down to \$49,633 upon termination.

LOC Agreement

On June 30, 2004, the Company entered into a letter of credit and loan agreement ("LOC Agreement") with a bank pursuant to which the bank agreed to issue one or more letters of credit aggregating to \$15 million, and expires on June 30, 2007, which shall be extended for successive one-year periods unless notice is provided by either the Company or the bank not to extend such expiration date. In the event that the bank is required to pay on a letter of credit drawn by the beneficiary thereof, such letter of credit converts to a loan, bearing interest at LIBOR plus 4.0%, and matures on the next expiration date of the LOC Agreement. There are various restrictive covenants under the LOC Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, and minimum coverage ratio. Subsequent to June 30, 2004, two letters of credit were issued under this agreement aggregating \$11,769, which have been used to replace cash on deposit in reserve funds that were used as a pledge against the OFC Notes and the Beal Bank Credit Agreement. The amount on one of the letters of credit will increase by \$2,674 in December 2004.

Recapitalization

On June 29, 2004, the Company amended and restated its certification of incorporation, pursuant to which the

authorized capital stock of the Company was increased from 1,000 shares of \$1.00 par value common stock to 205,000,000 authorized shares, comprising of 200,000,000 shares of \$0.001 par value common stock and 5,000,000 shares of \$0.001 par value preferred stock, of which, 500,000 shares have been designated as Series A Preferred Stock. The board of directors has the authority to issue the undesignated preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof.

Additionally, on June 29, 2004, the outstanding and issued 200 shares of \$1.00 par value common stock were divided and converted (stock split) to 30,769,230 shares of \$0.001 par value common stock.

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Ormat Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Accordingly, all common share and per common share amounts in the accompanying consolidated financial statements have been restated to give retroactive effect to the stock split for all periods presented.

Further, on June 29, 2004, \$20,000 outstanding under the Parent Loan Agreement (Note 16) was converted to 1,538,462 shares of \$0.001 par value common stock of the Company.

Reimbursement agreement

On July 15, 2004, the Company entered into a reimbursement agreement with its Parent pursuant to which the Company agreed to reimburse its Parent for (1) any draws made on any standby letter of credits issued by the Parent for the Company and (2) any payments made under any guarantee provided by the Parent to the Company. Interest on any amounts owing pursuant to the reimbursement agreement is payable at a rate per annum equal to the Parent's average effective cost of funds plus 0.3% in U.S. dollars.

Finance arrangements

In connection with the acquisition transaction between OSL and the Parent, the Company amended certain terms of its debt related to Loans 1, 4 and 5, and the Bridge Loan (Note 10), pursuant to which the Company is subject to various financial covenants, including maintaining certain levels of debt service coverage ratio and debt to equity ratio.

In July 2004, the Company also entered into an agreement with a bank pursuant to which the Company has assumed, as the primary obligor, existing contingent obligations of approximately \$17.2 million in outstanding letters of credit that were previously obtained by the Parent under which the Parent was the primary obligor (Note 18).

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As of December 31, 2002 and 2003, and for the Year Ended December 31, 2002 and for Periods from January 1, 2003 to December 10, 2003 and December 11, 2003 to December 31, 2003 and

Unaudited Financial Statements

As of March 31, 2004 and for the Three-Months Ended March 31, 2003 and 2004

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Report of Independent Auditors

To the Partners of
Puna Geothermal Venture

In our opinion, the accompanying balance sheet present fairly, in all material respects, the financial position of Puna Geothermal Venture (the "Company") at December 31, 2002, and the results of its operations, partners' equity, and its cash flows for the period from January 1, 2003 to December 10, 2003 and for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 2 and 8, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* .

As discussed in Notes 1 and 2 to the financial statements, on December 11, 2003, CE Puna I Corporation, a subsidiary of Constellation Power Corporation, acquired the entire partnership interest of AMOR VIII Corporation, resulting in the Company being wholly owned by Constellation Power Corporation, through its subsidiaries. The financial statements for the period subsequent to December 10, 2003 have been prepared on the basis of accounting arising from this acquisition.

/s/ PricewaterhouseCoopers LLP

Honolulu, Hawaii

April 30, 2004, except for Notes 3 and 9,
as to which the date is July 1, 2004

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Report of Independent Auditors

To the Partners of
Puna Geothermal Venture

In our opinion, the accompanying balance sheet present fairly, in all material respects, the financial position of Puna Geothermal Venture (the "Company") at December 31, 2003, and the results of its operations, partners' equity, and its cash flows for the period from December 11, 2003 to December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 2 and 8, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*.

As discussed in Notes 1 and 2 to the financial statements, on December 11, 2003, CE Puna I Corporation, a subsidiary of Constellation Power Corporation, acquired the entire partnership interest of AMOR VIII Corporation, resulting in the Company being wholly owned by Constellation Power Corporation, through its subsidiaries. The financial statements for the period subsequent to December 10, 2003 have been prepared on the basis of accounting arising from this acquisition.

/s/ PricewaterhouseCoopers LLP

Honolulu, Hawaii

April 30, 2004, except for Notes 3 and 9,
as to which the date is July 1, 2004

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Puna Geothermal Venture
Balance Sheets
December 31, 2002 and 2003 and March 31, 2004

	<u>Predecessor Company</u>	<u>Successor Company</u>	
	<u>December 31, 2002</u>	<u>December 31, 2003</u>	<u>March 31, 2004</u>
			(unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 1,194,294	\$ 4,618,961	\$ 5,111,961
Restricted cash (Note 3)	6,107,759	3,063,035	3,068,807
Advances	—	2,240	2,321
Accounts receivable — HELCO	363,474	1,975,136	1,878,977
Spare parts inventory	2,087,529	4,511,926	4,511,926
Other current assets	71,006	105,690	77,205
Total current assets	<u>9,824,062</u>	<u>14,276,988</u>	<u>14,651,197</u>
Plant and equipment			
Plant and equipment	208,700,816	196,309,698	196,319,826

Less accumulated depreciation	52,029,567	58,827,358	60,281,276
	<u>156,671,249</u>	<u>137,482,340</u>	<u>136,038,550</u>
Construction in progress	2,019,245	52,724	52,724
	<u>158,690,494</u>	<u>137,535,064</u>	<u>136,091,274</u>
Deferred financing costs	1,205,321	1,071,449	1,037,981
Other assets	31,535	31,535	123,233
Total assets	<u>\$ 169,751,412</u>	<u>\$ 152,915,036</u>	<u>\$ 151,903,685</u>
Liabilities and Partners' Equity			
Current liabilities			
Note payable to Credit Suisse, current portion (Note 3)	\$ 3,678,051	\$ 4,004,990	\$ 3,024,176
Trade accounts payable	2,861,678	932,662	286,299
HELCO sanction (Note 5)	608,831	203,005	18,808
Payable to custodian	26,443	—	—
Accrued expenses	483,299	638,573	247,561
COSI — Puna, Inc. payables	887,871	897,263	1,355,780
Constellation Power, Inc. payables	264,000	—	66,000
Total current liabilities	<u>8,810,173</u>	<u>6,676,493</u>	<u>4,998,624</u>
Noncurrent liabilities			
Swap agreements (Note 4)	4,758,265	3,692,233	2,769,130
Note payable to Credit Suisse, noncurrent portion (Note 3)	44,300,097	40,294,892	40,294,892
Asset retirement obligation	—	2,041,043	2,080,844
Total liabilities	<u>57,868,535</u>	<u>52,704,661</u>	<u>50,143,490</u>
Partners' equity			
Partners' capital	116,641,142	103,902,608	104,529,325
Accumulated other comprehensive loss	(4,758,265)	(3,692,233)	(2,769,130)
Total partners' equity	<u>111,882,877</u>	<u>100,210,375</u>	<u>101,760,195</u>
Total liabilities and partners' equity	<u>\$ 169,751,412</u>	<u>\$ 152,915,036</u>	<u>\$ 151,903,685</u>

The accompanying notes are an integral part of the financial statements.

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**Puna Geothermal Venture
Statements of Operations**

**Year Ended December 31, 2002, Period from January 1, 2003 to December 10, 2003, Period from
December 11, 2003 to December 31, 2003, and Three Months Ended March 31, 2003 and 2004**

	Predecessor Company		Successor Company		Predecessor Company		Successor Company	
	Period from		Period from		Three Months Ended March 31,			
	Year Ended	January 1, 2003 to	December 11, 2003	to				
	December 31, 2002	December 10, 2003	December 31, 2003		2003		2004	
	(unaudited)							
Operating revenues, all from a single customer								
Electricity sales	\$ 4,465,946	\$ 9,485,176	\$ 728,746	\$ 1,581,283	\$ 4,607,244			
Capacity payments	1,859,310	7,901,795	620,882	314,557	996,132			
Total operating revenues	6,325,256	17,386,971	1,349,628	1,895,840	5,603,376			
Operating expenses								
Operating expenses	5,392,745	5,607,777	579,585	1,120,728	1,613,993			

General and administration expenses	1,888,530	1,481,763	122,759	448,528	519,195
Royalties and land lease expenses (Note 6)	711,308	1,125,392	54,765	343,838	499,051
Depreciation and amortization	6,182,169	6,466,810	418,530	1,509,138	1,483,163
Accretion of asset retirement obligations (Note 8)	—	158,804	9,826	41,066	39,801
Capacity sanction expenses	608,831	313,473	—	108,076	18,808
Total operating expenses	14,783,583	15,154,019	1,185,465	3,571,374	4,174,011
Non-operating income (expenses)					
Interest income	80,262	43,508	1,964	16,212	17,849
Interest expense	(3,801,492)	(3,293,191)	(174,916)	(885,427)	(820,497)
Net income (loss) before cumulative effect of change in accounting principle	(12,179,557)	(1,016,731)	(8,789)	(2,544,749)	626,717
Cumulative effect of change in accounting principle (Note 8)	—	1,157,265	—	1,157,265	—
Net income (loss)	<u>\$ (12,179,557)</u>	<u>\$ (2,173,996)</u>	<u>\$ (8,789)</u>	<u>\$ (3,702,014)</u>	<u>\$ 626,717</u>
Proforma income tax provision (benefit) (unaudited)	<u>\$ (4,628,200)</u>	<u>\$ (826,100)</u>	<u>\$ (3,300)</u>	<u>\$ (1,406,800)</u>	<u>\$ 238,200</u>
Proforma net income (loss) reflecting tax provision (Note 2) (unaudited)	<u>\$ (7,551,357)</u>	<u>\$ (1,347,896)</u>	<u>\$ (5,489)</u>	<u>\$ (2,295,214)</u>	<u>\$ 388,517</u>

Year Ended December 31, 2002, Period from January 1, 2003 to December 10, 2003, Period from December 11, 2003 to December 31, 2003, and Three Months Ended March 31, 2004

Balance at December 10, 2003	<u>\$ 21,296,210</u>	<u>\$ —</u>	<u>\$ 24,431,080</u>	<u>\$ 79,380,317</u>	<u>\$ 125,107,607</u>	<u>\$ (4,492,566)</u>	<u>\$ 120,615,041</u>
Balance at December 11, 2003	\$ —	\$ 100,000	\$ 24,431,080	\$ 79,380,317	\$ 103,911,397	\$ (4,492,566)	\$ 99,418,831
Comprehensive income							
Change in unrealized holding loss	—	—	—	—	—	800,333	800,333
Partnership loss for the period from December 11, 2003 to December 31, 2003	—	(88)	(8,701)	—	(8,789)	—	(8,789)
Total comprehensive income	—	99,912	24,422,379	79,380,317	103,902,608	(3,692,233)	791,544
Balance at December 31, 2003	—	99,912	24,422,379	79,380,317	103,902,608	(3,692,233)	100,210,375
Comprehensive loss (unaudited)							
Change in unrealized holding loss	—	—	—	—	—	923,103	923,103
Partnership income for the period from January 1, 2004 to March 31, 2004	—	6,268	620,449	—	626,717	—	626,717
Total comprehensive loss	—	6,268	620,449	—	626,717	—	1,549,820
Balance at March 31, 2004 (unaudited)	<u>\$ —</u>	<u>\$ 106,180</u>	<u>\$ 25,042,828</u>	<u>\$ 79,380,317</u>	<u>\$ 104,529,325</u>	<u>\$ (2,769,130)</u>	<u>\$ 101,760,195</u>

The accompanying notes are an integral part of the financial statements.

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**Puna Geothermal Venture
Statements of Cash Flows**

Year Ended December 31, 2002, Period from January 1, 2003 to December 10, 2003, Period from December 11, 2003 to December 31, 2003, and Three Months Ended March 31, 2003 and 2004

	Predecessor Company		Successor Company		Predecessor Company		Successor Company	
	Year Ended December 31, 2002	Period from January 1, 2003 to December 10, 2003	Period from December 11, 2003 to December 31, 2003		Three Months Ended March 31, 2003		2004	
								(unaudited)
Cash flows from operating activities								
Net income (loss)	\$ (12,179,557)	\$ (2,173,996)	\$ (8,789)	\$ (3,702,014)	\$	626,719		
Adjustments to reconcile net loss to net cash provided by (used in) operating activities								
Depreciation and amortization	6,182,169	6,466,810	418,530	1,509,138		1,483,163		
Accretion of asset retirement obligations	—	158,804	9,826	41,066		39,801		
Cumulative effect of change in accounting principle	—	1,157,265	—	1,157,265		—		
Changes in								
Accounts receivable – HELCO	1,244,851	(1,856,173)	244,511	(416,285)		96,158		
Spare parts inventory	(216,253)	(2,424,397)	—	—		—		
Other current and non-current assets	145,495	198	(37,122)	(619)		(81)		
Accounts payable and accrued expenses	(372,589)	749,936	(229,334)	121,396		(832,172)		
COSI – Puna, Inc. payables	399,507	(171,951)	662,069	—		—		
Constellation Power, Inc.								

payables	<u>198,000</u>	<u>220,000</u>	<u>—</u>	<u>66,000</u>	<u>66,000</u>
Net cash provided by (used in) operating activities	<u>(4,598,377)</u>	<u>2,126,496</u>	<u>1,059,691</u>	<u>(1,224,053)</u>	<u>1,479,588</u>
Cash flows from investing activities					
Capital expenditures	(9,515,147)	(8,454,072)	(349,641)	(6,798,633)	—
Decrease (increase) in restricted cash	<u>(3,103,908)</u>	<u>3,046,688</u>	<u>(1,964)</u>	<u>3,063,989</u>	<u>(5,772)</u>
Net cash used in investing activities	<u>(12,619,055)</u>	<u>(5,407,384)</u>	<u>(351,605)</u>	<u>(3,734,644)</u>	<u>(5,772)</u>
Cash flows from financing activities					
Principal payments on note payable	(3,228,513)	(2,697,452)	(980,814)	(899,079)	(980,814)
Capital contributions	<u>15,060,747</u>	<u>9,675,735</u>	<u>—</u>	<u>5,397,753</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>11,832,234</u>	<u>6,978,283</u>	<u>(980,814)</u>	<u>4,498,674</u>	<u>(980,814)</u>
Increase (decrease) in cash and cash equivalents	(5,385,198)	3,697,395	(272,728)	(460,023)	493,002
Cash and cash equivalents					
Beginning of period	<u>6,579,492</u>	<u>1,194,294</u>	<u>4,891,689</u>	<u>1,194,294</u>	<u>4,618,961</u>
End of period	<u>\$ 1,194,294</u>	<u>\$ 4,891,689</u>	<u>\$ 4,618,961</u>	<u>\$ 734,271</u>	<u>\$ 5,111,963</u>
Other cash flow information					
Cash paid during the period for interest	\$ 3,800,766	\$ 3,267,676	\$ 199,480	\$ 885,427	\$ 820,496
Noncash investing activity					
Accounts payable converted to Partners' capital	\$ —	\$ 964,726	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

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**Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004**

1. Organization and Operations

Puna Geothermal Venture ("PGV"), a Hawaii General Partnership, operates under the Second Amended and Restated Partnership Agreement dated December 2, 1996 (the "Partnership Agreement"). Prior to December 11, 2003, the partners of PGV were CE Puna Limited Partnership ("CE Puna"), a subsidiary of Constellation Power Corporation and AMOR VIII Corporation ("AMOR"). Each partner had a 50% interest. However, under the Partnership Agreement and other agreements between the partners, CE Puna has provided a larger percentage of PGV's capital and, therefore, is entitled to a greater percentage of PGV's income or loss, tax benefits and cash flow. In particular, CE Puna is to receive 100% of net cash flow until its Preferred Capital, together with a cumulative Preferred Capital Return of 10% per annum, is paid. On December 11, 2003, CE Puna I Corporation ("CE Puna I"), a subsidiary of Constellation Power Corporation, consummated an agreement to purchase the entire partnership interest of AMOR. At December 31, 2003, the partners are CE Puna I and CE Puna, subsidiaries of Constellation Power Corporation.

PGV developed and is operating a geothermal energy project on the island of Hawaii in the State of Hawaii. PGV sells the electricity it generates to Hawaii Electric Light Company, Inc. ("HELCO") under the terms of a long-term power purchase agreement. PGV began generating electricity commercially in 1993.

During 2002, PGV encountered problems with the production capacity and injection wells related to geothermal

resources and production levels fell significantly below minimum performance requirements under the Power Purchase Agreement ("PPA") (Note 5) with HELCO. Such non-compliance with the PPA subjected PGV to PPA-based sanctions (Note 5).

In January 2003, PGV finished development of a well which increased the production under the PPA with HELCO and, in April 2003, PGV finished development of another well that further increased production. The costs of completing these projects were funded by capital contributions from CE Puna.

Management expects to generate positive cash flows from operations in fiscal 2004 in amounts sufficient to fund debt service requirements.

2. Summary of Significant Accounting Policies

Basis of Presentation

On December 11, 2003, Constellation Power Corporation ("Constellation") closed on the purchase of the remaining interest in PGV that it did not already own. As a result, PGV is wholly owned by Constellation Power Corporation, through its subsidiaries. The purchase was accounted for as an acquisition of an asset, as opposed to the acquisition of a business, and is subject to the purchase method of accounting. Starting on December 11, 2003, PGV's financial statements reflected Constellation's (through its subsidiaries) "pushed down" accounting basis. The change in the partnership equity as a result of this acquisition was an approximately \$21.2 million decrease in Partners' capital.

The following reconciles PGV's partners' capital as of December 10, 2003 to Constellation's "pushed down" accounting basis as of December 11, 2003:

Partners' capital as of December 10, 2003	\$ 125,107,607
Acquisition of AMOR VIII Corporation's investment in PGV by Constellation	
Constellation's acquisition cost of AMOR VIII's interest	100,000
AMOR VIII's capital account	(21,296,210)
Constellation's "pushed down" accounting basis at December 11, 2003	<u>\$ 103,911,397</u>

Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004

PGV's plant and equipment was written down by approximately \$21.2 million; there were no other changes in the basis of any other assets and liabilities as a result of the "push down."

Interim Financial Data

The interim financial data for the three months ended March 31, 2004 and 2003 is unaudited; however, in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of the interim periods.

Cash Equivalents

PGV considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

PGV funds reserve accounts for new wells, debt service, working capital and major maintenance repairs as required by its financing agreement.

Spare Parts Inventory

Spare parts inventory is stated at cost determined on a weighted average basis.

Plant and Equipment

Plant and equipment consists of costs incurred during the development and construction of the power plant, the wellfield and transmission lines (the "plant"). Construction period interest totaling \$18,423,973 was capitalized in connection with development and construction of the plant and has been allocated to the assets to which it relates. The plant went into service on August 1, 1993.

Plant and equipment is depreciated using the straight-line method over the lesser of the estimated useful lives of the assets (generally 35 years) or the number of years remaining in the power purchase agreement with HELCO (34.33 years at August 1, 1993.)

Deferred Financing Costs

The expense of issuance of the long-term note payable is being amortized over the fifteen-year life of the note payable under the interest method.

Income Taxes

No provision for federal or state income taxes is made in the financial statements as the individual partners are responsible for reporting their respective shares of PGV's income, loss, deductions and credits to taxing authorities. The proforma net income (loss) on the statements of operations reflects a tax provision (benefit) of 38%, the effective rate of the company that acquired CE Puna I and CE Puna's ownership interest (see Note 9).

Financial Instruments

The carrying amount of cash and cash equivalents and restricted cash approximates fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because its interest rate is variable. The estimated termination cost associated with the interest rate swap at December 31, 2003, which represents fair value, is approximately \$3,692,000.

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**Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004**

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates involve judgments with respect to, among other things, various future economic factors, which are difficult to predict and are beyond the control of PGV. Therefore, actual amounts could differ from these estimates.

Impairment of Long-Lived Assets

Long-lived assets subject to the requirements of Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, as amended by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, are evaluated for impairment through a review of undiscounted expected future cash flows. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. As a result of the change in PGV's ownership in 2003, a detailed impairment analysis was performed. The result of this analysis concluded that the sum of the undiscounted expected future cash flows was more than the carrying amount of its long-lived assets. Accordingly, PGV recognized no impairment losses of its long-lived assets in 2003 or in any other periods presented.

Asset Retirement Obligation

On July 22, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"). Under SFAS 143, retirement obligations associated with tangible long-lived assets acquired are to be recognized at fair value in the period in which incurred, effective for financial statements issued for fiscal years beginning after June 15, 2002. PGV adopted SFAS 143 beginning January 1, 2003. See Note 8 for further discussion.

Derivative Instruments

On January 1, 2001, PGV adopted SFAS No. 133, as amended by SFAS No. 138, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). Under SFAS 133, all derivative instruments are recognized in the balance sheet at their fair values. PGV's interest rate swap agreements qualify as a cash flow hedge under SFAS 133. See Note 4 for further discussion.

Concentrations of Credit Risk

Financial instruments that potentially subject PGV to a concentration of credit risk primarily consist of cash and cash equivalents and trade accounts receivable.

PGV's cash and cash equivalents are deposited with two financial institutions in the United States of America and may exceed federally insured amounts. PGV has not experienced any losses on its cash and cash equivalents.

PGV's customer base is comprised of one single customer, HELCO. Loss of or default by this customer could have an adverse effect upon PGV's financial position, results of operations and cash flows.

PGV's production wells are subject to volatility and potential shutdown on exhaustion. A shutdown of a well, as occurred in 2002, could have adverse effects on PGV's ability to produce ample power in accordance with the Power Purchase Agreement (see Note 5), subjecting PGV to reduced revenues and sanctions by HELCO in compensation of the inability to meet specified energy production levels.

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Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004

3. Note Payable

PGV has entered into a Credit Agreement dated as of December 2, 1996 with Credit Suisse, which provides for a 15-year term loan in an amount not to exceed \$65,387,594. Substantially all of the assets of PGV are pledged as collateral on amounts due under the Credit Agreement. Principal is due quarterly. Amounts outstanding under the Credit Agreement bear interest at LIBOR plus 1.50% or the lender's Base Rate plus .75%, at PGV's option. On the fifth and tenth anniversary of the closing of the Credit Agreement, the interest rate increases by 25 basis points. In addition, the interest rate may be increased by 25 basis points if PGV fails to maintain at least a 1.25:1 debt service coverage ratio. The interest rate at December 31, 2003 and 2002 was 2.94% and 3.56%, respectively.

As required under the Credit Agreement, Constellation Investments, Inc., an affiliate of CE Puna, established several reserves and guarantees in order to fund specific needs of PGV. Under the agreement, a Debt Service Reserve, a New Well Field Reserve and an Underground Injection Control ("UIC") Guaranty were established. PGV is required, per the amended Credit Agreement, to maintain \$3.0 million in the New Well Field Reserve for the purpose of funding well improvements as structured in PGV's Restoration Plan. The Debt Service Reserve Guaranty includes a guaranty of \$4.5 million by Constellation Investments, Inc. and a Debt Service Reserve to be maintained by PGV of \$1.8 million. The reserve balances recorded as restricted cash by PGV as of December 31, 2002, 2003 and March 31, 2004 were as follows:

March 31,

	<u>2002</u>	<u>2003</u>	<u>2004</u> (unaudited)
New Well Field Reserve	\$ 3,073,759	\$ 2,224	\$ 2,224
Debt Service Reserve	1,815,644	1,831,786	1,835,261
Maintenance Reserve	625,990	631,479	632,660
Working Capital Reserve	592,366	597,546	598,662
	<u>\$ 6,107,759</u>	<u>\$ 3,063,035</u>	<u>\$ 3,068,807</u>

These reserve accounts are classified as current restricted cash since they are used and replenished for servicing current debt and for funding current operations.

Under terms of the Revised Credit Agreement, reserve accounts were funded at closing for debt service, working capital and major maintenance repairs. Additional payments into these and other reserve accounts will occur as provided in the Revised Credit Agreement. Distributions to the partners are made after all required funding of reserves.

At December 31, 2003, the scheduled maturities under the Credit Agreement are as follows:

<u>Years Ending</u>	
2004	\$ 4,004,990
2005	4,413,661
2006	5,108,405
2007	5,925,752
2008	6,579,627
Thereafter	18,267,447
	<u>\$ 44,299,882</u>

See Note 9 for subsequent event.

4. Derivative Instruments

As required under the Credit Agreement to reduce the impact of changes in interest rates on its variable rate debt, PGV entered into 10-year interest rate swap agreements on approximately 75%

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Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004

of the amounts outstanding under the Credit Agreement. The swap agreements qualify for hedge accounting as a cash flow hedge. The average fixed LIBOR is 6.67% under the swap agreements.

For the periods from December 11, 2003 to December 31, 2003, from January 1, 2003 to December 10, 2003, and for the year ended December 31, 2002, unrealized holding gains of \$800,333 and \$265,699 and unrealized holding loss of \$2,163,265, respectively, were recorded in accumulated other comprehensive income/loss to recognize the change in fair value of the swap agreements. An unrealized holding gain of \$923,103 was recorded for the three months ended March 31, 2004 (unaudited).

PGV made payments of \$1,814,620 under the swap agreements for the year ended December 31, 2002. Payments totaled \$1,447,950 for the period January 1, 2003 to December 10, 2003 and \$480,157 for the period December 11, 2003 to December 31, 2003. PGV made payments of \$231,065 for the three months ended March 31, 2004 (unaudited).

PGV may be exposed to a potential loss in the event of nonperformance by the other parties to the swap

agreements, but PGV does not anticipate any such nonperformance. The notional value of the amounts outstanding under the swap agreements is approximately \$32 million.

The swap agreements were terminated on June 3, 2004. The unrealized holding loss for the period April 1, 2004 through June 2, 2004 amounted to approximately \$31,000 (unaudited).

5. Power Purchase Agreement

PGV has entered into a long-term non-cancelable power purchase agreement with HELCO. HELCO agreed to purchase up to 30 MW of net output during peak hours and up to 22 MW of net output during off peak hours through the year 2027. The agreement specifies energy rates of the greater of avoided costs of 6.56¢ per kWh for the first 25 MW of peak energy and 5.43¢ per kWh for the first 22 MW of off peak energy. Energy rates for production in excess of 25 MW for peak hours and in excess of 22 MW for off peak hours are greater of the avoided energy payment rates of 4.325¢ per kWh for peak hours and 3.325¢ per kWh for off peak hours. In addition, PGV receives capacity payments for providing peak period energy. Capacity payments are 3.39¢ per kWh for the first 25 MW and 2.14¢ per kWh for the additional 5 MW based on annual capacity payments of \$4 million and \$504,750, respectively, and 4,718 peak hours in a year.

PGV is subject to sanctions in the power purchase agreement in cases where PGV is not able to provide the agreed upon power output, within a 5% yield. Such sanctions do not result in the agreement becoming cancelable at HELCO's discretion. In 2003 and 2002, PGV was not able to meet the specified goals for power output and as such, was subject to sanctions based on the following: 1) reductions are made to the monthly capacity payments noted above for deficiencies at the above rates and 2) on an annual basis, shortfalls of the on-peak availability provide for payments due of \$7,992 per full percentage point below 95% to and including 80% and \$11,875 per full percentage point less than 80%. Pursuant to the agreement as summarized above, PGV recognized capacity sanction expenses of \$608,831 in fiscal 2002, \$313,473 in the period January 1, 2003 to December 10, 2003, and \$18,808 in the three-months ended March 31, 2004 (unaudited), based on the capacity shortfalls for these periods.

6. Royalty and Lease Agreements

PGV has entered into various long-term royalty and lease agreements related to the use of geothermal resources and to the land on which the facility is situated. Such agreements call for PGV to pay royalty payments based on gross revenues derived from energy sales. Royalties are remitted to the State of Hawaii based on steam value at approximately 3% of gross revenue. Royalties to the State of Hawaii were \$179,753 in 2002, \$497,530 from January 1, 2003 to December 10, 2003 and \$30,373 from

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Puna Geothermal Venture Notes to Financial Statements December 31, 2002 and 2003 and March 31, 2004

December 11, 2003 to December 31, 2003. Royalties for the three months ended March 31, 2004 were \$157,550 (unaudited). Royalties are remitted to Thermal Power based on steam value. Royalties to Thermal Power were \$69,988 in 2002, \$191,227 from January 1, 2003 to December 10, 2003 and \$11,674 from December 11, 2003 to December 31, 2003. Royalties for the three months ended March 31, 2004 were \$66,911 (unaudited). Royalties are remitted to the lessor of the facility site and associated properties, Kapoho Land Partnership ("KLP"), at approximately 3% of steam value. Royalty payments to KLP are subject to minimum payments of \$260,520 per year with the minimum payment made for 2003 and 2002. In addition, KLP receives operating lease payments of \$167,107 annually for the use of the site. Minimum royalty payments are subject to adjustment every five years based upon changes in the CPI. Payments for the use of the site are subject to renegotiation every five years based on rental value of comparable properties.

At December 31, 2003, the total remaining minimum commitments for royalties and operating leases, excluding the effects of future renegotiations, are as follows:

<u>Years Ending</u>	
2004	\$ 427,627
2005	427,627
2006	427,627
2007	427,627
2008	427,627
Thereafter	8,124,913
	<u>\$ 10,263,048</u>

7. Related Party Transactions

During December 1996, PGV and COSI Puna, Inc., an affiliate of Constellation Power, Inc., entered into an Operation and Maintenance Agreement effective as of December 2, 1996. COSI Puna, Inc.'s fees under the agreement are 10% of the total labor plus related burden costs. The fee for 2002 was \$251,676 and payments to COSI Puna, Inc. for payroll related costs and fees totaled \$2,719,084 in 2002. In connection with CE Puna I's acquisition of AMOR's ownership interest in PGV, COSI Puna, Inc. agreed to waive payment of certain fees payable at the acquisition date. Such payable amounted to \$480,726. PGV has recognized the forgiveness of this payable as a capital contribution in the period ended December 10, 2003.

Two employees of Constellation Power, Inc. ("CPI") serve as Owner's Representative and Financial Manager of PGV. In addition, other employees of CPI and its affiliates perform human resources, risk management, environmental and safety, financial and consultation services for PGV. The cost for such services in 2002 totaled \$264,000. In connection with CE Puna I's acquisition of AMOR's ownership interest in PGV, CPI agreed to waive payment of all fees payable at the acquisition date. Such payable amounted to \$484,000. PGV has recognized the forgiveness of this payable as a capital contribution in the period ended December 10, 2003.

8. Asset Retirement Obligation

Effective January 1, 2003, PGV adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 provides the accounting requirements for recognizing an estimated liability for legal obligations associated with the retirement of tangible long-lived assets. PGV measures the liability at fair value when incurred and capitalizes a corresponding amount as part of the book value of the related long-lived assets. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the asset retirement obligations ("ARO") is determined using a present value approach, accretion of the liability due to

Puna Geothermal Venture
Notes to Financial Statements
December 31, 2002 and 2003 and March 31, 2004

the passage of time is recognized each period to "Accretion of asset retirement obligations" in PGV's Statements of Operations until the settlement of the liability. A gain or loss is recorded when the liability is settled after retirement. The adoption of SFAS No. 143 on January 1, 2003 resulted in an increase to plant and equipment of \$715,148, net of accumulated depreciation and the establishment of an asset retirement obligation liability of \$1,872,413. The cumulative effect of this change for periods prior to January 1, 2003 of \$1,157,265 is shown as the cumulative effect of change in accounting principle in the Statements of Operations.

Inherent in the fair value calculation of ARO are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, and timing of settlement. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment will be made to the plant and equipment balance.

The change in the "Asset retirement obligation" liability during 2003 was as follows:

Liability at January 1, 2003	\$ 1,872,413
Accretion expense through December 31, 2003	158,804
Accretion expense – December 11, 2003 to December 31, 2003	<u>9,826</u>
Liability at December 31, 2003	2,041,043
Accretion expense – January 1, 2004 to March 31, 2004 (unaudited)	<u>39,801</u>
Liability at March 31, 2004 (unaudited)	<u><u>\$ 2,080,844</u></u>

The pro-forma asset retirement obligation PGV would have recognized as of January 1, 2002, had PGV implemented SFAS No. 143 as of that date, was approximately \$1,760,146 based on the information, assumptions, and interest rates as of January 1, 2003 used to determine the \$1,872,413 liability recognized upon the adoption of SFAS No. 143. The following discloses the pro forma effect of the implementation on the Company's net loss for the year ended December 31, 2002, had SFAS No. 143 been adopted by the Company on January 1, 2002:

Net loss, as reported	\$ (12,179,557)
Effect on net loss had SFAS No. 143 been applied	<u>(129,160)</u>
Net loss, as adjusted	<u><u>\$ (12,308,717)</u></u>

9. Subsequent Event

Constellation Power Corporation sold its interest in CE Puna I and CE Puna to an unrelated third party on June 3, 2004. In connection with this transaction, the Company's note payable to Credit Suisse was paid in full, and the Credit Agreement and Revised Credit Agreement with Credit Suisse and swap agreements were terminated.

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Combined Heber and Affiliates

(Debtors-in-Possession)

Report on Audits of Combined Financial Statements

As of December 31, 2002 and December 17, 2003,

And for the years ended December 31, 2001 and 2002, and

for the period from January 1, 2003 to December 17, 2003

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Report of Independent Auditors

To the Partners of Combined Heber and Affiliates

In our opinion, the accompanying combined balance sheet and the related combined statements of operations, of partners' capital and of cash flows present fairly, in all material respects, the financial position of Heber Geothermal Company, Heber Field Company, and Second Imperial Geothermal Company (collectively "Heber and Affiliates" or the "Company") at December 31, 2002 and December 17, 2003, and the results of their operations and their cash flows for the years ended December 31, 2001 and 2002, and for the period from January 1, 2003 to December 17, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the combined financial statements, Covanta Energy Corporation and 123 of its subsidiaries, including the Company, filed voluntary petitions on April 1, 2002 with the United States Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Debtor's Third Amended Joint Plan of Reorganization Under Chapter 11 (Heber Plan) was substantially consummated on December 18, 2003, and the Company emerged from bankruptcy.

As discussed in Note 1 to the financial statements, on December 18, 2003, OrCal Geothermal, Inc. acquired the partnership interests in the Company.

As discussed in Note 5 to the financial statements, effective January 1, 2003, the Company adopted the provisions of Statement of Financial Accounting Standards No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*.

/s/ PricewaterhouseCoopers LLP

Sacramento, California

July 19, 2004

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Combined Heber and Affiliates (California Limited Partnerships) (Debtors-in-Possession) Balance Sheets (in thousands)

	December 31, 2002	December 17, 2003
Assets		
Current assets:		
Cash	\$ 57	\$ —
Restricted cash and cash equivalents	2,583	1,897
Accounts receivable	9,815	7,183
Prepaid expenses	811	258
Total current assets	13,266	9,338

Property, plant and equipment, net	78,086	69,713
Restricted cash and cash equivalents	3,003	4,064
Total assets	<u>\$ 94,355</u>	<u>\$ 83,115</u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable and accruals	\$ 3,570	\$ 2,729
Notes payable	12,519	—
Current portion of finance obligation	<u>10,736</u>	<u>6,112</u>
Total current liabilities	26,825	8,841
Finance obligation, net of current portion	19,729	13,617
Liabilities subject to compromise	51,386	—
Asset retirement obligation	<u>—</u>	<u>2,101</u>
Total liabilities	97,940	24,559
Commitments and contingencies (Notes 4, 6 and 8)		
Partners' Capital	(3,585)	58,556
Total liabilities and partners' capital	<u>\$ 94,355</u>	<u>\$ 83,115</u>

The accompanying notes are an integral part of these financial statements

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**Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Statements of Operations (in thousands)**

	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 17, 2003
Revenues, all from a single customer:			
Energy	\$ 60,140	\$ 51,291	\$ 52,417
Capacity	12,570	12,556	12,507
Capacity bonus	<u>1,500</u>	<u>1,230</u>	<u>1,207</u>
	74,210	65,077	66,131
Cost of revenues:			
Operating expenses	24,978	26,451	28,775
Depreciation and amortization	<u>9,000</u>	<u>9,088</u>	<u>8,708</u>
	33,978	35,539	37,483
Gross margin	40,232	29,538	28,648
General and administrative expenses	<u>8,515</u>	<u>7,488</u>	<u>29</u>
Income from operations	31,717	22,050	28,619
Other income (expense):			
Gain on discharge of liabilities subject to			

compromise	—	—	31,460
Recovery of bad debt provision	2,109	—	—
Reorganization costs	—	(3,289)	(4,029)
Interest income	2,005	141	99
Interest expense	(7,412)	(3,929)	(1,794)
Income before cumulative effect of change in accounting principle	28,419	14,973	54,355
Cumulative effect of change in accounting principle	—	—	(1,660)
Net income	<u>\$ 28,419</u>	<u>\$ 14,973</u>	<u>\$ 52,695</u>
Pro forma net income reflecting the adoption of SFAS 143 applied retroactively (Note 5) (unaudited)	<u>\$ 28,268</u>	<u>\$ 14,822</u>	<u>\$ 54,355</u>
Pro forma income tax provision (unaudited)	<u>\$ 9,929</u>	<u>\$ 5,690</u>	<u>\$ 20,024</u>
Pro forma net income reflecting tax provision (Note 1) (unaudited)	<u>\$ 18,490</u>	<u>\$ 9,283</u>	<u>\$ 32,671</u>

The accompanying notes are an integral part of these financial statements

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**Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Statements of Partners' Capital (in thousands)**

Balance, December 31, 2000	\$ (23,064)
Distributions	(11,865)
Net income	28,419
Balance, December 31, 2001	(6,510)
Distributions	(12,048)
Net income	14,973
Balance, December 31, 2002	(3,585)
Distributions	(2,577)
Contributions	12,023
Net income	52,695
Balance, December 17, 2003	<u>\$ 58,556</u>

The accompanying notes are an integral part of these financial statements.

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**Combined Heber and Affiliates
(California Limited Partnerships)**

(Debtors-in-Possession)
Statements of Cash Flows (in thousands)

	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 17, 2003
Cash flows from operating activities:			
Net income	\$ 28,419	\$ 14,973	\$ 52,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,000	9,088	8,708
Accretion of asset retirement obligation	—	—	150
Gain on discharge of liabilities subject to compromise	—	—	(31,460)
Recovery of doubtful account	(2,109)	—	—
Cumulative effect of change in accounting principle	—	—	1,660
Changes in operating assets and liabilities:			
Accounts receivable	(21,695)	24,908	2,632
Prepaid expenses	125	70	553
Accounts payable and accrued expenses	2,254	(3,155)	(841)
Liabilities subject to compromise	—	—	(19,926)
Due to related entities	(11,006)	13,533	—
Net cash provided by operating activities	<u>4,988</u>	<u>59,417</u>	<u>14,171</u>
Cash flows from investing activities:			
Change in restricted cash and cash equivalents	(984)	(61)	(375)
Capital expenditures	(1,458)	(3,334)	(44)
Net cash used in investing activities	<u>(2,442)</u>	<u>(3,395)</u>	<u>(419)</u>
Cash flows from financing activities:			
Distributions to partners	(11,865)	(12,048)	(2,577)
Contributions from partners	—	—	12,023
Principal payment on finance obligation	(12,364)	(13,093)	(10,736)
Payments on notes payable	—	(9,141)	(12,519)
Proceeds from (payments on) other long-term liabilities	21,691	(21,691)	—
Net cash used in financing activities	<u>(2,538)</u>	<u>(55,973)</u>	<u>(13,809)</u>
Net increase (decrease) in cash and cash equivalents	8	49	(57)
Cash and cash equivalents, beginning of period	—	8	57
Cash and cash equivalents, end of period	<u>\$ 8</u>	<u>\$ 57</u>	<u>\$ —</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 5,052</u>	<u>\$ 5,890</u>	<u>\$ 1,792</u>
Supplemental non-cash investing and financing activities:			
Effect of adopting of SFAS No. 143:			
Asset retirement cost	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 291</u>
Asset retirement obligation	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,951</u>
Reclassification of amounts due to related entities and accounts payable to liabilities subject to compromise	<u>\$ —</u>	<u>\$ 51,386</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

**Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Notes to Financial Statements (in thousands)**

1. Business and Significant Accounting Policies

Basis of combination and presentation

The accompanying financial statements have been prepared by combining the following three legal entities, all of which were under common control, through affiliates, by Covanta Energy Corporation ("CEC") for all periods presented prior to December 18, 2003, and effective December 18, 2003 (see discussion below regarding sale of company), by OrCal Geothermal, Inc. ("OrCal"), a wholly owned subsidiary of Ormat Nevada, Inc. (ONI), which in turn is a wholly owned subsidiary of Ormat Technologies, Inc. (OTI):

- *Second Imperial Geothermal Company* ("SIGC" or "Heber 2"), a California limited partnership, that was formed on November 24, 1992 for the purpose of developing, constructing and operating a geothermal electrical generating facility located in Heber, California.
- *Heber Geothermal Company* ("HGC" or "Heber 1"), a California general partnership, that was formed on August 12, 1983 for the purpose of designing, constructing and operating a geothermal electrical generating station located in Heber, California.
- *Heber Field Company* ("HFC"), a California general partnership, that was formed on November 1, 1991 for the purpose of acquiring and operating a geothermal field located in Heber, California, and selling the geothermal fluid to HGC and to SIGC.

The combination of the above entities is collectively referred to as "Heber and Affiliates" or the "Company". Intercompany accounts and transactions have been eliminated in the combination.

Bankruptcy and sale transaction

On April 1, 2002 ("Petition Date"), CEC and 123 of its domestic subsidiaries (collectively the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). CEC and these subsidiaries, which include the Company, have been operating their businesses as debtors in possession pursuant to the Bankruptcy Code.

The Company's Financial Statements have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7 ("SOP 90-7"), Financial Reporting by Entities in Reorganization under the Bankruptcy Code. Accordingly, all pre-petition liabilities believed to be subject to compromise have been segregated in the balance sheet and classified as liabilities subject to compromise, at the estimated amount of allowable claims. As of December 31, 2002 such liabilities consisted mainly of amounts due to related entities (Note 7). Liabilities not believed to be subject to compromise are separately classified as current and non-current.

On September 29, 2003, the court entered an order approving competitive bidding and auction procedures for the purpose of obtaining the highest or best offer for the sale of the Company. On November 19, 2003 the Debtors held an auction before the Court. As a result of the auction, the Debtors determined that the offer submitted by OrCal, was the best and highest bid.

On November 21, 2003, the Bankruptcy Court confirmed the Debtor's Third Amended Joint Plan of Reorganization Under Chapter 11 (Heber Plan) and approved the sale of interests to OrCal. On December 18, 2003, each of the conditions precedent to the Confirmation Date pursuant to Heber Plan occurred or was waived in accordance with the Heber Plan, and the Company was sold to OrCal for a combined purchase price of approximately \$180 million.

**Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Notes to Financial Statements (in thousands)**

Cash

Cash consists of deposit accounts with banks.

Restricted cash and cash equivalents

Under the terms of the lease agreement (Note 4), the Company was required to maintain a debt service reserve and operating fund accounts that have been classified as restricted cash and cash equivalents. Such amounts were invested primarily in money market accounts. The Company considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents. Due to the revolving nature of the operating fund account, the amounts are classified as current assets. Due to the long-term nature of the debt service reserve account, the amounts are classified as non-current assets.

Concentration of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions located in the United States of America. At December 31, 2002 and December 17, 2003, the Company maintained all of its deposits in three U.S. financial institutions that were federally insured up to \$100 per financial institution. All of the Company's revenues, and the related receivable balances, are earned from one customer, Southern California Edison Company ("SCE"). The Company has historically been able to collect on all of its receivable balances from SCE, accordingly no provision for doubtful accounts has been made.

Property, plant and equipment

Property, plant and equipment are stated at cost. All costs associated with acquisition, development and construction of power plant facilities are capitalized. Major improvements are capitalized, and repairs and maintenance costs are expensed. Power plants were depreciated using the straight-line method over the estimated service period of 24 to 28 years. The cost and accumulated depreciation of items sold or retired are removed from the accounts. Any resulting gain or loss is recognized currently in operating income.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management believes that no impairment exists for long-lived assets, however future estimates as to the recoverability of such assets may change based on revised circumstances.

Derivative instruments

Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted by other related accounting literature, establishes accounting and reporting standards for derivative instruments (including certain derivative instruments embedded in other contracts). SFAS No. 133 requires companies to record derivatives on

Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Notes to Financial Statements (in thousands)

their balance sheets as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized currently in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Company is subject to the provisions of SFAS No. 133 Derivative Implementation Group ("DIG") Issue No. C15 (DIG Issue No. C15), *Normal Purchases and Normal Sales Exception for Certain Option-Type Contracts and Forward Contracts in Electricity*, which expands the requirements for the normal purchase and normal sales exception to include electricity contracts entered into by a utility company when certain criteria are met. Also under DIG Issue No. C15, contracts that have a price adjustment clause based on an index that is not directly related to the electricity generated, as defined in SFAS No. 133, do not meet the requirements for the normal purchases and normal sales exception. The Company has power sales agreements that qualify as derivative instruments under DIG Issue No. C15 because they have a price adjustment clause based on an index that does not directly relate to the sources of the power used to generate the electricity. The adoption of the provisions of DIG Issue No. C15 in 2002 did not have a material impact on the Company's consolidated financial position and results of operations.

In June 2003, the FASB issued DIG Issue No. C20, *Scope Exceptions: Interpretation of the Meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature*. DIG Issue No. C20 superseded DIG Issue No. C11 *Interpretation of Clearly and Closely Related in Contracts That Qualify for the Normal Purchases and Normal Sales Exception*, and specified additional circumstances in which a price adjustment feature in a derivative contract would not be an impediment to qualifying for the normal purchases and normal sales scope exception under SFAS No. 133. DIG Issue No. C20 was effective as of the first day of the fiscal quarter beginning after July 10, 2003, (i.e. October 1, 2003, for the Company). In conjunction with initially applying the implementation guidance, DIG Issue No. C20 requires contracts that did not previously qualify for the normal purchases normal sales scope exception, and do qualify for the exception under DIG Issue No. C20, to freeze the fair value of the contract as of the date of the initial application, and amortized such fair value over the remaining contract period. Upon adoption of DIG Issue No. C20, the Company elected the normal purchase and normal sales scope exception under FAS No. 133 related to its power purchase agreements. Such adoption did not have a material impact on the Company's consolidated financial position and results of operations.

Revenue recognition

Revenue from the sale of electricity is recorded based upon output delivered and capacity provided at rates as specified under terms of long-term power purchase agreements (Note 6).

Income taxes

The net income of the Company for income tax purposes is the responsibility of the individual partners. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The pro forma net income on the statement of operations reflects a tax provision of 38%, the effective rate of the company that acquired the Company's ownership interest.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of such financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(California Limited Partnerships)
(Debtors-in-Possession)
Notes to Financial Statements (in thousands)

Fair value of financial instruments

The carrying amount of cash, restricted cash and cash equivalents approximates fair value because of the short maturity of those instruments. The fair value of long-term debt is estimated based on the current borrowing rates for similar issues, which approximates carrying amount.

Recently issued accounting pronouncements

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies the accounting and reporting for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities under SFAS No. 133. The amendments in SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative according to SFAS No. 133 and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. In addition, SFAS No. 149 amends the definition of an "underlying" to conform it to language used in FIN No. 45 and amends certain other existing pronouncements. The provisions of SFAS No. 149 that relate to SFAS No. 133 "Implementation Issues" that have been effective for periods that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. The requirements of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company adopted the provisions of SFAS No. 149 effective July 1, 2003, which did not have a material impact on its results of operations and financial position as of December 17, 2003.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. The requirements of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. For financial instruments created prior to the issuance date of SFAS No. 150, transition shall be achieved by reporting the cumulative effect of a change in accounting principle. The Company adopted the provisions of SFAS No. 150 effective July 1, 2003, which did not have a material impact on its results of operations and financial position as of December 17, 2003.

2. Property, Plant and Equipment

Property, plant and equipment, consists of the following:

	December 31, 2002	December 17, 2003
Power plant facility	\$ 154,870	\$ 154,915
Asset retirement cost	—	527
	154,870	155,442
Less accumulated depreciation	(76,784)	(85,729)
	<u>\$ 78,086</u>	<u>\$ 69,713</u>

Included in the power plant facility are assets recorded under capital lease, as further discussed in Note 4.

(Debtors-in-Possession)
Notes to Financial Statements (in thousands)

3. Notes Payable

On December 17, 1999, the Company entered into a note agreement with General Electric Capital Corporation ("GECC") for \$21.7 million. Under the agreement, principal was due by July 31, 2003. Interest was payable quarterly and was computed at 7.5% per annum through March 14, 2001. Then, for the periods from March 14, 2001 to January 31, 2002 and from January 31, 2002 to July 31, 2003, interest was computed at a rate per annum of LIBOR plus 2.75% and LIBOR plus 4.75%, respectively.

The notes were fully paid during the period from January 1, 2003 to December 17, 2003.

4. Finance Obligation

Construction of the Heber 2 project was financed through a \$115 million construction loan obtained by SIGC from GECC. On September 1, 1993, SIGC sold the project to GECC for a purchase price equal to the balance of the construction loan and simultaneously agreed to lease back the project under a lease with an initial term that would have expired in 2008.

The lease was collateralized by all of SIGC assets including the power purchase agreement (PPA) (Note 6), geothermal leases, SCE payments and cash reserve through an escrow agreement.

All revenues from the project were required to be deposited into a series of escrow accounts administered by an independent escrow agent. The related project agreements provided for the disbursement of funds by the escrow agent for the project's operating costs and lease payments, as well as the establishment of certain long-term cash escrow accounts. During the initial lease term, these long-term cash escrow accounts could have been used in limited situations to pay current operating and lease expenses to the extent that project revenues were not sufficient to fund such expenses.

In connection with OrCal's purchase of the Company, the lease was cancelled and OTI purchased the lessor position from GECC.

5. Asset Retirement Obligation

The Company adopted SFAS No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*, effective January 1, 2003. Under SFAS No. 143, entities are required to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. The Company's legal liabilities include capping wells and post-closure costs of geothermal power producing sites. When a new liability for asset retirement obligations is recorded, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, an entity settles the obligation for its recorded amount or incurs a gain or loss. On January 1, 2003 the Company recorded a cumulative effect of change in accounting principle of \$1,660. As a result of adopting the provisions of SFAS No. 143, the net income for period from January 1, 2003 to December 17, 2003, decreased by approximately \$165.

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Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)
Notes to Financial Statements (in thousands)

The following table summarizes the impact on the Company balance sheet following the adoption of SFAS No. 143:

Balance at December 31, 2002	Change Resulting From Application of SFAS No. 143	Balance at January 1, 2003

Property, plant and equipment	\$ 154,870	\$ 527	\$ 155,397
Accumulated depreciation	<u>(76,784)</u>	<u>(236)</u>	<u>(77,020)</u>
Net property, plant and equipment	\$ <u>78,086</u>	\$ <u>291</u>	\$ <u>78,377</u>
Non-current asset retirement obligation	\$ <u>—</u>	\$ <u>1,951</u>	\$ <u>1,951</u>

The unaudited pro-forma changes to the non-current asset retirement obligation, based on the information, assumptions, and interest rates as of January 1, 2003, are presented below to show what the Company would have reported if the provisions of SFAS No. 143 had been in effect for the periods presented below:

	Year Ended December 31, 2002	For the Period From January 1, 2003 to December 17, 2003
Balance, beginning of period	\$ 1,800	\$ 1,951
Accretion expense	<u>151</u>	<u>150</u>
Balance, end of period	\$ <u>1,951</u>	\$ <u>2,101</u>

6. Power Purchase Agreements

The Company has two power purchase agreements (PPAs) with SCE. The PPAs provide for the sale of capacity and energy through their respective terms, one expiring in 2015 and the other in 2023. Under the PPAs, the Company receives a fixed energy payment through April 30, 2007, and thereafter an energy payment based on SCE's short-run avoided cost (SRAC). The PPAs provide for firm capacity and bonus payments established by the contracts and are paid to the Company each month through the contracts' term based on plant performance. Bonus capacity payments are earned based on actual capacity available during certain peak hours.

7. Related Party Transactions

Operation and Maintenance Contracts

The Heber plant was operated by Covanta Imperial Power Services, Inc ("CIPS"), an affiliated entity, under a long term agreement, for the same term as the PPA. In return for providing all personnel, equipment, materials, supplies and services to operate and maintain the plant, CIPS received a fixed fee, which escalates by 5% annually, and received reimbursement for its non-labor costs.

HFC was operated by Covanta Geothermal Operations, Inc ("CGO"), an affiliated entity, under a long term agreement similar to CIPS agreement with HGC.

The Heber 2 plant was operated by Covanta SIGC Geothermal Operations, Inc. ("SIGC Operator"), an affiliated entity, under a long term agreement that extended for the life of the PPA. SIGC Operator was responsible for providing all customary operations and maintenance services. SIGC Operator was reimbursed for all costs incurred in running the plant. The contract also provided for an annual bonus to be paid to the operator if electricity production and on-peak capacity factors exceeded specified levels.

	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 17, 2003
O&M expenses	\$ 9,935	\$ 9,316	\$ 9,375
Operating Bonus	1,642	1,657	1,682
	<u>\$ 11,577</u>	<u>\$ 10,973</u>	<u>\$ 11,057</u>

Management Services

Management services were provided by ERC Energy, Inc (an affiliated entity) to HGC and HFC, and by Amor 14 (an affiliated entity) to SIGC. For the years ended December 31, 2001 and 2002 and for the period from January 1, 2003 to December 17, 2003 the fees relating to those services amounted to \$228, \$240 and \$243, respectively.

Allocated Administrative Costs

Administrative costs incurred by CEC were allocated to the Company. Such costs amounted to \$7,226 and \$7,337 for the years ended December 31, 2001 and 2002, respectively. No such costs were allocated to the Company in 2003.

As of December 31, 2002, amounts due to related entities was \$50,749, which resulted from expenses to be paid under the operations and maintenance contracts, management service fees, and allocated administrative costs. In 2003, all amounts due to related entities were determined to be rejected claims under the bankruptcy proceedings, and as such the balance as of December 31, 2002 has been included in liabilities subject to compromise on the accompanying balance sheet. The outstanding balance of \$31,460 as of December 17, 2003, was discharged and recognized as a gain on discharge of liabilities subject to compromise on the accompanying statement of operations.

8. Commitment and contingencies

Contingencies

The lessors owning interest in the Heber Geothermal Area (an area where the Company obtains its geothermal resource) filed a claim in the Company's bankruptcy proceedings totaling approximately \$80 million. The Company reached a full and final settlement with a group of the royalty related claims totaling \$2.175 million, which was fully executed on October 6, 2003 and approved by the bankruptcy court on October 10, 2003. In addition, it was agreed that the method of calculating royalties would remain the same. The Company also paid legal fees of \$550 related to that group. Such amounts have been reflected in operating expenses in the accompanying statement of operations for the period from January 1, 2003 to December 17, 2003.

For those royalty related claims not included in the group settlement, the Company began negotiations to settle such claims. The Company had accrued approximately \$744 as of December 17, 2003 as their best estimate of the settlements remaining, including amounts not yet paid for the group settlement mentioned above, which is included in account payable and accruals on the accompanying balance sheet. In 2004, a settlement was reached with most of the remaining parties for approximately \$478. The Company believes that the remaining \$266 accrued will satisfy the remaining parties not yet fully settled or those for which settlements have been reached but have not yet paid.

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**Combined Heber and Affiliates
(California Limited Partnerships)
(Debtors-in-Possession)**

Notes to Financial Statements (in thousands)

For lessors with non-royalty surface right related claims, the Company agreed to pay a one time payment of \$390, and increase prospective annual rental and/or severance payments by approximately \$67 per year, which

will be adjusted for the cost of living each year.

In response to an order issued by a California State Court of Appeal, the California Public Utilities Commission ("CPUC"), has commenced an administrative proceeding in order to address short run avoided cost pricing for Qualifying Facilities for the period spanning from December 2000 to March 2001. The court directed that the CPUC modify short run avoided cost pricing on a retroactive basis to the extent that the CPUC determined that short run avoided cost prices were not sufficiently "accurate" or "correct." If the short run avoided cost prices charged during the period in question were determined by the CPUC to not be "accurate" or "correct," retroactive price adjustments could be required for either of the Company's Qualifying Facilities. Currently it is not possible to predict the outcome of such proceeding, however, any retroactive price adjustment required to be made in relation to either of the Company's projects may require such projects to make refund payments or receive less from future revenues, which could materially affect the financial condition, future results and cash flow of the Company.

Commitment

HFC pays monthly royalties under several mineral right leases. The monthly royalties total approximately 5% of the HGC's and SIGC's revenues, respectively, less transmissions and scheduling charges. Royalty expenses recorded for the years ended December 31, 2001 and 2002, and for the period from January 1, 2003 to December 17, 2003 totaled \$4,341, \$3,194 and \$3,509, respectively.

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Mammoth Pacific, L.P.

Report on Audits of Financial Statements

**As of December 31, 2002 and September 30, 2003,
and for the year ended December 31, 2002, and for
nine-month period ended September 30, 2003**

And

Unaudited Financial Statements

**for the nine-month period ended September 30,
2002**

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Report of Independent Auditors

To the Partner of Mammoth Pacific, L.P. (Or Mammoth, Inc.)

In our opinion, the accompanying balance sheets and the related statements of operations, of partners' capital and of cash flows present fairly, in all material respects, the financial position of Mammoth Pacific, L.P. ("Partnership") at December 31, 2002 and September 30, 2003, and the results of its operations and its cash flows

for the year ended December 31, 2002 and for the nine-month period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the financial statements, effective January 1, 2003, the Partnership adopted the provisions of Statement of Financial Accounting Standards No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*.

/s/ PricewaterhouseCoopers LLP

Sacramento, California

January 26, 2004

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Balance Sheets
December 31, 2002 and September 30, 2003

	<u>December 31, 2002</u>	<u>September 30, 2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,416,984	\$ 8,096,196
Accounts receivable	2,705,284	3,140,124
Prepaid expenses and other	<u>1,282,268</u>	<u>902,713</u>
Total current assets	8,404,536	12,139,033
Property, plant and equipment, net	<u>93,198,635</u>	<u>90,144,731</u>
Total assets	<u><u>\$ 101,603,171</u></u>	<u><u>\$ 102,283,764</u></u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	\$ 14,561	\$ 118,933
Accrued and other liabilities	678,997	296,512
Due to related entities	<u>168,900</u>	<u>238,579</u>
Total current liabilities	862,458	654,024
Due to related entities	752,631	709,210
Asset retirement obligation	<u>—</u>	<u>2,930,664</u>
Total liabilities	1,615,089	4,293,898
Commitments and contingencies (Notes 3, 4, 5 and 6)		
Partners' capital	<u>99,988,082</u>	<u>97,989,866</u>
Total liabilities and partners' capital	<u><u>\$ 101,603,171</u></u>	<u><u>\$ 102,283,764</u></u>

The accompanying notes are an integral part of these financial statements.

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Statements of Operations
For the year ended December 31, 2002 and for the nine-month periods ended
September 30, 2002 and 2003

	Year Ended December 31, 2003	Nine Months Ended September 30, 2002 (Unaudited)	2003
Revenues:			
Energy	\$ 10,040,290	\$ 6,790,268	\$ 8,624,754
Capacity	4,282,968	3,883,062	3,725,617
Capacity bonus	265,228	177,758	181,116
Total revenues	<u>14,588,486</u>	<u>10,851,088</u>	<u>12,531,487</u>
Cost of revenues:			
Operating expenses	4,510,896	3,239,707	3,550,965
Royalties	685,392	490,725	902,012
Property taxes	823,682	606,902	648,346
Depreciation and amortization	5,294,823	3,968,353	4,004,851
Gross margin	<u>3,273,693</u>	<u>2,545,401</u>	<u>3,425,313</u>
General and administrative expenses	114,620	86,110	153,000
Income from operations	<u>3,159,073</u>	<u>2,459,291</u>	<u>3,272,313</u>
Other income:			
Interest income	411,036	398,062	36,471
Income before change in accounting principle	3,570,109	2,857,353	3,308,784
Cumulative effect of change in accounting principle	—	—	(2,107,000)
Net income	<u>\$ 3,570,109</u>	<u>\$ 2,857,353</u>	<u>\$ 1,201,784</u>
Proforma net income reflecting the adoption of SFAS No. 143 (Note 3) applied retroactively	<u>\$ 3,334,109</u>	<u>\$ 2,680,353</u>	<u>\$ 3,308,784</u>
Proforma income tax provision (unaudited)	<u>\$ 1,356,641</u>	<u>\$ 1,085,794</u>	<u>\$ 456,678</u>
Proforma net income reflecting tax provision (Note 1) (unaudited)	<u>\$ 2,213,468</u>	<u>\$ 1,771,559</u>	<u>\$ 745,106</u>

The accompanying notes are an integral part of these financial statements.

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Statements of Partners' Capital
For the year ended December 31, 2002 and for the nine-month period ended
September 30, 2003

	General Partners		Limited Partners			Total Partners' Capital
	Mammoth Geothermal Company	CD Mammoth Lakes I	Pacific Geothermal Company	CD Mammoth Lakes I	CD Mammoth Lakes II	
Balance, January 1, 2002	<u>\$ 59,615,568</u>	<u>\$1,216,644</u>	<u>\$1,216,644</u>	<u>\$29,199,462</u>	<u>\$30,416,106</u>	<u>\$121,664,424</u>
Distributions	(12,370,760)	(252,465)	(252,465)	(6,059,148)	(6,311,613)	(25,246,451)
Net income	<u>1,749,354</u>	<u>35,701</u>	<u>35,701</u>	<u>856,826</u>	<u>892,527</u>	<u>3,570,109</u>
Balance, December 31, 2002	48,994,162	999,880	999,880	23,997,140	24,997,020	99,988,082
Distributions	(1,568,000)	(32,000)	(32,000)	(768,000)	(800,000)	(3,200,000)
Net income	<u>588,873</u>	<u>12,018</u>	<u>12,018</u>	<u>288,428</u>	<u>300,446</u>	<u>1,201,784</u>
Balance, September 30, 2003	<u>\$ 48,015,035</u>	<u>\$ 979,898</u>	<u>\$ 979,898</u>	<u>\$23,517,568</u>	<u>\$24,497,466</u>	<u>\$ 97,989,866</u>

The accompanying notes are an integral part of these financial statements.

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Statements of Cash Flows
For the year ended December 31, 2002 and for the nine-month periods ended
September 30, 2002 and 2003

	Year Ended December 31, 2002	Nine Months Ended September 30,	
		2002	2003
		(Unaudited)	
Cash flows from operating activities:			
Net income	\$ 3,570,109	\$ 2,857,353	\$ 1,201,784
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,294,823	3,968,353	4,004,851
Accretion of asset retirement obligation	—	—	165,664
Cumulative effect of change in accounting principle	—	—	2,107,000
Changes in operating assets and liabilities:			
Accounts receivable	13,072,566	12,370,819	(434,840)
Other receivables	8,153,363	8,153,363	—

Prepaid expenses and other	(223,864)	83,091	379,555
Accounts payable	(449,893)	(169,485)	104,372
Accrued and other liabilities	(2,725,554)	(1,856,123)	(382,485)
Due to related entities	107,057	(47,369)	26,258
Net cash provided by operating activities	<u>26,798,607</u>	<u>25,360,002</u>	<u>7,172,159</u>

Cash flows from investing activities:

Change in restricted cash	378,117	378,117	—
Capital expenditures	<u>(1,962,913)</u>	<u>(1,806,909)</u>	<u>(292,947)</u>
Net cash used in operating activities	<u>(1,584,796)</u>	<u>(1,428,792)</u>	<u>(292,947)</u>

Cash flows from financing activities:

Distributions to Partners	<u>(25,246,451)</u>	<u>(22,846,451)</u>	<u>(3,200,000)</u>
Net cash used in financing activities	<u>(25,246,451)</u>	<u>(22,846,451)</u>	<u>(3,200,000)</u>

Net (decrease) increase in cash and cash equivalents	(32,640)	1,084,759	3,679,212
Cash and cash equivalents, beginning of period	4,449,624	4,449,624	4,416,984
Cash and cash equivalents, end of period	<u>\$ 4,416,984</u>	<u>\$ 5,534,383</u>	<u>\$ 8,096,196</u>

Supplemental disclosure of cash flow information:

Effect of adopting of SFAS No. 143 (Note 3):

Asset retirement cost, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 658,000</u>
Asset retirement obligation	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,765,000</u>

The accompanying notes are an integral part of these financial statements.

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Notes to Financial Statements

1. Business and Summary of Significant Accounting Policies

Business

Mammoth Pacific, L.P., a California limited partnership (the Partnership), owns and operates three geothermal electric generation plants located in Mammoth Lakes, California. Such geothermal plants are collectively referred to herein as the "Project".

The partners are Mammoth Geothermal Company (MGC) and Pacific Geothermal Company (PGC), which are both wholly owned subsidiaries of Covanta Energy Corporation (CEC), and CD Mammoth Lakes I (CDI) and CD Mammoth Lakes II (CDII), which are both wholly owned subsidiaries of Constellation Energy Inc., which is a wholly owned subsidiary of Constellation Holdings, Inc., which is a wholly owned subsidiary of Baltimore Gas and Electric Corporation.

The partners' general and limited partnership interests as of December 31, 2002 and September 30, 2003 are as follows

General partners:

MGC	49%
CDI	1%

Limited partners:

PGC	1%
CDI	24%
CDII	25%

All income, loss, tax deductions and credits, cash distributions from operations, and net proceeds from dissolution and liquidation of the Partnership shall be allocated to the partners in percentages equal to their partnership interests.

Interim financial data

The interim financial data for the nine months ended September 30, 2002 is unaudited; however, in the opinion of the Partnership, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim period.

Cash and cash equivalents

The Partnership considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

Financial instruments that potentially subject the Partnership to concentration of credit risk consist principally of temporary cash investments and accounts receivable. The Partnership places its temporary cash investments with high credit quality financial institutions located in the United States of America. At December 31, 2002 and September 30, 2003, the Partnership maintained all of its deposits in one U.S. financial institution that is federally insured up to \$100,000. All of the Partnership's revenues, and the related receivable balances, are earned from one power company, Southern California Edison Company.

Property, plant and equipment

Property, plant and equipment are stated at cost. All costs associated with acquisition, development and construction of power plant facilities are capitalized. Major improvements are capitalized, and

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Mammoth Pacific, L.P. **(A California Limited Partnership)** **Notes to Financial Statements**

repairs and maintenance costs are expensed. Power plants are depreciated using the straight-line method over the estimated service period of 28 years. The other assets are depreciated using the straight-line method over their estimated useful lives ranging from five to seven years. The cost and accumulated depreciation of items sold or retired are removed from the accounts. Any resulting gain or loss is recognized currently.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management believes that no impairment exists for long-lived assets, however future estimates as to the recoverability of such assets may change based on revised circumstances.

Derivative instruments

Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted by other related accounting literature, establishes accounting and reporting standards for derivative instruments (including certain derivative instruments embedded in other contracts). SFAS No. 133 requires companies to record derivatives on their balance sheets as either assets or

liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized currently in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Company is subject to the provisions of SFAS No. 133 Derivative Implementation Group ("DIG") Issue No. C15 (DIG Issue No. C15), *Normal Purchases and Normal Sales Exception for Certain Option-Type Contracts and Forward Contracts in Electricity*, which expands the requirements for the normal purchase and normal sales exception to include electricity contracts entered into by a utility company when certain criteria are met. Also under DIG Issue No. C15, contracts that have a price adjustment clause based on an index that is not directly related to the electricity generated, as defined in SFAS No. 133, do not meet the requirements for the normal purchases and normal sales exception. The Company has power sales agreements that qualify as derivative instruments under DIG Issue No. C15 because they have a price adjustment clause based on an index that does not directly relate to the sources of the power used to generate the electricity. The adoption of the provisions of DIG Issue No. C15 in 2002 did not have a material impact on the Company's consolidated financial position and results of operations.

In June 2003, the FASB issued DIG Issue No. C20, *Scope Exceptions: Interpretation of the Meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature*. DIG Issue No. C20 superseded DIG Issue No. C11 *Interpretation of Clearly and Closely Related in Contracts That Qualify for the Normal Purchases and Normal Sales Exception*, and specified additional circumstances in which a price adjustment feature in a derivative contract would not be an impediment to qualifying for the normal purchases and normal sales scope exception under SFAS No. 133. DIG Issue No. C20 was effective as of the first day of the fiscal quarter beginning after July 10, 2003, (i.e. October 1, 2003, for the Company). In conjunction with initially applying the implementation guidance, DIG Issue No. C20 requires contracts that did not previously qualify for the

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Notes to Financial Statements

normal purchases normal sales scope exception, and do qualify for the exception under DIG Issue No. C20, to freeze the fair value of the contract as of the date of the initial application, and amortized such fair value over the remaining contract period. Upon adoption of DIG Issue No. C20, the Company elected the normal purchase and normal sales scope exception under FAS No. 133 related to its power purchase agreements. Such adoption did not have a material impact on the Company's consolidated financial position and results of operations.

Income taxes

The net income of the Partnership for income tax purposes is the responsibility of the individual partners. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The proforma net income on the statement of operations reflects a tax provision of 38%, the effective rate of the company that acquired MGC and PGC's ownership interest (Note 7).

Revenue recognition

Revenue from the sale of electricity is recorded based upon output delivered and capacity provided at rates as specified under terms of long-term power purchase agreements (see Note 4).

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximate their reported

carrying amounts because of the short maturity of those instruments.

Recently issued accounting pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. They also issued SFAS No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*, and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in August and October 2001, respectively.

SFAS No. 141 requires all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS No. 141 supersedes Accounting Principles Board (APB) Opinion No. 16, *Business Combinations*, and SFAS No. 38, *Accounting for Pre-acquisition Contingencies of Purchased Enterprises*, and is effective for all business combinations initiated after June 30, 2001.

SFAS No. 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets. Under the new rules, the Partnership is no longer required to amortize goodwill and other intangible assets with indefinite lives, but will be subject to periodic testing for impairment. SFAS No. 142 supersedes APB Opinion No. 17, *Intangible Assets*. The Partnership adopted the provisions of SFAS No. 142 effective January 1, 2002, which did not have a material impact on its results of operations and financial position, as the Partnership did not have any material amounts of goodwill and other intangible assets.

As further discussed in Note 3, the Partnership adopted the provisions of SFAS No. 143 effective January 1, 2003.

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Mammoth Pacific, L.P.
(A California Limited Partnership)
Notes to Financial Statements

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and APB Opinion No. 30, *Reporting the Results of Operations-- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. The Partnership adopted the provisions of SFAS No. 144 effective January 1, 2002, which did not have a material impact on its results of operations and financial position.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies the accounting and reporting for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities under SFAS No. 133. The amendments in SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative according to SFAS No. 133 and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. In addition, SFAS No. 149 amends the definition of an "underlying" to conform it to language used in FIN No. 45 and amends certain other existing pronouncements. The provisions of SFAS No. 149 that relate to SFAS No. 133 "Implementation Issues" that have been effective for periods that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. The requirements of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Partnership adopted the provisions of SFAS No. 149 effective July 1, 2003, which did not have a material impact on its results of operations and financial position as of September 30, 2003.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. The requirements of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. For financial instruments created prior to the issuance date of SFAS No. 150, transition shall be achieved by reporting the cumulative effect of a

change in accounting principle. The Partnership adopted the provisions of SFAS No. 150 effective July 1, 2003, which did not have a material impact on its results of operations and financial position as of September 30, 2003.

2. Property, Plant and Equipment

Property, plant and equipment, consists of the following:

	December 31, 2002	September 30, 2003
Plant and related equipment	\$ 152,196,497	\$ 152,181,247
Transportation equipment	181,442	181,442
Furniture and fixtures	117,665	120,667
Asset retirement cost	—	1,097,000
	152,495,604	153,580,356
Less accumulated depreciation	(59,296,969)	(63,435,625)
	<u>\$ 93,198,635</u>	<u>\$ 90,144,731</u>

3. Asset Retirement Obligation

The Partnership adopted SFAS No. 143 effective January 1, 2003. Under SFAS No. 143, entities are required to record the fair value of a legal liability for an asset retirement obligation in the period in

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Mammoth Pacific, L.P. (A California Limited Partnership) Notes to Financial Statements

which it is incurred. The Partnership's legal liabilities include capping wells and post-closure costs of geothermal power producing sites. When a new liability for asset retirement obligations is recorded, the Partnership capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, an entity settles the obligation for its recorded amount or incurs a gain or loss. On January 1, 2003 the Partnership recorded a cumulative effect of change in accounting principle of \$2,107,000, net of related tax benefit of \$0. As a result of adopting the provisions of SFAS No. 143, the net income for the nine-month period ended September 30, 2003 decreased by approximately \$166,000. The pro-forma amounts shown on the statements of operations have been adjusted for the effect of retroactive application of SFAS No. 143.

The following table summarizes the impact on the Partnership's balance sheet following the adoption of SFAS No. 143:

	Balance at December 31, 2002	Change Resulting from Application of SFAS No. 143	Balance at January 1, 2003
Property, plant and equipment	\$ 152,495,604	\$ 1,097,000	\$ 153,592,604
Accumulated depreciation	(59,296,969)	(439,000)	(59,735,969)
Net property, plant and equipment	<u>\$ 93,198,635</u>	<u>\$ 658,000</u>	<u>\$ 93,856,635</u>
Non-current asset retirement obligation	<u>\$ —</u>	<u>\$ 2,765,000</u>	<u>\$ 2,765,000</u>

The unaudited pro-forma changes to the non-current asset retirement obligation, based on the information, assumptions, and interest rates as of January 1, 2003, are presented below to show what the Partnership would have reported if the provisions of SFAS No. 143 had been in effect for the periods presented below:

	Year Ended December 31,	Nine Months Ended September 30,
	2002	2003
Balance at beginning of period	\$ 2,565,000	\$ 2,765,000
Accretion expense	200,000	165,664
Balance at end of period	<u>\$ 2,765,000</u>	<u>\$ 2,930,664</u>

4. Power Purchase Agreements

The Partnership has three power purchase agreements (the PPA's) with Southern California Edison Company (SCE), that provide for the sale of capacity and energy through their respective terms, expiring from 2015 to 2020. Under the PPA's, the Partnership received payments based on SCE's short-run avoided cost (SRAC) and receives a fixed energy payment starting in May 2002 through April 2007, and thereafter based on SCE's SRAC. The PPA's provide for firm capacity and bonus payments established by the contracts and are paid to the Partnership each month through the contracts' term based on plant performance. Bonus capacity payments are earned based on actual capacity available during certain peak hours.

5. Commitments and Contingencies

The geothermal resources being utilized by the Project are owned by unrelated parties, which receive royalties based on a percentage of gross revenues from the sale of energy.

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Mammoth Pacific, L.P. (A California Limited Partnership) Notes to Financial Statements

Effective January 1, 1995, the Partnership entered into an operating agreement with a wholly owned subsidiary of CEC (the Operator), for the operation and maintenance of the Project. Operator fees are equal to the Operator's labor costs and overhead, plus a \$15,000 annual administration fee. Total expenses incurred under this agreement were approximately \$1,851,200, \$1,296,300 and \$1,396,200 for the year ended December 31, 2002, and for the nine-month periods ended September 30, 2002 (unaudited) and 2003, respectively, of which approximately \$147,100 and \$203,300 was included in due to related entities at December 31, 2002 and September 30, 2003, respectively.

The Partnership is planning to construct a pipeline and two new production wells for a total expected cost of approximately \$5 million to be completed by January 2006.

Subsequent to September 30, 2003, in response to an order issued by a California State Court of Appeal, the California Public Utilities Commission, "CPUC", has commenced a proceeding to address SRAC pricing for Qualifying Facilities for the period December 2000 to March 2001. The court directed that the CPUC modify SRAC pricing on a retroactive basis to the extent the CPUC determined that SRAC prices were not sufficiently "accurate" or "correct." If the SRAC prices during the period in question were determined by the CPUC to not be "accurate" or "correct," retroactive price adjustments could be required. Currently it is not possible to predict the outcome of such proceeding, however, any retroactive price adjustment may require the Partnership to make refund payments or receive less from future revenues, which could materially affect the financial condition, future results and cash flows.

6. Related Party Transactions

MGC has been designated as the managing general partner and is reimbursed for direct expenses and allocated

costs incurred on behalf of the Partnership. Total expenses incurred were approximately \$73,600, \$11,300 and \$152,700 for the year ended December 31, 2002, and for the nine-month periods ended September 30, 2002 (unaudited) and 2003, respectively.

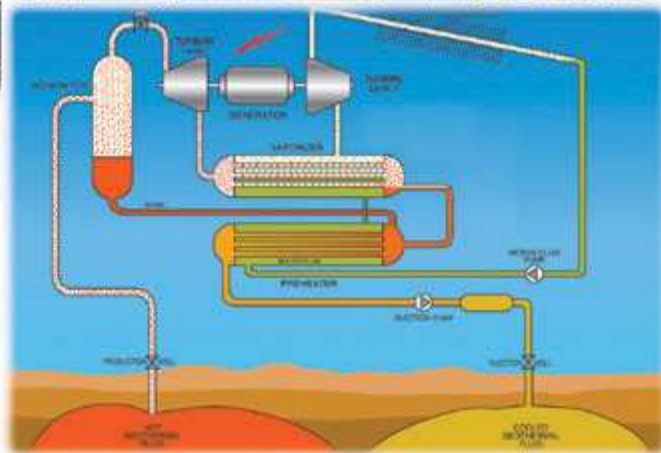
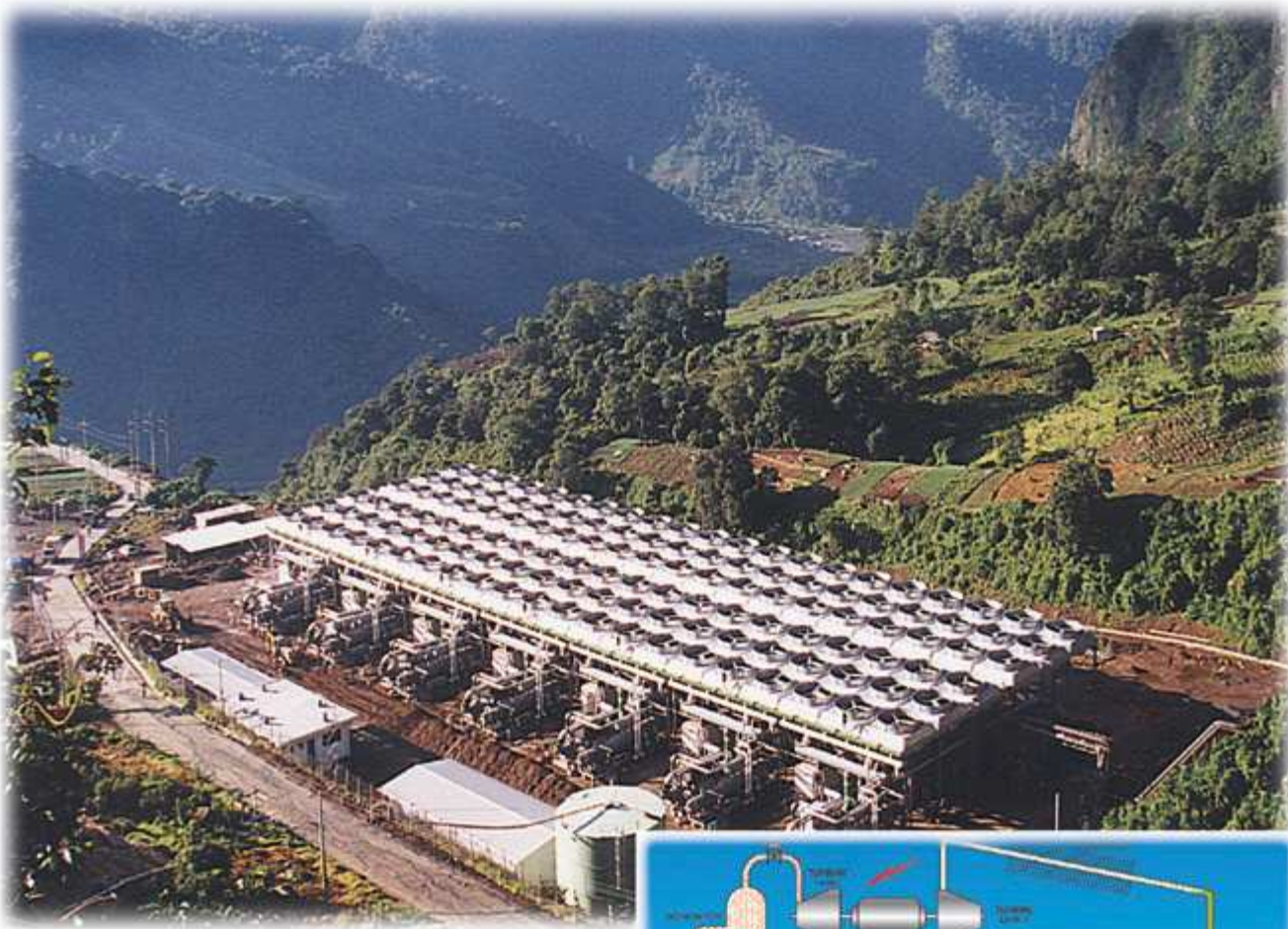
Included in the amount due to related entities are amounts due to MGC of approximately \$752,600 and \$709,200 as of December 31, 2002 and September 30, 2003, respectively, for advances received. Such amounts are to be repaid monthly, subject to available operating cash flow, over a 20-year period beginning January 1, 1996.

7. Subsequent Events

On December 18, 2003, the partnership interests owned by MGC and PGC were sold to an unrelated entity.



24 MW Zunil Geothermal Power Plant Guatemala



Two-Phase Binary Geothermal Power Plants

Shares



Common Stock

PROSPECTUS

2004

L E H M A N B R O T H E R S

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale and distribution of the securities being registered. All amounts shown are estimates, except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the New York Stock Exchange application fee.

SEC registration fee	\$	*
NASD filing fee	\$	*
New York Stock Exchange application fee	\$	*
Accounting fees and expenses	\$	*
Legal fees and expenses	\$	*
Printing and engraving expenses	\$	*
Transfer agent fees and expenses	\$	*
Blue sky fees and expenses	\$	*
Miscellaneous fees and expenses	\$	*
Total	\$	*

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to Ormat Technologies, Inc. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions, or for any transaction from which the director derived an improper personal benefit.

Article Eleventh of Ormat Technologies, Inc.'s certificate of incorporation provides that a director of Ormat Technologies, Inc. shall not be liable to Ormat Technologies, Inc. or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by Delaware law. In addition, Section 10.1 of Ormat Technologies, Inc.'s by-laws provides that Ormat Technologies, Inc. shall indemnify its directors and officers to the fullest extent permitted by Delaware law, including all expenses liability and loss actually and reasonably incurred or suffered by such director or officer in connection therewith in defending or otherwise participating in any proceeding in advance of its final disposition.

Prior to the completion of this offering, we intend to enter into indemnification agreements with our directors and officers. The indemnification agreements provide indemnification to our directors

and officers under certain circumstances for acts or omissions which may not be covered by directors' and officers' liability insurance, and may, in some cases, be broader than the specific indemnification provisions contained under Delaware law. We have also obtained directors' and officers' liability insurance, which insures against liabilities that our directors or officers may incur in such capacities.

Item 15. Recent Sales of Unregistered Securities

On June 30, we issued 1,538,462 shares of our common stock to Ormant Industries in connection with the capitalization of an outstanding loan in the amount of \$20.0 million with Ormant Industries.

Item 16. Exhibits and Financial Statement Schedules

Exhibit No.	Document
1.1	Form of Underwriting Agreement*
3.1	Amended and Restated Certificate of Incorporation
3.2	Amended and Restated By-laws*
4.1	Form of Common Share Stock Certificate
4.2	Form of Preferred Share Stock Certificate
5.1	Opinion of Chadbourne & Parke LLP, related to the shares of common stock being sold in the initial public offering*
8.1	Opinion of Chadbourne & Parke LLP, related to tax matters*
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10.1.1	Foreign Currency Loan Agreement, dated June 1, 2004, between Ormat Technologies, Inc. and United Mizrahi Bank LTD. [†]
10.1.2	Amended and Restated Bridge Loan Agreement, dated October 2, 2003, by and between Ormat Nevada, Inc. and Bank Leumi USA [†]
10.1.3	Credit Facility Agreement, dated September 5, 2000, between Ormat Momotombo Power Company and Bank Hapoalim B.M. [†]
10.1.4	Credit Agreement, dated as of December 31, 2002, among ORMESA LLC, United Capital, a division of Hudson United Bank and the Lenders party to such agreement from time to time [†]
10.1.5	Credit Agreement, dated as of December 18, 2003, among OrCal Geothermal Inc. and Beal Bank, S.S.B. and the financial institutions party thereto from time to time [†]
10.1.6	Credit Agreement, dated May 13, 1996 between Ormat-Leyte and Export-Import Bank of the United States [†]
10.1.7	Indenture, dated February 13, 2004 among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California [†]
10.1.8	Loan Agreement, dated October 1, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd. [†]
10.1.9	Capital Note, dated December 22, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd.
10.1.10	Guarantee Fee Agreement, dated January 1, 1999, by and between Ormat Technologies, Inc. and Ormat Industries Ltd.
10.1.11	Reimbursement Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd.

Exhibit No.	Document
10.1.12	Services Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd.
10.2	Purchase Agreements
10.2.1	Purchase and Sale Agreement, dated April 22, 2004, by and among Constellation Power, Inc. and Cosi Puna, Inc. and ORNI 8 LLC and Ormat Nevada, Inc. [†]
10.2.2	Purchase Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd.
10.3	Power Purchase Agreements
10.3.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc. [†]
10.3.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal
10.3.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc. [†]
10.3.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company
10.3.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company [†]
10.3.6	Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company [†]
10.3.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company [†]
10.3.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company
10.3.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company
10.3.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company
10.3.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company [†]
10.3.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company
10.3.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company [†]

- 10.3.14 Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company [†]
- 10.3.15 Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company
- 10.3.16 Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc. [†]
- 10.3.17 Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific [†]

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Exhibit No.	Document
10.3.18	Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems [†]
10.3.19	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific [†]
10.3.20	Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II) [†]
10.3.21	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems [†]
10.3.22	Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company [†]
10.3.23	Plant Connection Agreement for the Heber Geothermal Plant No.1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company [†]
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No.1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company [†]
10.3.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company [†]
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal [†]
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE [†]
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH [†]
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No.2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]

- 10.3.30 Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No.3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
- 10.3.31 Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal [†]
- 10.3.32 Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
- 10.3.33 Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
- 10.3.34 IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company [†]

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Exhibit No.	Document
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd.
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd.
10.4	Leases
10.4.1	Ormesa BLM Geothermal Resources Lease CA 966 ^{††}
10.4.2	Ormesa BLM License for Electric Power Plant Site CA 24678 ^{†††}
10.4.3	Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee [†]
10.4.4	Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee ^{†**}
10.4.5	Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee ^{†**}
10.4.6	Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee ^{†**}

- 10.4.7 Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.8 Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.9 Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee [†]
- 10.4.10 Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.11 Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.12 Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.13 Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee ^{†**}
- 10.4.14 Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
- 10.4.15 Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee [†]

Exhibit No.	Document
10.4.16	Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.17	Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee [†]
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee ^{†**}
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee ^{†**}
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La

Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee ^{†**}

- 10.4.22 Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee [†]
- 10.4.23 Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee ^{†**}
- 10.4.24 Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee ^{†**}
- 10.4.25 Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd.
- 10.5 General
 - 10.5.1 Engineering, Procurement and Construction Contract, dated August 23, 2002, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc. [†]
 - 10.5.2 Amendment No. 1, to Engineering, Procurement and Construction Contract, dated, 2003, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc.
 - 10.5.3 Engineering, Procurement and Construction Contract, dated, 2003, by and between Contact Energy Limited and Ormat Pacific Inc. [†]
 - 10.5.4 Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. [†]
 - 10.5.5 Registration Rights Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd.*
- 10.6 Ormat Technologies, Inc. 2004 Incentive Compensation Plan*
- 10.7 Form of Executive Employment Agreement*
- 21.1 Subsidiaries of the registrant
- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
- 23.2 Consent of Chadbourne & Parke LLP (contained in Exhibit 5.1)*
- 24.1 Power of attorney (Included on signature page of the registration statement)

Exhibit No.	Document

99.1	Material terms with respect to BLM geothermal resources leases
99.2	Material terms with respect to BLM site leases

* To be filed by subsequent amendment.

** Portions of this exhibit have been omitted pursuant to a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

† We agree to furnish copies of the Schedules and Exhibits referenced in this agreement to the Securities and Exchange Commission upon request.

†† We have entered into other BLM geothermal resources leases that are substantially similar in terms with this exhibit. Any deviation in terms with this exhibit have been described in Exhibit 99.1.

††† We have entered into other BLM site leases that are substantially similar in terms with this exhibit. Any deviation in terms with this exhibit have been described in Exhibit 99.2.

Item 17. Undertakings

(a) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the provisions described in "Item 14—Indemnification of Directors and Officers" above, or otherwise, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification by the Registrant against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York on the 20th day of July, 2004.

ORMAT TECHNOLOGIES, INC.

By: /s/ Yehudit Bronicki

Name: Yehudit Bronicki

Title: President

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Lucien Bronicki and Yehudit Bronicki, and each of them, with full power to act without the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and any registration statement relating to the offering covered by this registration statement and filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Lucien Bronicki	Chairman of the Board and Director	July 20, 2004
Lucien Bronicki		
/s/ Yehudit Bronicki	Director, President, Treasurer and Secretary (Principal Executive Officer)	July 20, 2004
Yehudit Bronicki		
/s/ Connie Stechman	Director (Principal Financial Officer, Controller and Principal Accounting Officer)	July 20, 2004
Connie Stechman		

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EXHIBIT INDEX

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10.3.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company
10.3.16	Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc. [†]
10.3.17	Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific [†]

Exhibit No.	Document
10.3.18	Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems [†]
10.3.19	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific [†]
10.3.20	Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II) [†]
10.3.21	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems [†]
10.3.22	Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company [†]
10.3.23	Plant Connection Agreement for the Heber Geothermal Plant No.1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company [†]
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No.1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company [†]
10.3.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company [†]
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal [†]
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE [†]
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH [†]
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No.2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
10.3.30	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No.3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]

10.3.31	Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal [†]
10.3.32	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
10.3.33	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership [†]
10.3.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company [†]

Exhibit No.	Document
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd.
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd.
10.4	Leases
10.4.1	Ormesa BLM Geothermal Resources Lease CA 966 ^{††}
10.4.2	Ormesa BLM License for Electric Power Plant Site CA 24678 ^{†††}
10.4.3	Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee [†]
10.4.4	Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee ^{†***}
10.4.5	Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee ^{†**}
10.4.6	Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee ^{†**}
10.4.7	Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.8	Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.9	Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee [†]
10.4.10	Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.11	Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.12	Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.13	Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee ^{†***}

Exhibit No.	Document
10.4.14	Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.15	Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.16	Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.17	Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee [†]
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee [†]
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee ^{†**}
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee ^{†**}
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee ^{†**}
10.4.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee [†]
10.4.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee ^{†**}
10.4.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee ^{†**}
10.4.25	Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd.
10.5	General
10.5.1	Engineering, Procurement and Construction Contract, dated August 23, 2002, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc. [†]
10.5.2	Amendment No. 1, to Engineering, Procurement and Construction Contract, dated, 2003, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc.
10.5.3	Engineering, Procurement and Construction Contract, dated, 2003, by and between Contact Energy Limited and Ormat Pacific Inc. [†]
10.5.4	Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. [†]

Exhibit No.	Document
10.5.5	Registration Rights Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd.*
10.6	Ormat Technologies, Inc. 2004 Incentive Compensation Plan*
10.7	Form of Executive Employment Agreement*
21.1	Subsidiaries of the registrant
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
23.2	Consent of Chadbourne & Parke LLP (contained in Exhibit 5.1)*
24.1	Power of attorney (Included on signature page of the registration statement)
99.1	Material terms with respect to BLM geothermal resources leases
99.2	Material terms with respect to BLM site leases

To be filed by subsequent amendment.

- ** Portions of this exhibit have been omitted pursuant to a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.
- † We agree to furnish copies of the Schedules and Exhibits referenced in this agreement to the Securities and Exchange Commission upon request.
- †† We have entered into other BLM geothermal resources leases that are substantially similar in terms with this exhibit. Any deviation in terms with this exhibit have been described in Exhibit 99.1.
- ††† We have entered into other BLM site leases that are substantially similar in terms with this exhibit. Any deviation in terms with this exhibit have been described in Exhibit 99.2.

EXHIBIT 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

ORMAT TECHNOLOGIES, INC.

Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware

Ormat Technologies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify as follows:

FIRST: The name of the Corporation is Ormat Technologies, Inc.

SECOND: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on September 15, 1994.

THIRD: The Certificate of Incorporation of the Corporation is hereby amended in its entirety and restated and integrated into a single instrument to read in full as set forth in the Amended and Restated Certificate of Incorporation of the Corporation attached hereto as Exhibit A and made a part hereof.

FOURTH: The Amended and Restated Certificate of Incorporation of the Corporation shall become effective at 8:30 a.m., Eastern Time, on June 30, 2004.

FIFTH: The Amended and Restated Certificate of Incorporation of the Corporation was proposed by the Board of Directors of the Corporation and was duly adopted in accordance with Section 228 of the General Corporation Law of the State of Delaware by the sole shareholder of the Corporation in the manner prescribed by Section 242 of the General Corporation Law of the State of Delaware.

SIXTH: The Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by its officer thereunto duly authorized this 29th day of June, 2004.

ORMAT TECHNOLOGIES, INC.

By: /s/ Yehudit Bronicki

Name: Yehudit Bronicki
Title: Secretary

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EXHIBIT A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ORMAT TECHNOLOGIES, INC.

FIRST: The name of the Corporation is Ormat Technologies, Inc.

SECOND: The Corporation's registered office in the State of Delaware is located at 15 E. North Street, in the City of Dover, County of Kent. The name and address of its registered agent is HIQ Corporate Services, Inc., 15 E. North Street, Dover, Delaware 19901.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on, are: To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have the authority to issue is Two Hundred Five Million (205,000,000), of which (i) Two Hundred Million (200,000,000) shares of par value of \$.001 each are to be of a class designated Common Stock (the "Common Stock") and (ii) Five Million (5,000,000) shares of par value of \$.001 are to be of a class designated Preferred Stock (the "Preferred Stock").

The shares of the Corporation outstanding as of June 29, 2004 (consisting of 200 shares of common stock par value \$1.00) are divided and

converted into 30,769,230 outstanding shares of Common Stock.

In this Article Fourth, any reference to a section or paragraph, without further attribution, within a provision relating to a particular class of stock is intended to refer solely to the specified section or paragraph of the provisions relating to the same class of stock.

COMMON STOCK

The Common Stock shall have the following voting powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof:

1. Dividends. Whenever the full dividends upon any outstanding Preferred Stock for all past dividend periods shall have been paid and the full dividends thereon for the then current respective dividend periods shall have been paid, or declared and a sum sufficient for the respective payments thereof set apart, the holders of shares of the Common Stock shall be entitled to receive such dividends and distributions in equal amounts per share, payable in cash or otherwise, as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

2. Rights on Liquidation. In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, after the payment or setting apart for payment to the holders of any outstanding Preferred Stock of the full preferential amounts to which such holders are entitled as herein provided or referred to, all of the remaining assets of the Corporation shall belong to and be distributable in equal amounts per share to the holders of the Common Stock. For purposes of this paragraph 2, a consolidation or merger of the Corporation with any other corporation, or the sale, transfer or lease of all or substantially all its assets shall not constitute or be deemed a liquidation, dissolution or winding-up of the Corporation.

3. Voting. Except as otherwise provided by the laws of the State of Delaware or by this Article Fourth, each share of Common Stock shall entitle the holder thereof to one vote.

PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the applicable law of the State of Delaware (hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock

Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(c) whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the series;

(d) the dates at which dividends, if any, shall be payable;

(e) the redemption rights and price or prices, if any, for shares of the series;

(f) the terms and amount of any sinking fund provided for the purchase or redemption of shares of the series;

(g) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made;

(i) restrictions on the issuance of shares of the same series or of any other class or series; and

(j) the voting rights, if any, of the holders of shares of the series.

Except as may be provided in this Certificate of Incorporation or in a Preferred Stock Designation, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part

of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

1. Designation and Amount. A series of Preferred Stock of par value \$.001 per share is hereby created and shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be Five Hundred Thousand (500,000). Such number of shares may be increased or decreased by

resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

2. Dividends and Distributions.

2.1. Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock and of any other junior stock of the Corporation, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the second Monday of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such

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event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

2.2. The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph 2.1 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

2.3. Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a

Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

3.1. Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common

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Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

3.2. Except as otherwise provided herein, in any other Preferred Stock Designation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

3.3. Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

4.1. Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in paragraph 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(a) declare or pay dividends, or make any other distributions,

on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(b) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may

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at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(d) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

4.2. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subparagraph (c) of paragraph 4.1, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in any other Preferred Stock Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100

times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (ii) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on

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the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of the outstanding shares of Series A Preferred Stock, voting together as a single class.

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FIFTH: The Corporation is to have perpetual existence.

SIXTH: The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatever.

SEVENTH: Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the whole Board. A director need not be a stockholder. The election of directors of the Corporation need not be by ballot unless the By-Laws so require.

The directors, other than those who may be elected by the holders of any series of Preferred Stock or any other series or class of stock, as provided herein or in any Preferred Stock Designation, shall be divided into three classes, as nearly equal in number as possible. One class of directors shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 2005, another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 2006, and another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in 2007. Members of each class shall hold office until their successors are duly elected and qualified. At each annual meeting of the stockholders of the Corporation, commencing with the 2005 annual meeting, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast for the election of directors at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock, as provided herein or in any Preferred Stock Designation, to elect additional directors under specific circumstances, any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding capital stock of the Corporation (the "Capital Stock") entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class.

Subject to the rights of the holders of any series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then serving on the Board, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the

class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the whole Board of Directors shall shorten the term of any incumbent director.

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or modification of this paragraph,

directly or by adoption of an inconsistent provision of this Certificate of Incorporation, by the stockholders of the Corporation shall be effective with respect to any cause of action, suit, claim or other matter that, but for this paragraph, would accrue or arise prior to such repeal or modification.

EIGHTH: Unless otherwise determined by the Board of Directors, no holder of stock of the Corporation shall, as such holder, have any right to purchase or subscribe for any stock of any class which the Corporation may issue or sell, whether or not exchangeable for any stock of the Corporation of any class or classes and whether out of unissued shares authorized by the Certificate of Incorporation of the Corporation as originally filed or by any amendment thereof or out of shares of stock of the Corporation acquired by it after the issue thereof.

NINTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the General Corporation Law of the State of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the General Corporation Law of the State of Delaware order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which said application has been made,

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be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TENTH:

1. Amendment of Certificate of Incorporation. From time to time any of the provisions of the Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the statutes of the State of Delaware at the time in force may be added or inserted in the manner at the time prescribed by said statutes, and all rights at any time conferred upon the stockholders of the Corporation by its Certificate of Incorporation are granted, subject to this reservation.

2. By-Laws. The Board of Directors is expressly authorized to make, alter, amend and repeal the By-Laws of the Corporation, in any manner not inconsistent with the laws of the State of Delaware or of the Certificate of Incorporation of the Corporation, subject to the power of the holders of the Capital Stock to alter or repeal the By-Laws made by the Board of Directors.

ELEVENTH:

1. Written Consent in Lieu of Meeting. Any action which could be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall (a) be signed by the holders

of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and (b) be delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the records of proceedings of meetings of stockholders.

2. Special Meeting of Stockholders. A special meeting of the stockholders for any purpose or purposes, unless otherwise provided by law, may be called by the Chairman of the Board, the President, the Board or the holders of not less than a majority of all the outstanding shares of the corporation entitled to vote at the meeting may call special meetings of the stockholders for any purpose or, at any time that Ormat Industries Ltd. or any OIL Transferee owns at least 20% of the then outstanding shares of Common Stock, by Ormat Industries Ltd. or any OIL Transferee. For purposes of this Section 2 of Article Eleventh, "OIL Transferee" shall mean a transferee of Ormat Industries Ltd. or any other OIL Transferee that receives at least 20% of the then outstanding shares of Common Stock that pursuant to an instrument of transfer or related agreement has been granted rights under this Section 2 of Article Eleventh by Ormat Industries Ltd. or any OIL Transferee.

Exhibit 4.1

NUMBER

SPECIMEN

SHARES

SPECIMEN

See Reverse for
Certain Definitions

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

ORMAT TECHNOLOGIES, INC.

The Corporation is authorized to issue 200,000,000 shares of Common Stock
\$.001 Par Value

(SEE RESTRICTIONS ON TRANSFER ON REVERSE)

This Certifies that _____ is the owner of
_____ fully paid and
non-assessable Shares of the above Corporation transferable only on the books of
the Corporation by the holder hereof in person or by duly authorized Attorney
upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be
signed by its duly authorized officers and to be sealed with the Seal of the

Corporation.

Dated _____

Chairman

Secretary

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--as tenants in common	UNIF GIFT MIN ACT--.....Custodian.....
TEN ENT	--as tenants by the entireties	(Cust) (Minor) under Uniform Gifts to Minors Act.....
JT TEN	--as joint tenants with right of survivorship and not as tenants in common	(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

_____ Shares

represented by the within Certificate, and do hereby irrevocably constitute and appoint _____

Attorney to transfer the said shares on the books of the within-named

Corporation with full power of substitution in the premises.

Dated, _____

In presence of

"The securities evidenced by this certificate have not been registered under the Securities Act of 1933 or applicable state law, and no interest therein may be sold, distributed, assigned, offered, pledged or otherwise transferred unless (a) there is an effective registration statement under such Act and applicable state securities laws covering any such transaction involving said securities or (b) this corporation receives an opinion of legal counsel for the holder of these securities (concurred in by legal counsel for this corporation) stating that such transaction is exempt from registration or this corporation otherwise satisfies itself that such transaction is exempt from registration. Neither the offering of the securities nor any offering materials have been reviewed by an administrator under the Securities Act of 1933 or any applicable state law."

Exhibit 4.2

NUMBER

SPECIMEN

SHARES

SPECIMEN

See Reverse for
Certain Definitions

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

ORMAT TECHNOLOGIES, INC.

The Corporation is authorized to issue 5,000,000 shares of Preferred Stock
\$.001 Par Value

(SEE RESTRICTIONS ON TRANSFER ON REVERSE)

This Certifies that _____ is the owner of
_____ fully paid and
non-assessable Shares of the above Corporation transferable only on the books of
the Corporation by the holder hereof in person or by duly authorized Attorney
upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be
signed by its duly authorized officers and to be sealed with the Seal of the
Corporation.

Dated _____

Chairman

Secretary

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS
WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION
OR ENLARGEMENT OR ANY CHANGE WHATEVER.

The following abbreviations, when used in the inscription on the face of
this certificate, shall be construed as though they were written out in full
according to applicable laws or regulations:

TEN COM	--as tenants in common	UNIF GIFT MIN ACT--.....Custodian.....
TEN ENT	--as tenants by the entireties	(Cust) (Minor) under Uniform Gifts to Minors Act.....
JT TEN	--as joint tenants with right of survivorship and not as tenants in common	(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

represented by the within Certificate, and do hereby irrevocably constitute and appoint _____

Dated, _____

"The securities evidenced by this certificate have not been registered under the Securities Act of 1933 or any applicable state law, and no interest therein may be sold, distributed, assigned, offered, pledged or otherwise transferred unless (a) there is an effective registration statement under such Act and applicable state securities law covering any such transaction involving said securities or (b) this corporation receives an opinion of legal counsel for the holder of these securities (concurring in by legal counsel for this corporation) stating that such transaction is exempt from registration or this corporation otherwise satisfies itself that such transaction is exempt from registration. Neither the offering of the securities nor any offering materials have been reviewed by an administrator under the Securities Act of 1933 or any applicable state law."

WHEREAS the Borrower has requested the Bank to grant it a loan in the total principal sum of 20,000,000\$ (Twenty million US dollar) (hereinafter; the

"Loan") with interest, in accordance with the terms and conditions set forth below; and

WHEREAS the Bank is prepared to grant the Borrower the requested Loan upon the terms and conditions hereinafter stipulated;

NOW, THEREFORE, IT IS HEREBY AGREED AND DECLARED BETWEEN THE PARTIES AS FOLLOWS:

1. The Preamble hereto constitutes an integral part hereof.
2. The Bank hereby agrees to grant a loan to the Borrower and the Borrower hereby agrees to borrow from the Bank the total principal sum of 20,000,000\$ (Twenty million US dollar).
3. The Borrower confirms that the Loan shall be deemed to have been granted by the Bank and received by the Borrower upon the Bank crediting the account of ORMAT TECHNOLOGIES INC. Account No. 101455 maintained at the 461-Tel Aviv main Branch of the Bank with the proceeds of the Loan.
4. The Borrower undertakes to repay to the Bank the principal amount of the Loan in 1 payment of \$20,000,000 within 18 months.
5. (a) The Borrower shall pay interest as calculated by the Bank on the balance of the principal amount of the Loan outstanding from time to time as from the date on which such principal amount is granted to the Borrower (hereinafter; the "Drawdown Date") at a rate (hereinafter the "Interest Rate") which shall be:-
 - (i) Commitment fee at the rate of 0.25% (zero point twenty five per cent) per annum, which will be paid at the day of the granted loan.
 - (ii) at the of the rate of 1.2% (one point two per cent) per annum in excess of the London Interbank Offered Rate (hereinafter; the "Floating Rate"*)

such interest to be payable in arrears commencing on the Drawdown Date and on the last day of each successive Interest Period, as hereinafter defined (hereinafter; the "Interest Payment Date") and at maturity.

(*Kindly indicate whether the Fixed Rate or the Floating Rate is to prevail).

- (b) In the event that the Floating Rate is to prevail, the Interest Rate in respect of the principal amount of the Loan shall be determined once every [deleted_text]three*[/deleted_text]/six* months in advance, depending on availability, by reference to the London Interbank Offered Rate, on the respective Date of Determination, as hereinafter defined, and shall be calculated on the balance thereof from time to time outstanding during the next period of [deleted_text]three*[/deleted_text]/six* months (each such period, hereinafter; an "Interest Period").

(*Kindly delete as applicable).

For the purpose of determining and calculating the Interest Rate, "LIBOR" shall mean the annual rate of interest appearing on the Telerate screen Page 3750 or Page 3740 (as appropriate) or any equivalent successor to such page or other page as appropriate (as determined by the Bank) at or about 11.00 AM (London Time), on the Date of Determination as being the interest rate offered in the London Interbank Market for deposits in the relevant currency for a period equal to the Interest Period

"Date of Determination" shall mean with regard to all Interest Periods, two Business Days prior to the commencement of any such Interest Period.

For the purposes hereof, the term "Business Day" shall mean a day of the year other than a Saturday or Sunday or a day on which banks in Israel, London or the financial centre of the relevant currency of the Loan are authorized or required to remain closed.

- (c) All computations of interest hereunder shall be made by the Bank on the basis of a year of 360 days (consisting of four 90-day quarters) or, in the case of interest payable on an amount denominated in Sterling or where market practice otherwise dictates 365 days, for the actual number of days lapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable.
- (d) The Borrower hereby undertakes to pay to the Bank the following commissions:

[deleted_text]

- |_| *(i) A commission at the rate of ____ % (____ per cent) of the total amount of the Loan to be paid on the Drawdown Date.

[/deleted_text]

- |_| *(ii) A commission charged for the opening of the loan file [deleted_text] 2500\$ at the rate of ____ % (____ per cent) of the total amount of the Loan (being an amount of not less than _____ and not more than _____) to be paid on the Drawdown Date.

(*Kindly indicate as applicable).

- (e) Whenever any payment to be made hereunder shall be stated to be due, or whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, such payments shall be made, and the last day of such Interest Period shall occur, on the next succeeding Business Day. Any such change in time of payment shall be taken into account in the computation of payment of interest.
6. (a) On giving not less than 14 (fourteen) Business Days' prior written notice, the Borrower may prepay on any Interest Payment Date all or any part of the Loan, principal and interest, provided that any amount so prepaid shall be in a minimum sum of not less than 2,000,000\$ and provided that the Bank shall receive [deleted_text] full compensation from the Borrower for costs incurred by the Bank in reemploying such prepaid funds. [/deleted_text] Compensation as stipulated in clause 31.2.3 in the "General condition for credit activity". Each prepayment made pursuant to this Agreement may not be reborrowed hereunder and any notice of prepayment given by the Borrower shall be irrevocable and the Borrower shall be bound to prepay in accordance with such notice.
- (b) Whenever the Borrower is overdue in repaying any of the payments due and payable by it under this Agreement, the Bank shall charge the Borrower with respect to any such overdue payment with arrears of interest at a rate equal to L+6% (Libor + six _ per centum) per annum. [deleted_text] in excess of the Interest Rate determined pursuant to Clause 5 herein. [/deleted_text] Arrears of interest may be capitalized by the Bank periodically once every three or six months, as determined by the Bank at its sole discretion.
7. (a) The Borrower's obligation to repay the principal, any amount of interest on and/or other amounts in connection with the Loan shall be absolute and unconditional, regardless of any law, regulation or decree now or hereafter in effect in any country or other jurisdiction (including, without limitation, restrictions on payments in any

currency) which might render

invalid or unenforceable, or otherwise alter or affect in any manner, any of the terms and conditions of the Loan of this Agreement or any rights or obligations hereunder, and all payments by the Borrower shall be made in full without set-off or counterclaim.

- (b) All payments required to be made under this Agreement shall be made to the Bank free of any taxes, deductions or charges and without set-off or counterclaim, in lawful and freely transferable currency and in funds available to the Bank or at any other place nominated by the Bank and not prohibited for that purpose by any applicable law, provided that 5 (five) days' prior notice thereof shall have been given to the Borrower by the Bank, except for any taxes withheld by any relevant authorities at source, in which case the Borrower hereby undertakes to furnish to the Bank a certificate setting forth and confirming the amount so deducted in accordance thereto, which certificate shall be prima facie evidence of the amount set forth therein.
- (c) If the Borrower is prevented by operation of law from effecting payment, free of any deduction, taxes, duties, fees, costs or other charges, or from paying, causing to be paid or remitting the same, the payment of interest under this Agreement shall be increased to such amount as is necessary to yield and remit to the Bank interest at the rate specified in this Agreement after provision for payment of such deduction, taxes, duties, fees, costs or other charges. The Borrower shall at the request of the Bank executed and deliver to the Bank such instruments as may be necessary or desirable to give full force and effect to such increase in the Interest Rate.
- (d) In the event that any law or regulation shall be interpreted by any governmental authority charged with the administration thereof to:
 - (i) Subject the Bank to any form of tax payable in respect of this Agreement or to any tax with respect to payments of principal of or interest on the Loan or to change the basis of taxation of payments to the Bank of principal of or interest on the Loan (except for taxes on the overall income of the Bank); or
 - (ii) Impose, modify or deem applicable any reserve requirements against assets held by, or deposits on or for the account of, or loans received by the Bank; or
 - (iii) Impose, modify or deem applicable any withholding tax against interest payable by the Bank on deposits or loans received by the Bank; or
 - (iv) Impose on the Bank any other condition with respect to this Agreement,

and the result of any of the foregoing shall in the opinion of the Bank be to increase the cost to the Bank of making or funding the Loan by an amount which the Bank deems to be material then, upon demand being made to the Borrower by the Bank, the Borrower shall pay to the Bank that amount which shall compensate the Bank for such additional cost in respect of the Loan. The Bank shall use its best efforts promptly to notify the Borrower of any event which may entitle the Bank to payment pursuant to the preceding sentence but failure by the Bank to give any such notification shall in no way prejudice its rights hereunder. A certificate by a duly authorised officer of the Bank, setting forth the amount of such payment and the basis therefor shall be sent by the Bank to the Borrower and shall except in the case

of manifest error be conclusive evidence of such amount. All mentioned above is subject to clause 45.6 in "General conditions for credit activity".

8. If as a result of the introduction of or any change in or in the interpretation of any law or regulation, whether by any court, central bank, other governmental authority or otherwise, it shall become (or be claimed to be) unlawful for the Bank to continue to fund or maintain the Loan or to perform any of its obligations in connection therewith, the Bank and the Borrower undertake to cooperate in good faith in pursuing any reasonable possibility to restructure the Loan so that it will be valid and binding. However, if all attempts fail to accomplish such a restructuring within a reasonable period of time, upon demand by the Bank, the Borrower shall forthwith (and in any event not later than the next Interest Payment Date) prepay in full the unpaid principal amount of

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the Loan together with accrued interest thereon and all other amounts payable by the Borrower hereunder, all without penalty or premium.

9. (a) On or before the advancement of the Loan and/or as security for the full and punctual payment of all sums now or hereafter to become due to the Bank by the Borrower, the Borrower hereby undertakes to furnish to the Bank the following securities:

Full Guarantee of ORMAT INDUSTRIES LTD (mother company)_____

- (b) The full and punctual payment of all sums now or hereafter to become due to the Bank from the Borrower hereunder shall be secured by any and all securities given or to be given to the Bank from time to time by the Borrower and/or for the Borrower.

10. On the happening of any one of the events specified in section 24 in "General conditions for credit activity", the Bank will be entitled to demand the immediate repayment of any amount owing to the Bank from the Borrower on account of the Loan or in accordance with this Agreement and such amount shall thenceforth become immediately due and repayable to the Bank until the repayment thereof in full:

[deleted_text]

- (a) If any sum due from the Borrower to the Bank under this Agreement is not paid when and as the same shall become due and payable and such sum is not paid within a period of 15 (fifteen) days; or
- (b) If an order shall be made or a resolution passed for the winding up of the Borrower or if the Borrower be otherwise in liquidation; or
- (c) If a receiver, trustee or similar officer is appointed over any of the assets of the Borrower and such appointment is not cancelled within 30 (thirty) days; or
- (d) If the Borrower commits an act of bankruptcy, enters into a scheme or arrangement with its creditors, or convenes a meeting for the purpose of entering into a scheme or arrangement with its creditors, or applies to a court for the purpose of approving a scheme or arrangement with its creditors, or admits its inability to pay its debts when due and shall continue for a period of 30 (thirty) days; or
- (e) If any representation or warranty or obligation made by the Borrower in Clause 11 is or proves to have been incorrect when made or the Borrower is in breach of any obligation under Clause 14; or
- (f) If the Borrower ceases or threatens to cease all or a substantial part

of its operations or transfers or disposes of (otherwise than in the ordinary course of business) all or a substantial part of its assets whether by one or a series of transactions related or not.

[/deleted_text]

11. In the event that the Borrower is a company, the Borrower represents and warrants as follows:
- (a) The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement.
 - (b) The execution, delivery and performance by the Borrower of this Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's Memorandum and Articles of Association or equivalent constitutional documents (ii) any law or any contractual restriction binding on or affecting the Borrower.
 - (c) The Agreement is a legal, valid and binding obligation of the Borrower enforceable against the Borrower according to its terms, and such obligation ranks and will rank at least parri passu in all respects with all other unsecured obligations of the Borrower.

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[deleted_text]

- (d) No charges, pledges or encumbrances, floating or fixed, exist over all or any of the present or future revenues or assets of the Borrower.

[/deleted_text]

- (e) There is no pending or threatened action or proceeding affecting the Borrower before any court, governmental agency or arbitrator, which may materially adversely affect the financial condition or operations of the Borrower.

12. [deleted_text] The Bank shall have a lien and/or a first ranking pledge and/or charge on all monies and/or securities and/or claims and/or goods, and other property, assets and/or rights of the Borrower, that shall be held by the Bank, whether the same shall be held directly or indirectly by the Borrower or in any company of which the Borrower is a shareholder, until payment in full of all amounts due from the Borrower to the Bank hereunder. All mentioned in this clause is subject to clause 11 in "General conditions for credit activity".[/deleted_text]

[deleted_text]

13. The Bank shall be entitled to appropriate and/or to discharge any amount owed by the Borrower pursuant to this Agreement, any amount had or received by the Bank for or on account of the Borrower, notwithstanding that any amount so had or received was intended by the Borrower or any third party to be appropriated for or on account of any other amount.

[/deleted_text]

14. (a) [deleted_text] The Borrower hereby undertakes, at the request of the Bank, to execute and deliver to the Bank such instruments which in the sole opinion of the Bank shall be necessary or desirable to give full force and effect to any clause in this Agreement.[/deleted_text]
- (b) [deleted_text] The Borrower undertakes not to create or have outstanding any charge, pledge or encumbrance, fixed or floating, or over any of its present or future reserves or assets[/deleted_text]

15. Should any undertaking of the Borrower contained in this Agreement be contrary to any applicable law, such undertaking shall be severable from all remaining parts of this Agreement and the validity of the remainder shall not be affected.
16. [deleted_text] All the costs and expenses (including[/deleted_text] stamp duties shall be paid by the Borrower.
17. Any waiver on the part of either party hereto in favour of the other party in respect of a previous breach or non-compliance of one or more of such other party's obligations hereunder shall not be deemed to be a justification or excuse for an additional breach or noncompliance of any provision or obligation of the Agreement. The invalidity or unenforceability of any provisions hereof shall not affect or impair the validity or enforceability of any other provisions hereof. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.
18. (a) For the purpose of this Agreement, the expression "written" or "in writing" shall mean "by letter, facsimile, SWIFT, cable or telex.
- (b) Any demand for payment of any amounts due and payable under this Agreement and any notice in writing required or permitted to be made hereunder shall, if made by letter, be deemed to be sufficiently made if addressed as follows:
- (i) In the case of a demand or notice to the Borrower at the address set forth above; and _P.O.B 68, Derech Shidlovsky st., Yavne_____
-
- (ii) In the case of a demand or notice to the Bank, at: __48 Lilienblum st. Tel Aviv 65134_____
-
- and posted to them or served on them personally there or left for them there and in proving such service in case of postage it shall be sufficient to show that the letter containing such demand or notice was properly addressed, stamped and posted by registered airmail for service to be deemed to have been effected within 7 (seven) days after the date of posting.

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- (c) Any demand for payment of any amount due and payable under the Agreement and any notice in writing required or permitted to be made hereunder shall, if made by cable, facsimile, SWIFT or telex, be deemed to be sufficiently made if addressed as follows:
- (i) In the case of a demand or notice to the Borrower -
Telex Number:___001-775-356-9079_____
Facsimile Number:___001-775-356-9039_____
- (ii) In the case of a demand or notice to the Bank -
Telex Number: 33625, 341225-6 MIZBK IL
Facsimile Number: 972-3-7557916-1630 or
972-3-5679916

and any such facsimile, cable, SWIFT or telex properly addressed and sent shall be deemed to have been received within 12 (twelve) hours after the time of sending.

(d) Each of the parties hereto shall be entitled at any time and from time to time to give the other party notice in writing of any change in any of the addresses relating to the party giving such notice, and paragraphs (b) and (c) of this Clause shall be deemed modified by and in accordance with every such notice of change.

19. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Israel.
20. The parties agree that the Courts of the City of Tel Aviv shall have non-exclusive jurisdiction over any dispute arising from or in connection with the existence, the interpretation, the performance, enforcement or the termination of this Agreement, but nothing herein contained shall derogate from the right of the Bank to institute, at its sole choice and discretion, proceedings against the Borrower in any other competent courts wheresoever situated.
21. This Agreement shall enter into force as of the day and year first above written after having been signed by both parties.

IN WITNESS WHEREOF, the Bank and the Borrower have caused this Agreement to be duly executed at the respective places and on the respective dates below written.

UNITED MIZRAHI BANK LIMITED

ORMAT TECHONOLOGIES, INC.

By: /s/ Avinoam Meoded /s/ Anita Castiel

By: /s/ Yehudit Bronicki

At: Avinoam Meoded Anita Castiel

At: Yehudit Bronicki

This 1st day of June, 2004.

This 1st day of June, 2004.

Exhibit 10.1.2

AMENDED AND RESTATED BRIDGE LOAN AGREEMENT

This AMENDED AND RESTATED BRIDGE LOAN AGREEMENT (this "Agreement") is made as of October 2, 2003 by and between ORMAT NEVADA, INC. (the "Borrower"), a Delaware corporation having its principal place of business at 980 Greg Street, Sparks, Nevada 89431-6039, and BANK LEUMI USA (the "Bank"), a New York State chartered banking institution with its office at 564 Fifth Avenue, New York, NY 10036.

The Borrower and the Bank heretofore entered into a Bridge Loan Agreement, made as of May 2, 2002, which was subsequently amended by a First Amendment made as of July 11, 2002, and letter agreements dated April 30 and July 2, 2003 (the said Bridge Loan Agreement as so amended is the "Initial Agreement"). This Agreement amends, restates and supersedes the Initial Agreement.

1. DEFINITIONS

Certain capitalized terms are defined below:

Affiliate: Any individual, corporation, partnership, trust, unincorporated association, business, or other legal entity that would be considered to be an affiliate of the Borrower under Rule 144(a) of the Rules and Regulations of the Securities and Exchange Commission, as in effect on the date hereof, if the Borrower were issuing securities.

Agreement: See preamble, which term shall include this Agreement and the Schedules hereto, all as amended and in effect from time to time.

Bank: Bank Leumi USA.

BLITA: Bank Leumi Le-Israel B.M., an Israeli banking institution and an Affiliate of the Bank.

Borrower: Ormat Nevada, Inc.

Business Day: Any day on which banks in New York, NY, are open for business generally.

Charter Documents: In respect of any entity, the certificate or articles of incorporation or organization and the by-laws of such entity, or other constitutive documents of such entity.

Commitment: The undertaking of the Bank, subject to the terms and conditions of this Agreement, to make Loans to the Borrower up to an aggregate outstanding principal amount not to exceed the Commitment Amount; provided, however, that the Bank is in receipt of a Standby Letter of Credit in an amount which is not less than 105% of the intended outstanding principal amount of each Loan (which Standby Letter of Credit shall be a condition precedent to making such Loan).

Commitment Amount: \$20,000,000.

Consent: In respect of any person or entity, any permit, license or exemption from, approval, consent of, registration or filing with any local, state or federal governmental or regulatory agency or authority, required under applicable law.

Default: An event or act which with the giving of notice and/or the lapse of time, would become an Event of Default.

Drawdown Date: In respect of any Loan, the date on which such Loan is made to the Borrower.

Environmental Laws: All laws pertaining to environmental matters, including without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, in each case as amended, and all rules, regulations, judgments, decrees and orders arising under all such laws.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and all rules, regulations, judgments, decrees, and orders arising thereunder.

Event of Default: Any of the events listed as such in the Restated Note or in (section) VIII hereof.

Federal Funds Effective Rate: For any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal

funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three funds brokers of recognized standing selected by the Bank.

Financials: In respect of any period, the balance sheet of any person or entity as at the end of such period, and the related statement of income and statement of cash

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flow for such period, each setting forth in comparative form the figures for the previous comparable fiscal period, all in reasonable detail and prepared in accordance with GAAP.

GAAP: Generally accepted accounting principles consistent with those adopted by the Financial Accounting Standards Board and its predecessor, as in effect from time to time.

Indebtedness: In respect of any entity, all obligations, contingent and otherwise, that in accordance with GAAP should be classified as liabilities, including without limitation (i) all debt obligations, (ii) all liabilities secured by Liens, (iii) all guarantees and (iv) all liabilities in respect of bankers' acceptances or letters of credit.

Interest Period: As defined in the Restated Note.

Liens: Any encumbrance, mortgage, pledge, hypothecation, charge, restriction or other security interest of any kind securing any obligation of any entity or person.

Loan: Any loan made or to be made to the Borrower pursuant to (section) II hereof.

Loan Documents: This Agreement, the Restated Note and the Standby Letter of Credit in each case as from time to time amended or supplemented.

Loan Request: See (section) 2.1.

Materially Adverse Effect: Any materially adverse effect on the financial condition or business operations of the Borrower or material impairment of the ability of the Borrower to perform its obligations hereunder or under any of the other Loan Documents.

Maturity Date: February 2, 2005, or such earlier date on which all Loans may become due and payable pursuant to the terms hereof.

Obligations: All indebtedness, obligations and liabilities of the Borrower to the Bank, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any other Loan Document or in respect of any of the Loans or the Restated Note or other instruments at any time evidencing any thereof.

Requirement of Law: In respect of any person or entity, any law, treaty, rule, regulation or final and binding determination of an arbitrator, court, or other

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governmental authority, in each case applicable to or binding upon such person or entity or affecting any of its property.

Restated Note: See (section) 2.1 .

Standby Letter of Credit: One or more unconditional, irrevocable standby letters of credit in a total amount of not less than 105% of the outstanding principal amount of each Loan made up to the Commitment Amount issued by BLITA in favor of the Bank, and expiring not earlier than thirty (30) days after the Maturity Date. The Standby Letter of Credit shall be available for drawing at any given time in an amount equal to the sum of the then outstanding principal, accrued interest and other amounts payable with respect to the Loans.

2. BRIDGE LOAN FACILITY

2.1 Commitment to Lend.

(a) On the terms and subject to the conditions of this Agreement, the Bank agrees to lend to the Borrower such sums that the Borrower may request, from the date hereof until, but not including, the Maturity Date, provided that the sum of the outstanding principal amount of all Loans (after giving effect to amounts requested) shall at no time exceed the then applicable Commitment Amount.

(b) The Commitment Amount is Twenty Million Dollars (\$20,000,000).

(c) Loans shall be in the minimum aggregate amount of \$1,000,000 or an integral multiple thereof. The Borrower shall deliver to the Bank and to BLITA in writing or telephonically a notice of the principal amount of each requested Loan. Each such notice must be received by the Bank and by BLITA not later than 12:00 p.m. New York time three Business Days before the Drawdown Date (which must be a Business Day). Subject to the foregoing, so long as the Commitment is then in effect and the conditions set forth in Section VI hereof are fully satisfied as of such Drawdown Date, the Bank shall advance the amount requested to the Borrower's account at the Bank in immediately available funds not later than the close of business on such Drawdown Date. The obligation of the Borrower to repay to the Bank the principal of the Loans and interest accrued thereon is evidenced by an amended and restated promissory note (the "Restated Note"), dated as of even date with this Agreement, in the maximum aggregate principal amount of \$20,000,000.00 executed and delivered by the Borrower and payable to the order of the Bank, in form and substance satisfactory to the Bank.

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2.2 Interest. The Borrower shall pay interest on the Loans in accordance with the terms of the Restated Note.

2.3 Repayments, Prepayments and Reborrowings.

(a) The Borrower shall pay to the Bank on the Maturity Date the entire unpaid principal of and interest on all Loans.

(b) The Borrower may elect to prepay the outstanding principal of all or any part of any Loan, without premium or penalty, in a minimum amount of \$1,000,000 or an integral multiple thereof, upon written notice to the Bank given by 10:00 a.m. New York time on the Business Day before the date of such prepayment, of the amount to be prepaid. If prepayment is made on a date other than the last day of an Interest Period, Borrower shall also pay to the Bank additional compensation as prescribed in the Restated Note.

(c) Each repayment or prepayment of principal of any Loan shall be accompanied by payment of the unpaid interest accrued to such date on the principal being repaid or prepaid.

(d) The Borrower may elect to reduce or terminate the Commitment

Amount by a minimum principal amount of \$2,000,000 or an integral multiple thereof, upon written notice to the Bank given by 10:00 a.m. New York time at least two (2) Business Days prior to the date of such reduction or termination. The Borrower shall not be entitled to increase or reinstate the Commitment Amount following such reduction or termination.

3. CHANGES IN CIRCUMSTANCES

If after the date hereof the Bank determines that (i) the adoption of or any change in any banking law, rule, regulation or guideline or the administration thereof (whether or not having the force of law), or (ii) compliance by the Bank or its parent bank holding company with any guideline, request or directive (whether or not having the force of law), has the effect of reducing the return on the Bank's or such holding company's capital as a consequence of the Commitment or the Loans to a level below that which the Bank or such holding company could have achieved but for such adoption, change or compliance by any amount deemed by the Bank to be material, the Bank may notify the Borrower thereof. The Borrower agrees to pay the Bank the amount of the Borrower's allocable share of the amount of such reduction in the return on capital as and when such reduction is determined, upon presentation by the Bank of a statement in the amount and setting forth the Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error. The Bank agrees to allocate shares of such

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reduction among the Borrower and the Bank's other customers similarly situated on a fair and nondiscriminatory basis.

4. FEES AND PAYMENTS

4.1 Up-front Fees. Contemporaneously with execution and delivery of this Agreement, the Borrower shall pay to the Bank a one-time total up-front fee in the amount of \$20,000.

4.2 Commitment Fees. Until the earlier of the Maturity Date or the date upon which the Commitment is no longer in effect, the Borrower shall pay to the Bank, on the first day of each calendar quarter hereafter, and upon the Maturity Date or the date upon which the Commitment is no longer in effect, a commitment fee calculated at a rate per annum which is equal to one quarter percent (1/4%) of the average daily difference by which the then applicable Commitment Amount exceeds the aggregate of the outstanding Loans during the preceding calendar quarter or portion thereof.

4.3 Manner of Payment. All payments to be made by the Borrower under this Agreement shall be made in U.S. dollars in immediately available funds at the Bank's office at 564 Fifth Avenue, New York, NY 10036 without set-off or counterclaim and without any withholding or deduction whatsoever. The Bank shall be entitled to charge any account of the Borrower with the Bank for any sum due and payable by the Borrower to the Bank hereunder, or under any of the other Loan Documents. If any payment hereunder is required to be made on a day which is not a Business Day, it shall be paid on the immediately preceding Business Day. All computations of interest or of the commitment fee payable hereunder shall be made by the Bank on the basis of actual days elapsed and on a 360-day year. The aggregate unpaid amount of Loans set forth on the Bank's internal records shall be prima facie evidence of the principal amount thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on the Bank's records shall not affect the obligations of the Borrower hereunder or under the Restated Note to make payments of principal of and interest on the Restated Note when due.

5. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank on the date

hereof, on the date of any Loan Request, and on each Drawdown Date that:

(a) the Borrower is duly organized, validly existing, and in good standing under the laws of the State of Delaware, is duly qualified and in good standing in every other jurisdiction where it is doing business, and the execution, delivery and performance by the Borrower of the Loan Documents (i) are within its corporate

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authority, (ii) have been duly authorized, and (iii) do not conflict with or contravene its Charter Documents;

(b) upon execution and delivery thereof, each Loan Document shall constitute the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms;

(c) the Borrower has good and marketable title to all its material properties, and possesses all assets, including intellectual properties, franchises and Consents, adequate for the conduct of its business as now conducted, without known conflict with any rights of others;

(d) the Borrower has provided to the Bank its unaudited Financials as at December 31, 2002, and for the period then ended, and such Financials are complete and correct and fairly present the position of the Borrower as at such date and for such period in accordance with GAAP consistently applied;

(e) since December 31, 2002, there has been no materially adverse change of any kind in the Borrower which would have a Materially Adverse Effect;

(f) there are no legal or other proceedings or investigations pending or threatened against the Borrower before any court, tribunal or regulatory authority which would, if adversely determined, alone or together, have a Materially Adverse Effect;

(g) the execution, delivery, performance of its obligations, and exercise of its rights under the Loan Documents by the Borrower, including borrowing under this Agreement (i) do not require any Consents; and (ii) are not and will not be in conflict with or prohibited or prevented by (A) any Requirement of Law, or (B) any Charter Document, corporate minute or resolution, instrument, agreement or provision thereof, in each case binding on it or affecting its property; and

(h) the Borrower is not in violation of (i) any Charter Document, corporate minute or resolution, (ii) any instrument or agreement, in each case binding on it or affecting its property, or (iii) any Requirement of Law, in a manner which could have a Materially Adverse Effect.

6. CONDITIONS PRECEDENT

In addition to the making of the foregoing representations and warranties, the payment of fees, and the delivery of the Loan Documents, the obligation of the Bank to

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make each Loan hereunder shall be subject to the satisfaction, as of the date of the funding of each such Loan, of the following further conditions precedent:

(a) BLITA shall have advanced funds to the Bank in the amount of such Loan;

(b) the Standby Letter of Credit shall be in full force and effect;

(c) the representations and warranties of the Borrower to the Bank shall be true and correct in all material respects as of the time made or claimed to have been made;

(d) no Default or Event of Default shall be continuing;

(e) all proceedings in connection with the transactions contemplated hereby shall be in form and substance satisfactory to the Bank, and the Bank shall have received all information and documents as it may have reasonably requested;

(f) no change shall have occurred in any law or regulation or in the interpretation thereof that in the reasonable opinion of the Bank would make it unlawful for the Bank to make such Loan; and

(g) prior to the funding of the first Loan under this Agreement, the Bank shall have received the legal opinion of counsel to the Borrower, substantially in the form attached as Exhibit A.

7. COVENANTS

7.1 Affirmative Covenants. The Borrower agrees that until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrower will comply with its obligations as set forth throughout this Agreement and will:

(a) furnish the Bank: (i) as soon as available but in any event within ninety (90) days after the close of each fiscal year, its Financials, prepared in accordance with GAAP, for such fiscal year, in such form as is satisfactory for inclusion in the audited Financials of Ormat Industries Ltd. (the ultimate parent company), and certified by the Borrower's accountants; (ii) as soon as available but in any event within sixty (60) days after the end of each fiscal quarter its unaudited Financials for such quarter, certified by its chief financial officer; and (iii) together with the quarterly and annual audited Financials, a certificate of the Borrower certifying that no Default or Event of Default has occurred, or if it has, the actions taken by the Borrower with respect thereto;

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(b) keep true and accurate books of account, maintain its current fiscal year and permit the Bank or its designated representatives to inspect the Borrower's premises during normal business hours and to examine and be advised as to such or other business records upon the request of the Bank;

(c) (i) maintain its corporate existence, business and assets, (ii) keep its business and assets adequately insured, (iii) maintain its chief executive office in the United States, (iv) continue to engage in the same lines of business, and (v) comply with all Requirements of Law, including ERISA and Environmental Laws;

(d) notify the Bank promptly in writing of (i) the occurrence of any Default or Event of Default, (ii) any material noncompliance with ERISA or any Environmental Law or proceeding in respect thereof which could have a Materially Adverse Effect, (iii) any change of address, (iv) any threatened or pending litigation or similar proceeding affecting the Borrower or any Affiliate which could have a Materially Adverse Effect, or any material adverse change in any such litigation or proceeding previously reported, and (v) material claims against any assets or properties of the Borrower or any of its Affiliates encumbered in favor

of the Bank; and

(e) cooperate with the Bank, take such action, execute such documents, and provide such information as the Bank may from time to time reasonably request in order further to effect the transactions contemplated by and the purposes of the Loan Documents.

7.2 Negative Covenants. The Borrower agrees that until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrower will not, without the prior written consent of the Bank:

(a) make any distributions on or in respect of its capital of any nature whatsoever to its shareholders in their capacity as shareholders;

(b) become party to a merger or sale-leaseback transaction, or effect any disposition of assets other than in the ordinary course.

8. EVENTS OF DEFAULT; ACCELERATION

Each of the following shall constitute an Event of Default under this Agreement:

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(a) the Borrower shall fail to pay when due and payable any principal of the Loans when the same becomes due;

(b) the Borrower shall fail to pay interest on the Loans or any other sum due under any of the Loan Documents within two (2) Business Days after the date on which the same shall have first become due and payable;

(c) the Borrower shall fail to perform any term, covenant or agreement contained in (sections) 7.1(c)(i) and 7.2;

(d) the Borrower shall fail to perform any other term, covenant or agreement contained in any Loan Document within fourteen (14) days after the Bank has given written notice of such failure to the Borrower;

(e) any representation or warranty of the Borrower in the Loan Documents or in any certificate or notice given in connection therewith shall have been false or misleading in any material respect at the time made or deemed to have been made;

(f) the Borrower, or any Affiliate of Borrower, shall be in default (after any applicable period of grace or cure period) under any agreement evidencing Indebtedness owing to the Bank, or shall fail to pay such Indebtedness when due (after any applicable period of grace or cure period);

(g) any of the Loan Documents shall cease to be in full force and effect;

(h) the Borrower (i) shall make an assignment for the benefit of creditors, (ii) shall be adjudicated bankrupt or insolvent, (iii) shall seek the appointment of, or be the subject of an order appointing, a trustee, liquidator or receiver as to all or part of its assets, (iv) shall commence, approve or consent to, any case or proceeding under any bankruptcy, reorganization or similar law and, in the case of an involuntary case or proceeding, such case or proceeding is not dismissed within forty-five (45) days following the commencement thereof, or (v) shall be the subject of an order for relief in an involuntary case under federal bankruptcy law;

(i) the Borrower shall be unable to pay its debts as they mature;

(j) there shall remain undischarged for more than thirty (30) days any final judgment or execution action against the Borrower that, together with other outstanding claims and execution actions against the Borrower exceeds \$200,000 in the aggregate;

(k) the commencement of a foreclosure proceeding affecting any Approved Geothermal Project;

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(l) the Borrower, or any Affiliate of Borrower, shall be in default (after any applicable period of grace or cure period) under any agreement evidencing Indebtedness owing to BLITA, or to any Affiliate of BLITA other than the Bank, or shall fail to pay such Indebtedness when due (after any applicable period of grace or cure period); or

(m) a change in the financial condition or affairs of Borrower which in the reasonable opinion of the Bank materially reduces Borrower's ability to pay all the Obligations.

If any of the Events of Default shall occur and be continuing, then, or at any time thereafter:

(a) In the case of any Event of Default under clause (h) or (i), the Commitment shall automatically terminate, and the entire unpaid principal amount of the Loans, all interest accrued and unpaid thereon, and all other amounts payable thereunder and under the other Loan Documents shall automatically become forthwith due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) In the case of any Event of Default under clause (a) or (b), the Bank may, by written notice to the Borrower, terminate the Commitment and/or declare the unpaid principal amount of the Loans, all interest accrued and unpaid thereon, and all other amounts payable hereunder and under the other Loan Documents to be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) In the case of any Event of Default other than (a), (b), (h) or (i), the Bank may, by two (2) Business Days' prior written notice to the Borrower, and where such Event of Default has not been cured during such period, terminate the Commitment and/or declare the unpaid principal amount of the Loans, all interest accrued and unpaid thereon, and all other amounts payable hereunder and under the other Loan Documents to be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

No remedy herein conferred upon the Bank is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and in addition to every other remedy hereunder, now or hereafter existing at law or in equity or otherwise.

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9. SETOFF

Regardless of the adequacy of any collateral for the Obligations, any deposits or other sums credited by or due from the Bank to the Borrower may be applied to or set off against any principal, interest and any other amounts due from the Borrower to the Bank at any time without notice to the Borrower, or

compliance with any other procedure imposed by statute or otherwise, all of which are hereby expressly waived by the Borrower.

10. MISCELLANEOUS

(a) The Borrower agrees to indemnify and hold harmless the Bank, its officers, employees, affiliates, agents, and controlling persons from and against all claims, damages, liabilities and losses of every kind, including reasonable legal fees, arising out of the Loan Documents, and including claims in respect of the application of Environmental Laws to the Borrower, absent the gross negligence and willful misconduct of the Bank.

(b) The Borrower shall pay to the Bank promptly on demand in accordance with the mutual agreement of the Bank and the Borrower reasonable costs and expenses (including reasonable legal fees) incurred by the Bank in connection with the subsequent amendment, administration or enforcement of any of the Loan Documents, provided that the costs and expenses incurred with respect to the execution and preparation of this Agreement, and the related documents by counsel to the Bank shall not exceed the maximum amount of US\$ 7,000.

(c) Any communication to be made hereunder shall (i) be made in writing, but unless otherwise stated, may be made by facsimile transmission or letter, and (ii) be made or delivered to the address of the party receiving notice which is identified with its signature below (unless such party has by five (5) days' written notice specified another address), and shall be deemed made or delivered, when dispatched, left at that address, or five (5) days after being mailed, postage prepaid, to such address.

(d) This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns, but the Borrower may not assign its rights or obligations hereunder. This Agreement may not be amended or waived except by a written instrument signed by the Borrower and the Bank, and any such amendment or waiver shall be effective only for the specific purpose given. No failure or delay by the Bank to exercise any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. The provisions of this Agreement are severable and if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such

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invalidity or unenforceability shall affect only such provision in such jurisdiction. This Agreement, together with all Schedules hereto, expresses the entire understanding of the parties with respect to the transactions contemplated hereby. This Agreement and any amendment hereby may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one agreement. In proving this Agreement, it shall not be necessary to produce more than one such counterpart executed by the party to be charged.

(e) THIS AGREEMENT AND THE RESTATED NOTE ARE CONTRACTS UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED IN ACCORDANCE THEREWITH AND GOVERNED THEREBY. THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN. The Borrower, as an inducement to the Bank to enter into this Agreement, hereby waives its right to a jury trial with respect to any action arising in connection with any Loan Document.

(f) In the event of inconsistency between this Agreement and any other Loan Document, the provisions of this Agreement shall control.

IN WITNESS WHEREOF, the undersigned have duly executed this Bridge Loan Agreement as a sealed instrument as of the date first above written.

ORMAT NEVADA, INC.

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary
Address: 980 Greg Street
 Sparks, NV 90431
Phone: 775-356-9029
Fax: 775-356-9039

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BANK LEUMI USA

By: /s/ Michaela Klein

Name: Michaela Klein
Title: Senior Vice President

By: /s/ Yuval Talmy

Name: Yuval Talmy
Title: Assistant Vice President
Address: 564 Fifth Avenue
 New York, NY 10036
Phone: 212-626-1061
Fax: 212-626-1072

Exhibit 10.1.3

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CREDIT FACILITY AGREEMENT

DATED AS OF SEPTEMBER 5, 2000

BY AND BETWEEN

ORMAT MOMOTOMBO POWER COMPANY

AS BORROWER

AND

BANK HAPOLIM B.M.,

AS LENDER

MOMOTOMBO FIELD AND POWER PLANT REHABILITATION (NICARAGUA)

HOLLAND & KNIGHT LLP
2100 PENNSYLVANIA AVENUE, N.W., SUITE 400
WASHINGTON, D.C. 20037

CREDIT FACILITY AGREEMENT

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vi CREDIT FACILITY AGREEMENT

CREDIT FACILITY AGREEMENT

CREDIT FACILITY AGREEMENT (this "Agreement"), dated as of September 5, 2000 (the "Effective Date"), between ORMAT MOMOTOMBO POWER COMPANY, an exempted limited liability company incorporated and existing under the laws of the Cayman Islands, (the "Borrower") and BANK HAPOALIM B.M., a commercial bank organized and existing under the laws of the State of Israel, as lender ("Lender"). Capitalized terms used herein shall have the meanings set forth in Appendix A, unless otherwise defined herein.

WITNESSETH:

WHEREAS, the Borrower has requested the Lender to make a credit facility (the "Credit") available to it on the terms and subject to the conditions set forth in this Agreement, for the purpose of financing the Project in Nicaragua as more fully described in the Agreement of Association in Participation and in the Business Plan; and

WHEREAS, the Lender is willing to provide the Credit to the Borrower on the terms and subject to the conditions set forth in this Agreement, for the purpose described above;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. DEFINED TERMS AND PRINCIPLES OF CONSTRUCTION

SECTION 1.01. DEFINED TERMS AND PRINCIPLES OF CONSTRUCTION. For all purposes of this Agreement, (a) capitalized terms used but not otherwise defined herein shall have the meanings set forth in Appendix A attached hereto and (b) the principles of construction set forth in Appendix A shall apply.

ARTICLE 2. AMOUNT AND TERMS OF THE CREDIT

SECTION 2.01 THE TOTAL COMMITMENT. Subject to the terms and conditions of this Agreement, the Lender agrees to make available to the Borrower, during the applicable Availability Period, the Loans not to exceed the Total Commitment amount of \$48,235,000 in two tranches identified as Loan I and Loan II as follows:

(a) Loan I. An amount up to \$11,435,000 on account of Loan I to finance up to 70% of the costs of Phase I of the Project; and

(b) Loan II. An amount up to \$36,800,000 on account of Loan II to finance up to (i) an amount equal to 75% of costs of Phase II of the Project, plus (ii) an amount equal to 5% of the costs of Phase I of the Project (the "Additional Amount").

(c) No Reborrowing. The Loans are not revolving in nature, and any amounts repaid, prepaid or canceled pursuant to the terms of this Agreement may not be reborrowed.

(d) Benefit of Collateral. Any and all amounts due to the Lender with respect to the Loans under this Agreement and any other Financing Documents are entitled to the benefit of the Collateral which is held by the Lender pursuant to the terms of the Security Documents and the Sponsor Project Funding Agreement.

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(e) Availability. For the purpose of making Disbursements hereunder: (i) Loan I will be available during the Loan I Availability Period; and, (ii) Loan II will be available during the Loan II Availability Period. The Loan I Availability Period and the Loan II Availability Period shall run consecutively, but not concurrently, unless otherwise agreed by the Lender.

SECTION 2.02 PROCEDURES FOR DISBURSEMENT OF THE LOANS.

(a) Procedure. Subject to the terms specified in this Section 2.02, the Borrower may submit to the Lender from time to time, but not more frequently than once per month, a properly executed Application for Funding in the form of Schedule 2.02 ("Application for Funding") for Disbursements to be made in accordance with the Business Plan as: (i) reimbursements to the Borrower for payments previously made to Project contractors, subcontractors, suppliers, vendors and other Persons; (ii) advances to the Borrower for payment for work performed or to be performed by Project contractors, subcontractors, suppliers, vendors and other Persons for amounts payable by the Borrower within thirty (30) days following the date of Disbursement in each case as budgeted in the Business Plan; (iii) advances to fund MIGA premium payments in accordance with Section 5.41; (iv) advances to fund the payment of fees under Section 2.05; and (v)

advances to fund payments by the Borrower of Attorney Costs and other expenses incurred by the Lender pursuant to Section 7.03(b)(i). The Borrower shall use such Application for Funding to request each Disbursement under (i) Loan I during the Loan I Availability Period and (ii) Loan II during the Loan II Availability Period. The Borrower shall submit each such Application for Funding at least twelve (12) Business Days prior to the date on which a Disbursement is requested. No Application for Funding shall request a Disbursement (i) in excess of the then unutilized and uncanceled amount of the Loan I or Loan II Commitment, respectively, less the amount required to permit the Lender to fund the Borrower's obligation under Section 5.33 (nor shall the aggregate amount of the Disbursements exceed the Total Commitment), or (ii) that is less than \$300,000 (except with respect to the last Disbursement in respect of each Loan). Except in the case of the first Application for Funding submitted under Loan I, each Application for Funding shall include an implementation report, prepared and executed by the Borrower's representative in accordance with Section 5.01(f).

(b) Adherence to Business Plan. All amounts requested under each Application for Funding shall be consistent with the Business Plan. The Lender shall not disburse all or any part of the amounts requested in an Application for Funding (i) for which all conditions precedent for the making of such Disbursement have not been satisfied or waived pursuant to this Agreement or (ii) with respect to Disbursements to be made under Loan II, as to which documentation required to be delivered to the Lender or the Lender's Engineer, as the case may be, has not been timely delivered by the Borrower. With respect to Loan II, the making of any Disbursement thereunder shall be contingent on the Lender's receipt four Business Days prior to the date on which a Disbursement is requested of a certificate from the Lender's Engineer appointed under Section 5.36(a) hereof to the effect that the costs incurred or to be paid are reasonable and appropriate for the value of the work performed or to be performed and that such work is in conformity with the Business Plan.

(c) Errors in Applications for Funding. If any Application for Funding shall be disapproved in whole or in part on the basis of errors contained therein or on the basis of incompleteness of such Application for Funding, the Lender will cooperate in good faith with the Borrower in the Borrower's efforts to correct any and all such errors or incompleteness so as to

permit the making of a Disbursement in a timely manner (taking into account the due date for the payment of Project Costs which are the subject of such Application for Funding). The Borrower acknowledges that, as a result of any such disapproval of an Application for Funding, the date on which a Disbursement is actually approved and/or proceeds actually disbursed may be later than the date requested in such Application for Funding.

(d) Fundings under Sponsor Project Funding Agreement. All disbursements to be made by the Sponsor pursuant to the Sponsor Project Funding Agreement shall be made in accordance with the terms thereof, and it shall not be necessary for the Borrower to submit an Application for Funding in connection therewith. The Borrower shall certify to the Lender in each Application for Funding that the amounts required to be disbursed to the Borrower in accordance with the terms of the Sponsor Project Funding Agreement have been made as of the date of the requested Disbursement.

(e) Loan Disbursement Account. All Disbursements, irrespective of whether made as reimbursements or advances shall be made to the Borrower's current account with the New York Branch of the Lender.

SECTION 2.03 INTEREST.

(a) Interest Rate and Payment. Interest shall accrue and be payable in arrears on each Interest Payment Date on the outstanding balances of Loan I and Loan II, respectively, at the rate of LIBOR plus 2.5% per annum until the beginning of the first Interest Period following the completion date of Phase I with respect to Loan I, and the completion date of Phase II with respect to Loan II, at which time the interest rate on each such Loan shall be LIBOR plus 2.375% per annum (the "Interest Rate").

(b) Capitalized Interest Payment.

(i) Loan I. On each Interest Payment Date until the first scheduled Loan I Principal Repayment Date, interest at the Interest Rate due on each such date with respect to Loan I shall be capitalized by adding such amount to the outstanding balance of Loan I.

(ii) Loan II. On each Interest Payment Date until the first scheduled Loan II Principal Repayment Date, interest at the Interest Rate due on each such date with respect to Loan II, shall be capitalized by adding such amount to the outstanding balance of Loan II.

(c) Additional Interest. With respect to any other interest due to the Lender, on each Interest Payment Date, the Borrower shall pay to the Lender interest in respect of each Interest Period, on the daily unpaid principal amounts of any Loan outstanding during such Interest Period, in arrears, at the rates per annum equal to the Interest Rates in effect applicable to each such period (or at such other interest rates as may be specified in this Article 2).

(d) Overdue Interest. Without prejudice to the remedies available to the Lender under this Agreement or otherwise, the Borrower shall pay, in Dollars, interest at the rate of LIBOR Overnight Rate plus 4.50% on any principal amount of any Loan or any other amount which is due under this Agreement which is not paid when due (whether by lapse of time, acceleration, requirement for mandatory prepayment or otherwise), for each day that such amount remains unpaid until payment in full thereof.

(e) Computation of Interest. Interest shall be computed on the basis of the actual number of days elapsed in the relevant Interest Period and a year of 360 days.

SECTION 2.04 REPAYMENT.

(a) Loan I. The principal of Loan I shall be repaid in 32 consecutive equal payments, commencing on the Principal Repayment Date occurring on the earlier of (i) 27 months from the Effective Date or (ii) the last day of the Interest Period ending not sooner than thirty (30) days following receipt of a Phase I Completion Certificate, and on each Principal Repayment Date thereafter.

(b) Loan II. The principal of Loan II shall be repaid in 28 equal consecutive payments, commencing on the Principal Repayment Date occurring after the earlier of (i) 63 months from the Effective Date or (ii) the last day of the Interest Period which ends at least 30 days following receipt of a Phase II Completion Certificate, but in no event later than 39 months after the Loan II Closing Date, and on each Principal Repayment Date thereafter.

SECTION 2.05 FEES.

(a) Commitment Fee.

(i) Loan I. The Borrower shall pay to the Lender a commitment fee (the "Loan I Commitment Fee") which shall be at the rate of 0.25% per annum of the difference, determined as of the relevant due date, between (A) the Loan I Commitment and (B) the drawn amount under Loan I. The Loan I Commitment Fee shall begin to accrue with retroactive effect as of March 15, 2000 and shall be increased to 0.50% per annum on the Effective Date.

(ii) Loan II. The Borrower shall pay to the Lender a commitment fee (the "Loan II Commitment Fee") which shall be at the rate of 0.25% per annum of the difference, determined as of the relevant due date, between (A) the Loan II Commitment and (B) the drawn amount under Loan II. The Loan II Commitment Fee shall begin to accrue with retroactive effect as of March 15, 2000 and shall be increased to 0.50% per annum on the Loan II Closing Date.

Commitment Fee shall accrue from day to day, beginning on March 15, 2000, and shall be computed on the basis of the actual number of days elapsed and a year of 360 days. Commitment Fee shall be due and payable in advance, on March 15, 2000 and every three months thereafter until the first Interest Payment Date and on every Interest Payment Date thereafter, terminating on the last day of the Loan II Availability Period or upon such earlier date as the Total Commitment is reduced to zero or the undisbursed amount thereafter is cancelled or terminated.

(b) Arrangement Fee. The Borrower shall pay a non-refundable arrangement fee (the "Arrangement Fee") equal to 0.25% of the Total Commitment within 30 days of the Effective Date, but in no event later than the first Disbursement under Loan I.

(c) Front-End Fee. The Borrower shall pay a non-refundable, front-end fee (the "Front-End Fee") in the amount of 1.25% of the Total Commitment, payable in two installments. The first installment shall be due and payable on the Loan I Closing Date and shall be equal to 1.25%

of the Loan I Commitment plus 0.3125% of the Loan II Commitment; the second installment shall be due and payable on the Loan II Closing Date and shall be equal to 0.9375% of the Loan II Commitment.

SECTION 2.06 PAYMENTS.

(a) Time and Place of Payment. Except as otherwise specifically provided herein, all payments to be made by the Borrower under this Agreement shall be made in full in Same Day Funds, without retention, set-off or counter claim and free and clear of any deductions and charges, not later than 12:00 p.m. (New York time) on the date upon which the relevant payment is due, to the Lender's account No. 373700001501 with Bank Hapoalim B.M., 1177 Avenue of the Americas, New York, N.Y., 10036, mentioning "Ormat/Momotombo Project", or to such other account as the Lender may designate from time to time by written notice to the Borrower five Business Days prior to the date on which any payment is made by the Borrower hereunder. The Borrower shall advise the Lender by facsimile of the payment about to be made by the Borrower.

(b) Payment on a Business Day. If any date for any payment under this Agreement shall not be a Business Day then such payment shall be made on the next succeeding Business Day and interest (or Commitment Fee, as the case may

be) shall continue to accrue for the period from such due date to the next succeeding Business Day.

SECTION 2.07 PAYMENT ALLOCATION. Any payment made by the Borrower to the Lender and any other amount received by the Lender under any of the Financing Documents (excluding voluntary prepayments received by the Lender pursuant to Section 2.11) shall be applied as follows: (i) against charges, fees, costs and expenses due to the Lender; (ii) against interest on interest which became overdue, if any, with respect to the Loans; (iii) against interest on principal of the Loans which became overdue, if any; (iv) against interest due on the Loans; and thereafter, (v) against the principal amount of the Loans due and payable applied pro-rata to Loan I and Loan II and applied pro-rata to installments within each such Loan, and any remaining amount shall be paid or returned to the Borrower unless there is an Event of Default which is continuing.

SECTION 2.08 CURRENCY OF PAYMENT. The obligation of the Borrower to pay all amounts payable under this Agreement shall be in Dollars and shall not be deemed to have been novated, discharged or satisfied by any tender of (or recovery under judgment expressed in) any currency other than Dollars, except to the extent to which such tender (or recovery) shall result in the effective payment of such aggregate amount in Dollars at the place where such payment is to be made and, accordingly, the amount (if any) by which any such tender (or recovery) shall fall short of such aggregate amount shall be and remain due to the Lender, as a separate obligation, unaffected by judgment having been obtained (if such is the case) for any other amounts due under or in respect of this Agreement.

SECTION 2.09 TAXES.

(a) Payments Free and Clear of Taxes. Any and all payments by the Borrower to the Lender under this Agreement and any other Financing Document shall be made free and clear of

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and without deduction or withholding for any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) Indemnity. The Borrower agrees to indemnify and hold harmless the Lender for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed on amounts payable under this Section 2.09) paid by the Lender and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnity shall be made within 30 days after the date the Lender makes written demand therefor.

(c) Gross-Up. If the Borrower shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder or under any Financing Document to the Lender, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 2.09), the Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;
and

(iii) the Borrower shall pay the full amount deducted or

withheld to the relevant taxing authority or other authority in accordance with Applicable Law.

(d) Receipts. Within 30 days after the date of any payment by the Borrower of Taxes or Other Taxes, the Borrower shall furnish to the Lender the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Lender.

(e) Mitigation. If the Borrower is required to pay additional amounts to the Lender pursuant to Section 2.09(c), then the Lender shall endeavor to use reasonable efforts (consistent with legal and regulatory restrictions) as may be available to it to mitigate the effect of such circumstances, including booking the Loans in a different jurisdiction so as to minimize any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of the Lender is not otherwise disadvantageous to the Lender.

(f) Claims Against Lender. The Lender shall give notice to the Borrower of the assertion of any claim against the Lender relating to the Lender's Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; provided that any failure to notify the Borrower promptly of such assertion shall not relieve the Borrower of its obligations under this Section 2.09.

(g) Survival. Without prejudice to the survival of any other agreement of the Borrower under this Agreement or any other Project Document, the provisions set forth in this Section 2.09 shall survive the payment of all amounts due to the Lender under Loan I and Loan II, respectively.

SECTION 2.10 TERMINATION OF TOTAL COMMITMENT. The Lender may terminate the Total Commitment upon the occurrence of an Event of Default in accordance with the provisions of Article 6 hereof. The Borrower may cancel the undisbursed amount of the Total Commitment

with the consent of the Lender upon the Lender's satisfaction that such amounts are not needed to complete the Project. The Borrower may also cancel the Total Commitment on account of Loan II either (i) if the Borrower decides not to commence Phase II and notifies the Lender of its decision and that it does not plan to commission the Technical Report referred to in Section 4.04, or (ii) upon delivery to the Lender of a Phase II Completion Certificate in accordance with Section 5.35 hereof.

SECTION 2.11 VOLUNTARY PREPAYMENT. Subject to any required Governmental Approvals having been obtained, the Borrower shall have the right, at any time on at least 30 but not more than 60 days' prior written notice to the Lender, to prepay all or a part of the principal amount then outstanding of the Loans, without premium or penalty; provided that (a) no prepayment of any part of any Loan shall be made on a day which is not the last day of an Interest Period with respect thereto, (b) the amount of such prepayment is applied pro rata to Loan I and Loan II and applied pro rata to outstanding installments of principal within each Loan, (c) all accrued interest on the principal amount of the Loans to be prepaid and all other amounts then due to the Lender hereunder are paid at the same time, and (d) in the case of partial prepayment, such prepayment shall be in an amount equal to \$500,000 or more in integral multiples of \$500,000.

SECTION 2.12 INTENTIONALLY OMITTED.

SECTION 2.13 FUNDING COSTS. If, as a result of (a) any failure by the Borrower to pay when due the principal amount of or interest on any Loan (or

portion thereof), (b) any failure by the Borrower to make a borrowing of any Loan after the Borrower has made a request for disbursement, (c) any failure by the Borrower to make any prepayment of any Loan after the Borrower has given any notice required hereunder regarding such prepayment or (d) the making of a payment or prepayment (including, without limitation, on acceleration) on a day which is not the last day of an Interest Period with respect thereto, the Lender shall incur any costs, expenses or losses, then the Borrower shall pay, upon request by the Lender, the amount which the Lender shall notify the Borrower as being the aggregate of such costs, expenses and losses. For the purposes of the preceding sentence, "costs, expenses or losses" shall include, without limitation, any interest paid or payable to carry any unpaid amount and any loss, premium, penalty or expense which may be incurred in liquidating or employing deposits of or borrowings from third parties in order to make, maintain or fund the Loans or any portion thereof.

SECTION 2.14 MAINTENANCE AMOUNT.

(a) Obligation to Pay. On each Interest Payment Date, the Borrower shall pay in addition to interest on the Loans, the amount which the Lender shall from time to time notify to the Borrower as the aggregate of the Maintenance Amount (as defined in subsection (b) below), if any, of the Lender, accrued and unpaid prior to such Interest Payment Date.

(b) Definitions. For the purposes of subsection (a) above, the following terms shall have the following meanings:

(i) "Maintenance Amount" means the amount, if any, certified in the Maintenance Amount Certification to be the net incremental costs of the Lender with respect to the making or maintaining of any Loan which result from (A) any change in, or introduction of,

any Applicable Law and/or (B) any compliance with any request from, guideline or requirement of, any central bank or other monetary or other comparable authority or any Governmental Authority (whether or not having the force of law), which in either case, subsequent to the date of this Agreement, shall:

(A) impose, modify or deem applicable any reserve, capital adequacy (only to the extent such capital adequacy requirement is generally applicable to financial institutions that are subject to the same regulatory controls as the Lender), special deposit or similar requirements against assets held by, or deposits with or for the account of, or Loans by, the Lender;

(B) impose a cost on the Lender as a result of its having made, funded or maintained any Loan or its commitment to make, fund or maintain any Loan, or reduce the rate of return on the overall capital of the Lender which it would have been able to achieve if it had not made or committed itself to make such Loan;

(C) change the basis of taxation on payments received by the Lender in respect of its Loans otherwise than by a change in taxation of the overall net income of the Lender; or

(D) impose on the Lender any other condition regarding the making or maintaining of the Loans; and

(ii) "Maintenance Amount Certification" means a certification furnished from time to time by the Lender to the Borrower, certifying:

(A) the circumstances giving rise to the Maintenance Amount;

(B) that such net costs have increased and that such net costs are within the definition of Maintenance Amount;

(C) that, in the opinion of the Lender it has exercised reasonable efforts to minimize or eliminate such increase; and

(D) the Maintenance Amount.

(c) Optional Prepayment. Notwithstanding anything in Section 2.11, and subject to any Governmental Approvals having been obtained (including from the Central Bank), the Borrower shall have the right on any Interest Payment Date for the Loans, upon not less than thirty (30) days' prior written notice to the Lender (which notice shall be irrevocable and shall bind the Borrower to make the prepayment specified below) and upon payment of all accrued interest and Maintenance Amount (if any) on the amount to be prepaid, to prepay all or, as the case may be, that portion of the Loans with respect to which the Lender informs the Borrower that Maintenance Amount is then being charged.

SECTION 2.15 ILLEGALITY.

(a) Illegality of Total Commitment or Loan. Notwithstanding any other provision of this Agreement, if, subsequent to the date of this Agreement, the making, funding or continuance of

the Total Commitment or any Loan has been made (i) unlawful by any change made in any Applicable Law, (ii) impossible by compliance by the Lender with any request of a Governmental Authority (whether or not having force of law) or (iii) impracticable as a result of a contingency occurring after the Effective Date which materially and adversely affects the London interbank dollar market, the Borrower shall, upon notice by the Lender (but subject to the approval of the appropriate Governmental Authorities (including the Central Bank), which the Borrower agrees to take all reasonable steps to obtain as quickly as possible, if such approval is then required), prepay in full and on the next occurring Interest Payment Date unless the effect of the Applicable Law, request or contingency requires earlier or immediate repayment, in which case, on such earlier date or immediately, as relevant, that portion of the principal amount of the Loans affected thereby together with all accrued interest and Maintenance Amount (if any) thereon and all amounts, if any, determined by the Lender to be payable to it pursuant to Section 2.13 hereof. In addition, the Total Commitment of the Lender to make Loans similar to those affected by the foregoing shall terminate immediately.

(b) Illegality of Interest Rate. Notwithstanding any other provision of this Agreement, if, subsequent to the date of this Agreement, the making, funding or continuance by the Lender of a Disbursement or any Loan bearing interest based on LIBOR has been made (i) unlawful by any change made in any Applicable Law, (ii) impossible by compliance by the Lender with any request of a Governmental Authority (whether or not having the force of law), then the Lender shall promptly give notice thereof to the Borrower and the obligation of the Lender to make or continue Loans bearing interest based on LIBOR shall be immediately suspended and during such suspension be converted into an obligation bearing interest at the rate per annum equal to the Base Rate plus 2.375%; provided, however, that if the Lender determines that it may lawfully continue to maintain and fund any outstanding Loans bearing interest based on LIBOR until the end of the applicable Interest Period then in effect with respect thereto, upon written notice from the Borrower to the Lender, such outstanding Loans shall be converted into Loans bearing interest at the rate per annum equal to

the Base Rate plus 2.375% on the last day of the then current Interest Period applicable to such Loans.

SECTION 2.16 SUBSTITUTE BASIS OF BORROWING. If, on or before the first day of any Interest Period relating to the Loans, either (a) the Lender determines that, for whatever reason, deposits in Dollars for a period equal to such Interest Period or in the relevant amounts are not being offered to the Lender in the London interbank market or (b) the Lender gives notice to the Borrower that the Interest Rate then in effect based on LIBOR for such Interest Period does not adequately reflect the cost to the Lender of making, funding or otherwise maintaining the Loans for such Interest Period, the Lender shall promptly notify the Borrower of such event. Thereafter, the obligations of the Lender to make or maintain the Loans bearing interest at LIBOR shall be suspended until the Lender revokes such notice in writing and interest for such Interest Period with respect to a scheduled Disbursement and for outstanding Loans for which interest is then scheduled to be determined shall accrue at the rate per annum equal to the Base Rate plus 2.375%.

SECTION 2.17 MITIGATION PROVISION. The Lender agrees that (a) as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition arising after the date hereof that would cause it to be affected under Section 2.13 and (b) as promptly as practicable after it has made a determination to make a claim for amounts under Sections 2.13, 2.14 or 2.15, as the case may be, with respect to events or conditions arising after

the date hereof, it shall notify the Borrower of the same and use commercially reasonable efforts (consistent with legal and regulatory restrictions and the Lender's internal policies) to mitigate the effect of such provisions on the Borrower, including (i) in the case of Sections 2.13, 2.14 or 2.15, efforts to make, fund, issue or maintain its Loans, as relevant, through another office of the Lender, and (ii) in the case of Section 2.15, efforts to reemploy amounts held by the Lender, (A) if as a result thereof the additional moneys which would otherwise be required to be paid to the Lender pursuant to any of such provisions of this Agreement would be reduced, or the illegality or other adverse circumstances which would otherwise require a prepayment of such Loans pursuant to any of such provisions would cease to exist, and (B) if, as determined by the Lender in good faith, the making, funding or maintaining of the Loan through such other office would not otherwise adversely affect the Lender.

SECTION 2.18 CERTIFICATE OF LENDER. If the Lender claims reimbursement under Sections 2.13, 2.14, 2.15 or 2.16, it shall deliver to the Borrower a certificate setting forth in reasonable detail, including calculations thereof, the amount payable to the Lender and such certificate shall be conclusive and binding on the Borrower in the absence of manifest error.

SECTION 2.19 SURVIVAL. Without prejudice to the survival of any other agreement of the Borrower under this Agreement and any other Project Document, the agreements and obligations of the Borrower set forth in Sections 2.13 2.14, 2.15 and 2.16 shall survive the payment of the Loans.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender to enter into this Agreement and each of the other Financing Documents to which it is a party and in order to induce the Lender to make the Loans, the Borrower makes the following representations, warranties and agreements as of the date of this Agreement, which shall survive the execution and delivery of this Agreement and the making and repayment of the

Loans:

SECTION 3.01 STATUS. The Borrower (a) is an exempted limited liability company duly incorporated, validly existing and in good standing under the laws of the Cayman Islands, (b) is duly qualified to do business under the laws of each jurisdiction in which the character of the properties owned by it or in which the transaction of its business as presently conducted or proposed to be conducted makes such qualification necessary, and (c) has full power and authority to own the property and assets owned by it and to transact the business in which it is engaged or proposes to be engaged and to do all things necessary or appropriate in respect of the Project and to consummate the transactions contemplated by the Project Documents in effect or required to be in effect as of each date this representation is made or deemed made.

SECTION 3.02 POWER AND AUTHORITY. The Borrower has the full power and authority to execute and deliver, and to perform the terms and provisions of, each of the Project Documents to which it is party and has taken all proper and necessary action to authorize the execution, delivery and performance by it of each of such Project Documents as have been executed and delivered as of each date this representation and warranty is made. The Borrower, has, or, in the case of the Project Documents other than this Agreement, by the Loan I Closing Date will have, duly executed and delivered each of the Project Documents to which it is a party, and each of such Project Documents constitutes or, in the case of each such other Project Document when

executed and delivered will constitute, the legal, valid and binding obligations of the Borrower, enforceable in accordance with its respective terms, except as the enforceability thereof may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (b) general equitable principles, regardless of whether the issue of enforceability is considered in a proceeding in equity or at law.

SECTION 3.03 NO VIOLATION. Neither the execution and delivery by the Borrower of the Project Documents to which it is a party, nor the Borrower's compliance with or performance of the terms and provisions thereof, or the use of the proceeds of the Loans as contemplated by this Agreement (a) will contravene or violate any provision of any Applicable Law to which the Borrower, any of its assets, the Project or any transaction contemplated by the Project Documents are subject, (b) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except any Permitted Liens) upon any of the property or assets of the Borrower pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which the Borrower is a party or by which it or any of its property or assets is bound or to which it may be subject, (c) will violate any provision of any other Organization Document of the Borrower or (d) will require any consent or approval of any Governmental Authority or any other Person which has not been obtained.

SECTION 3.04 ORGANIZATION. All of the issued and outstanding shares of the Borrower are owned by Ormat Holding Corp. except as provided in the Share Pledge and Sponsor Participation Retention Agreement.

SECTION 3.05 SUBSIDIARIES. The Borrower has no Subsidiaries and owns no equity interest in any other Person.

SECTION 3.06 SINGLE-PURPOSE BORROWER. The Borrower (a) has not incurred

any liabilities other than in connection with its participation in the transactions contemplated by the Project Documents and (b) has not engaged in any business other than the Project. The Borrower is not a party to any material agreement, contract or commitment (other than the ENEL Agreements, the Fiduciary Account Agreement, the Financing Documents, the Investment Agreement and any Implementation Agreements).

SECTION 3.07 FINANCIAL STATEMENTS; FINANCIAL CONDITION: UNDISCLOSED LIABILITIES; ETC.

(a) No Material Adverse Effect. The financial statements of the Borrower for the Fiscal Year ended December 31, 1999, heretofore furnished to the Lender, present fairly the financial condition of the Borrower at the date thereof and the results of the operations of the Borrower for the fiscal period referred to in such statements. Such financial statements have been prepared in accordance with GAAP. Since the date of such financial statements, no event, condition or circumstance (including, without limitation, Force Majeure) has existed or has occurred which is reasonably likely to have a Material Adverse Effect.

(b) No Likelihood of Material Adverse Effect. Except as fully reflected in the financial statements referred to in Section 3.07(a), there are no liabilities or obligations with respect to the

Borrower (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which such financial statements relate which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect. The Borrower does not know of any reasonable basis for the assertion against the Borrower of any liability or obligation of any nature whatsoever for such relevant period that is not fully reflected in the financial statements referred to in Section 3.07(a) which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect.

SECTION 3.08 LITIGATION; LABOR DISPUTES.

(a) No Proceedings. Except as disclosed in Schedule 3.08 hereto, there is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any of its properties, revenues or assets or the Project or the Site (including Environmental Claims) which has had or is reasonably likely to have a Material Adverse Effect. The Borrower is not in default with respect to any order of any court, arbitrator, administrative agency or other Governmental Authority. There is no injunction, writ, preliminary restraining order or any order of any nature issued by an arbitrator, court or other Governmental Authority directing that any of the material transactions provided for in any of the Project Documents not be consummated as herein or therein provided. To the best of the Borrower's knowledge, there is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority pending or threatened against or affecting the Borrower or any of its properties, revenues or assets, and the Borrower does not have actual knowledge of any such action, suit, investigation or proceeding pending or threatened against or affecting any other party to any Project Document or any of their respective properties, revenues or assets, in each case described in this sentence which has had or is reasonably likely to have a Material Adverse Effect.

(b) No Labor Claims Pending. There are no strikes, slowdowns or work stoppages by the Borrower's employees ongoing, or, to the knowledge of the

Borrower, threatened which are reasonably likely to have a Material Adverse Effect. There are no claims pending against the Borrower arising from the transfer of personnel pursuant to the terms of the ENEL Agreements.

SECTION 3.09 TRUE AND COMPLETE DISCLOSURE. All factual information (taken as a whole), which, for the avoidance of doubt (a) shall not include any information by way of projections, estimates or other expressions of view as to future circumstances, provided that such projections, estimates or other expressions of view are expressed in good faith and on the basis of reasonable assumptions and (b) shall be qualified by any disclaimers with respect to such factual information provided by the Borrower to the Lender heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to the Lender (including without limitation such factual information related to the Project as is contained in the preliminary business plan dated February 27, 2000 (financial model) previously submitted to the Lender on February 27, 2000 with respect to the Project and as stated in the Lender's Offer Letter dated March 14, 2000 and in the Business Plan), and all other such factual information (taken as a whole) hereafter furnished by or on behalf of the Borrower in writing to the Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect in light of the circumstances and the time under which or

at which such information was provided. There are in existence no documents or agreements which have not been disclosed to the Lender which are material in the context of the Project Documents or which have the effect of varying any of the Project Documents or their meaning.

SECTION 3.10 TAX RETURNS AND PAYMENTS. Except as disclosed in Schedule 3.11, the Borrower has filed all tax returns required by Applicable Law to be filed by it and has paid all income taxes payable by it which have become due pursuant to such tax returns and all other taxes and assessments payable by it which have become due, other than those not yet delinquent and except for those contested in good faith and for which adequate reserves have been established. The Borrower has paid, or has provided adequate reserves for the payment of, all national, regional or local income taxes applicable for all prior Fiscal Years and for the current Fiscal Year to the date hereof, except as disclosed under Schedule 3.11.

SECTION 3.11 GOVERNMENTAL APPROVALS. All Governmental Approvals necessary under Applicable Law in connection with (a) the due execution and delivery of, and performance by the Borrower of its obligations and the exercise of its rights under, the Project Documents in effect or required to be in effect as of each date this representation is made or deemed made, (b) the grant by the Borrower of the Liens created pursuant to the Security Documents and the validity, enforceability and perfection thereof and the exercise by the Lender of its rights and remedies thereunder and (c) the construction and operation of the Project as contemplated by the Project Documents, to be obtained by the Borrower and to be obtained by any other Person (to the best knowledge of the Borrower) are set forth in Schedule 3.11 hereto. Except as disclosed in Part C of Schedule 3.11, each of the Governmental Approvals set forth in Part A and Part C of Schedule 3.11 hereto and each other Governmental Approval obtained by the Borrower after the date hereof but on or prior to the date this representation is made, has been duly obtained or made, is validly issued, is in full force and effect, is not subject to appeal (it being understood that for purposes of this Section 3.11, a Governmental Approval shall not be considered to be subject to appeal if it is being contested or challenged solely by Persons other than the Governmental Authority which issued the Governmental Approval or

any other Governmental Authority notwithstanding that such contest or challenge is ongoing) and is free from conditions or requirements compliance with which is reasonably likely to have a Material Adverse Effect or which the Borrower does not reasonably expect to be able to satisfy. There is no proceeding pending or, to the best knowledge of the Borrower, threatened which is reasonably likely to result in the rescission, termination, material modification, suspension or determination of invalidity or lack of effectiveness of any such Governmental Approval. The information set forth in each application and other written material submitted by the Borrower to the applicable Governmental Authority in connection with each such Governmental Approval was accurate and complete in all material respects at that time (provided, that no representation is made regarding the accuracy and completeness of any projections, estimates or other expressions of view as to future circumstances, and provided further that any such information is further qualified by any disclaimers with respect thereto included therein). The Borrower has no reason to believe that any Governmental Approval that has not been obtained by the Borrower, but which will be required in the future, will not be granted to it in due course, on or prior to the date when required and free from any condition or requirement compliance with which is reasonably likely to have a Material Adverse Effect or which the Borrower does not reasonably expect to be able to satisfy. The Project, if constructed and performed in accordance with the Business Plan, will conform to and comply in all material respects with all covenants, conditions, restrictions and reservations in the Governmental Approvals and the Project Documents applicable thereto and

all Applicable Laws. The Borrower has no reason to believe that the Lender will not be entitled, without undue expense or delay, to the benefit of each Governmental Approval set forth on Schedule 3.11 hereto upon the exercise of remedies under the Security Documents. The Lender has received a true and complete copy of each Governmental Approval heretofore obtained or received by the Borrower.

SECTION 3.12 COMPLIANCE WITH STATUTES, ETC.

(a) Compliance with Applicable Laws. Except as set forth in (b) below, and in Section 3.13, and in Part C of Schedule 3.11, the Borrower is in compliance with all Applicable Laws in respect of the conduct of its business and the ownership of its property (including, without limitation, Applicable Laws relating to environmental standards and controls and resettlements and Applicable Laws relating to the maintenance of debt to equity ratios).

(b) Environmental Compliance. The Borrower's business and the Project are being carried out in compliance with the Project Remediation Program.

SECTION 3.13 ENVIRONMENTAL MATTERS. To the best of the Borrower's knowledge, neither the Site nor the Power Plant (nor any other property with respect to which the Borrower has retained or assumed liability either contractually or by operation of the law) has been affected by any Hazardous Material, other than as described in the Project Remediation Program, in a manner which does or is reasonably likely to give rise to any material liability of the Borrower under any Environmental Law or which has had or is reasonably likely to have a Material Adverse Effect.

SECTION 3.14 PATENTS, LICENSES, FRANCHISES AND FORMULAS. The Borrower owns or has the right to use all intellectual property including all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect thereto, and has obtained assignments of all leases and other rights of whatever nature, necessary for the present and proposed conduct of its business and the carrying out of the Project

in the manner contemplated by the Project Documents, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, is reasonably likely to have a Material Adverse Effect.

SECTION 3.15 SUBMISSION TO LAW AND JURISDICTION. The choice of governing law for each of the respective Project Documents in effect or required to be in effect as of the Loan I Closing Date will be recognized in the courts of Nicaragua, and those courts will recognize and give effect to any judgment in respect of such Project Document obtained by or against the Borrower in the courts the jurisdictions of which the Borrower has submitted to.

SECTION 3.16 STATUS OF THE LOANS. The Loans constitute direct, unconditional, and general obligations of the Borrower and rank senior as to priority of payment to any or all Indebtedness of the Borrower except as permitted under Section 5.15(b). Except as permitted by Section 5.16 of this Agreement, the Borrower has not secured or agreed to secure any such other Indebtedness by any Lien upon any of its present or future revenues, assets or properties or upon any shares of stock of the Borrower.

SECTION 3.17 PROJECT DOCUMENTS; SUFFICIENCY OF PROJECT DOCUMENTS.

(a) All Project Documents Received. The Lender has received a complete copy of each Project Document in effect or required to be in effect as of each date this representation is made or deemed made (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any).

(b) All Rights Obtained. To the best of the Borrower's knowledge, the services to be performed, the materials to be supplied and the easements, licenses and other rights granted or to be granted to the Borrower pursuant to the terms of the Project Documents provide or will provide the Borrower with all rights and property interests required to enable the Borrower to obtain all services, materials or rights (including access) required for the rehabilitation, operation and maintenance of the Project, including the Borrower's full and prompt performance of its obligations, and full and timely satisfaction of all conditions precedent to the performance by others of their obligations, under the Project Documents, other than those services, materials or rights that reasonably can be expected to be obtainable in the ordinary course of business without material additional expense or material delay.

SECTION 3.18 FEES AND ENFORCEMENT. Other than amounts that have been paid in full or will have been paid in full by the Loan I Closing Date, no fees or taxes, including without limitation, stamp, transaction, registration or similar taxes, are required to be paid for the legality, validity, or enforceability of this Agreement or any of the other Project Documents in effect or required to be in effect as of each date this representation is made or deemed made. This Agreement and each of such Project Documents are each in proper legal form under the laws of Nicaragua, and under the respective governing laws selected in such Project Documents, for the enforcement thereof in such jurisdiction without any further action on the part of the Lender.

SECTION 3.19 AVAILABILITY AND TRANSFER OF FOREIGN CURRENCY. All requisite foreign exchange control approvals and other authorizations, if any, by Nicaragua or any department or agency thereof have been validly obtained and will be kept current and in full force and effect to assure (a) the ability of the Borrower to receive any and all payments to the Borrower contemplated by the Project Documents, (b) the availability of Dollars to enable the Borrower to perform all of its obligations hereunder and under the other Project Documents, as the case may be, in accordance with their respective terms, and (c) the

ability of the Borrower to convert into Dollars all sums received in Cordoba amounts from ENEL, immediately upon receipt thereof, and to use the Dollars as necessary to perform all of its obligations under the Project Documents, in accordance with their respective terms. There are no restrictions or requirements which limit the availability or transfer of foreign exchange, or the conversion to foreign exchange, for the purpose of the performance by the Borrower of its obligations under this Agreement or under any of the other Project Documents.

SECTION 3.20 BUSINESS PLAN.

(a) Effectiveness. The Business Plan as in effect on the date hereof is attached hereto as Annex A. The Business Plan accurately specifies, to the best of the Borrower's knowledge, all costs and expenses incurred and anticipated to be incurred prior to the date on which a Phase I Completion Certificate and a Phase II Completion Certificate will have been issued. In addition, to the best of the Borrower's knowledge, the amount of all costs and expenses required or

expected to be paid or incurred prior to the latest date on which a Phase I Completion Certificate or a Phase II Completion Certificate, as the case may be, will have been issued does not exceed the amount reflected in the Business Plan.

(b) Assumptions. To the best of the Borrower's knowledge, all projections and budgets furnished to the Lender by or on behalf of the Borrower and the summaries of significant assumptions related thereto (i) have been prepared with due care, (ii) fairly present the Borrower's expectations as to the matters covered thereby as of their date, (iii) are based on reasonable assumptions as to all factual and legal matters material to the estimates therein as of their date (including interest rates and costs) and (iv) are in all material respects consistent with the provisions of the Project Documents.

SECTION 3.21 TITLES; LIENS. The Borrower has good and valid title to all of its properties and assets, in each case, free and clear of all Liens other than Permitted Liens. No mortgage or financing statement or other instrument or recordation covering all or any part of the property or assets of the Borrower is on file in any recording office, except such as relate only to Permitted Liens described in clauses (a) and (b) of Section 5.16 hereof.

SECTION 3.22 TRANSACTIONS WITH AFFILIATES. The Borrower is not a party to any contracts or agreements with, or any other commitments to, any Affiliate, other than in the ordinary course of business on terms at least as favorable to the Borrower as available on an arm's-length basis from third parties.

SECTION 3.23 NO ADDITIONAL FEES. Other than as expressly set forth in the Business Plan, the Borrower has not paid or become obligated to pay any fee or commission to any agent, broker, finder or intermediary for or on account of arranging the financing of the transactions contemplated by the Project Documents.

SECTION 3.24 REGULATION OF PARTIES. None of the Borrower, its Affiliates or the Lender is or will be, solely as a result of the participation by such parties separately or as a group in the transactions contemplated hereby or by any other Project Document, or as a result of the ownership, use or operation of the Project, subject to regulation by any Governmental Authority of the United States as a "public utility", an "electric utility", an "electric utility holding company", a "public utility holding company", a "holding company", or an "electrical corporation" or a subsidiary or affiliate of any of the foregoing under any Applicable Law of the United States (including, without limitation, PUHCA) or by any Governmental Authority of Nicaragua as a "public utility" under any Applicable Law of Nicaragua. The Borrower is not a holding

company organized under the laws of the United States or the District of Columbia. Neither the Borrower nor its Affiliates owns any utility assets located within any state of the United States or the District of Columbia.

ARTICLE 4. CONDITIONS PRECEDENT.

SECTION 4.01 CONDITIONS OF FIRST DISBURSEMENT OF LOAN I. The first Disbursement of Loan I hereunder shall be subject to the satisfaction in form and substance of the Lender of the following conditions on or prior to the Loan I Closing Date:

(a) Project Documents. (i) Each of the Project Documents shall have been entered into by the respective parties thereto, shall be unconditional and fully effective in accordance with

their respective terms (except for this Agreement having become unconditional and fully effective, if that is a condition of effectiveness of any of such documents) and the Borrower shall deliver to the Lender a certificate signed by an authorized officer of the Borrower certifying the foregoing, which certification shall be incorporated into each Application for Funding; and (ii) the Lender shall have received a copy of the Nicaragua Government Support Letter and of the ENEL Agreements (which shall be construed, for the purposes of this Section 4.01(a), as not including the Nicaragua Government Support Letter), in its escritura publica form, accompanied by a certificate executed by a Financial Officer of the Borrower certifying that the attached copies are true and correct copies of the original Nicaragua Government Support Letter and the ENEL Agreements (as defined for purposes of this Section 4.01(a)).

(b) Insurance; MIGA Guarantee. Each of the Insurance Contracts and the MIGA Contracts shall be in full force and effect and in respect of the MIGA Guarantee, in form and substance satisfactory to the Lender.

(c) Opinions of Counsel. The Lender shall have received signed legal opinions, each in form and substance satisfactory to the Lender, of (i) Cayman Islands counsel to the Borrower, (ii) United States counsel to the Sponsor, (iii) Israeli counsel to Ormat Industries Ltd., (iv) US and Nicaraguan counsel to the Lender, and (v) counsel to such other Person as the Lender may reasonably require.

(d) Organization Documents; Proceedings.

(i) The Lender shall have received a certificate, signed by the Secretary or Assistant Secretary of the Borrower, in form and substance satisfactory to the Lender, together with copies of Organization Documents of the Borrower and resolutions of the Borrower's board of directors approving the financing to be provided pursuant to the terms of this Agreement, certifying that the documents attached to such certificate are true, correct and complete copies of such documents.

(ii) The Lender shall have received a certificate signed by the Secretary or Assistant Secretary of the Sponsor in form and substance satisfactory to the Lender, together with copies of the Organization Documents of the Sponsor and resolutions of the Sponsor's board of directors approving the documents to which Sponsor is party with respect to the provision of financing pursuant to the provisions of this Agreement, certifying that the documents attached to such certificate are true, correct and complete copies of such Organization Documents and resolutions.

(iii) The Lender shall have received a letter from the Auditors

confirming the acceptance of their appointment as the Auditors.

(iv) The Lender shall have received a certificate from each of the Borrower, the Sponsor, the Shareholder and the Sponsor Parent, in form and substance satisfactory to the Lender, signed by an authorized officer certifying the incumbency of the parties executing any Project Document or related document on behalf of the Borrower, the Sponsor, the Shareholder and the Sponsor Parent, respectively.

(e) Auditors. The Lender shall have received a copy of the authorization to the Auditors referred to in Section 5.02(b).

(f) Security Documents. The Borrower shall have delivered to the Lender fully executed Security Documents, in full force and effect, with all registration fees in connection therewith paid in full, and with executed instruments of transfer delivered by the Borrower if required.

(g) Consent Letters. The Lender shall have received a letter, in form and substance satisfactory to the Lender, from CT Corporation System, presently located 111 Eighth Avenue, New York, New York 10011, indicating the consent of CT Corporation System to its appointment by the Borrower, the Sponsor, the Shareholder and the Sponsor Parent as their agent to receive service of process.

(h) Certificates. The Lender shall have received copies of each executed Project Document, together with a certificate of a Financial Officer of the Borrower certifying that the Borrower is not in default in the performance, observance or fulfillment of any of its material obligations, covenants or conditions contained therein and, to the best of the Borrower's knowledge, no other party to any such Project Document is in default in the performance, observance or fulfillment of any of its material obligations, covenants or conditions contained therein and the Lender shall have received evidence or copies of all Governmental Approvals set forth in Schedule 3.11 hereof (other than those set forth in Parts B and C thereof), certified by a Financial Officer of the Borrower as being in full force and effect and not subject to appeal, except as disclosed in Schedule 3.11 hereof. For purposes of this Section 4.01(h), a Governmental Approval shall not be considered to be subject to appeal if it is being contested or challenged solely by Persons other than the Governmental Authority who issued the Governmental Approval or any other Governmental Authority notwithstanding that such contest or challenge is ongoing.

(i) Business Plan. The Lender shall have received the Business Plan, which shall be in form and substance satisfactory to the Lender.

(j) Financial Statements. The Lender shall have received copies of the most recent audited financial statements of the Borrower (except that for the Fiscal Year ending December 31, 1999 financial statements may be submitted unaudited) and audited financial statements of the Sponsor, and the Lender shall have received copies of the most recent unaudited financial statements (if audited financial statements are not otherwise available) of the Borrower and the Sponsor showing, for each such Person, no material adverse change in the financial condition of such Person since the date of the last financial statements provided to the Lender prior to the date of this Agreement, and certificates dated the Loan I Closing Date signed by a Financial Officer of each such Person stating that (i) such financial statements are true, complete and correct and (ii) no material adverse change as to such Person has occurred since the date of such financial statements.

(k) Evidence of Authority. The Lender shall have received evidence of

the authority of the Borrower to enter into this Agreement and the names, specimen signatures and evidences of authority of the Persons signing this Agreement, and the other documents required by this Agreement as of the date of execution hereof or who will otherwise act as representatives of the Borrower in the operation of the Credit.

(l) Accounts. The Borrower shall have established: (i) the Debt Service Reserve Account with the Lender's New York Branch, fully funded in accordance with Section 5.33; and (ii) the bank account with the Lender's New York Branch in accordance with Section 5.28(a).

(m) Other Instruments, Conditions, Due Diligence, Etc. The delivery of every other instrument and agreement, and the satisfaction of any other condition as the Lender may reasonably request, including due diligence reports satisfactory to the Lender.

(n) Fees, Costs, Etc. The Fees, and all other fees, costs and expenses (including any and all Attorney Costs of Lender's outside counsel) due and payable on or before the Loan I Closing Date shall have been paid.

(o) MIGA Premium. The Borrower will execute and deliver to the Lender an irrevocable instruction to the Lender's New York Branch to debit the Borrower's Account established pursuant to Section 5.28(a) for payment of the MIGA premium upon the direction of the Lender and the Lender shall deliver to the Borrower the relevant renewal notice.

SECTION 4.02 CONDITIONS OF EACH DISBURSEMENT. Each Disbursement hereunder shall be subject to the satisfaction in form and substance of the Lender of the following conditions:

(a) No Default; Representations and Warranties. Immediately before and after giving effect to such Disbursement:

(i) no Event of Default shall have occurred and be continuing;

(ii) all representations and warranties made by the Borrower and contained herein (other than the representations made pursuant to Section 3.07(b)) or in the other Project Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Disbursement, except where expressed to be made only as of an earlier date;

(iii) the following representations and warranties shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Disbursement: (A) except as fully reflected in each financial statement delivered prior to such Disbursement pursuant to Sections 5.01(a) and 5.01(b), there shall have been, as of the date of such financial statement, no liabilities or obligations with respect to the Borrower of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect, and (B) the Borrower does not know of any reasonable basis for the assertion against the Borrower of any liability or obligation of any nature whatsoever that is not fully reflected in the financial statements delivered pursuant to Sections 5.01(a) and 5.01(b) which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect.

(b) Security. The Security, in form and substance satisfactory to the

Lender, shall have been duly created, perfected and, where appropriate, registered as required hereunder, to create a first priority security interest and charge over the Collateral in existence at the date of such Disbursement. Without limitation to the preceding sentence, the Borrower shall have duly authorized, executed and delivered or, as the case may be, provided:

(i) acknowledgment copies of proper financing statements or other instruments duly filed under the Applicable Law of each jurisdiction as may be necessary or, in the reasonable opinion of the Lender, desirable to perfect the charges and security interests purported to be created by the Security Documents;

(ii) upon the reasonable request of the Lender, certified copies of requests for information or copies, or equivalent reports, listing the financing statements and instruments referred to in clause (i) above and all other effective financing statements that name the Borrower as debtor and that are filed in the jurisdictions referred to in said clause (i), together with copies of such other financing statements and instruments (none of which shall cover the Collateral except to the extent of Permitted Liens);

(iii) evidence of the completion of all other recordings and filings of, or with respect to, the Security Documents as may be necessary or, in the reasonable opinion of the Lender, desirable to perfect the security interests purported to be created by the Security Documents; and

(iv) evidence that all other actions necessary or, in the reasonable opinion of the Lender, desirable to perfect and protect the security interests purported to be created by the Security Documents have been taken.

(c) Consents and Approvals. There shall have been obtained, or there shall have been made arrangements satisfactory to the Lender for obtaining, in addition to the Project Documents, all other governmental, corporate, creditors', shareholders' and other necessary licenses, approvals or consents for: (i) the financing by the Lender under this Agreement; (ii) the carrying on of the business of the Borrower as it is presently carried on and is contemplated to be carried on; (iii) the carrying out of Phase I of the Project with respect to Loan I and Phase II with respect to Loan II; (iv) the due execution and delivery of, and performance under, each Project Document which has been entered into at the time of such Disbursement, the Security, and any documents in implementation of any thereof; and (v) the remittance to the Lender of all monies payable pursuant to each Project Document which has been entered into at the time of such Disbursement, and any documents in implementation of any thereof. In addition, a true and complete copy of each material license, approval or consent described in this Section 4.02(c) shall have been delivered by the Borrower to the Lender.

(d) No Project Document Default. Each of the Project Documents which has been entered into or which is required to have been entered into at the time of such Disbursement shall be in full force and effect and no material breach or default shall have occurred under any such Project Document. No event of Force Majeure shall have occurred which has had, or in the reasonable judgment of the Lender is reasonably likely to have, a Material Adverse Effect.

(e) ENEL Agreements. The Lender shall have received from the Borrower a certification, in form and substance satisfactory to the Lender, signed by an authorized representative of the Borrower and expressed to be effective as of the date of the relevant Disbursement, stating that the Borrower is in compliance in all material respects with all provisions of the ENEL Agreements.

(f) No Material Adverse Effect. Since the Loan I Closing Date, no event or events shall have occurred which has had or is reasonably likely to have a Material Adverse Effect.

(g) Insurance; Shareholder's MIGA Guarantee. The Borrower shall have certified to the Lender that each of the Insurance Contracts required pursuant to Section 5.03 and the Shareholder's MIGA Guarantee, continue to be in full force and effect on the date of such Disbursement and that the Insurance Contracts are in compliance and in full accord with the recommendations of the Lender's Insurance Consultant.

(h) Fees and Expenses. The Borrower shall have paid all fees, expenses and other charges then payable by it under this Agreement.

(i) Debt Service Reserve Account. The Debt Service Reserve Account shall have been funded in accordance with Section 5.33.

(j) Disbursements for Additional Amount. In respect of each Disbursement made in respect of Additional Amounts, the Senior Loan Debt to Borrower's Equity ratio shall not exceed 3:1 after giving effect to the requested Disbursement.

(k) Sponsor Advances. The Sponsor shall have made advances to the Borrower either as additional equity or subordinated long term loans on the same terms and conditions as set forth in Section 2.02 of the Sponsor Project Funding Agreement in an amount which when added to the Borrower's Equity shall be equal to, as the case may be, (i) forty-two and eight hundred fifty-seven thousandths percent (42.857%) of the sum of the requested Disbursement to be made under Loan I plus any Interest to be capitalized pursuant to Section 2.03 plus all amounts previously disbursed under Loan I, or (ii) thirty-three and three hundred thirty-three thousandths percent (33.333%) of the sum of the requested Disbursement to be made under Loan II (including any Disbursement to be made in respect of an Additional Amount) plus any Interest to be capitalized pursuant to Section 2.03 plus all amounts previously disbursed.

(l) Phase II - Approval of Lender's Engineer. With respect to Disbursements to be made under Loan II, the Lender shall have received the approval of the Lender's Engineer as required under Section 2.02(b).

SECTION 4.03 NO WAIVERS. No course of dealing or waiver by the Lender in connection with any condition of Disbursement under this Agreement shall impair any right, power or remedy of the Lender with respect to any other condition of Disbursement, or be construed to be a waiver thereof; nor shall the action of the Lender in respect of any Disbursement affect or impair any right, power or remedy of the Lender in respect of any other Disbursement.

SECTION 4.04 CONDITIONS FOR FIRST DISBURSEMENT OF LOAN II. The Lender shall have received at the Borrower's expense each of the following on or prior to the Loan II Closing Date: (a) a Technical Report from a recognized and independent engineer or consulting firm acceptable to the Lender confirming costs, technical and commercial feasibility of the Business Plan; (b) an opinion of Nicaraguan legal counsel acceptable to the Lender confirming the legal opinion provided pursuant to Section 4.01(c) and such other opinions related to any changes in Applicable Law that have occurred since the date thereof, in form and substance satisfactory to the Lender; (c) payment to the Lender of (i) the Loan II Commitment Fee and (ii) the final installment of the Front-End Fee; and (d) in the event that the amendment to the PPA referred to

in Section 5.43 is not in full force and effect, an executed amendment to the PPA incorporating substantially the provisions set forth in Schedule 4.04 shall be in full force and effect and executed in the form of an escritura publica prepared by a Nicaraguan notary public.

ARTICLE 5. COVENANTS

The Borrower covenants and agrees that:

SECTION 5.01 INFORMATION COVENANTS. The Borrower shall furnish to the Lender:

(a) Quarterly Financial Statements of Borrower. As soon as available but, in any event, within 90 days after the close of each of the first three quarterly accounting periods in each Fiscal Year,

(i) complete unaudited financial statements of the Borrower as at the end of such quarterly period with statements of operations and statement of cash flows for such quarterly period and for the elapsed portion of the Fiscal Year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior Fiscal Year, subject to normal year-end audit adjustments;

(ii) a report on any event or condition which has had or which is reasonably likely to have a Material Adverse Effect; and

(iii) a statement, in form and detail reasonably satisfactory to the Lender, of all financial transactions in such Quarter between the Borrower and any Affiliate of the Borrower, including a certification on behalf of the Borrower by a Financial Officer of the Borrower that such transactions were in the ordinary course of business on terms at least as favorable to the Borrower as available on an arm's-length basis from third parties.

(b) Annual Financial Statements of Borrower. As soon as available but, in any event, within 120 days after the close of each Fiscal Year, (i) the financial statements of the Borrower as at the end of such Fiscal Year with statements of operations and statement of cash flows for such Fiscal Year, in each case setting forth comparative figures for the preceding Fiscal Year ending after December 30, 1999 and (except in the case of financial statements of the Borrower for the Fiscal Year ended December 31, 1999) certified by the Auditors (all such statements being in agreement with the Borrower's books of account and prepared in accordance with GAAP), and (ii) for all fiscal years after December 31, 1999 a report of the Auditors stating that in the course of its regular audit of the financial statements of the Borrower, which audit was conducted in accordance with generally accepted auditing standards, the Auditors obtained no knowledge of any Default or Event of Default which has occurred and is continuing or, if in the opinion of the Auditors such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof .

(c) Management Letters. Promptly after the Borrower's receipt thereof, a copy of any "management letter" or other similar communication received by the Borrower, from the Auditors, as the case may be, in relation to the Borrower's financial, accounting and other systems, management and accounts.

(d) Officer's Certificates. Except as required for purposes of the first Disbursement under Loan I, at the time of the delivery of the financial statements provided for in Sections 5.01(a) and 5.01(b), a certificate of a Financial Officer of the Borrower to the effect that, to the best of his knowledge, no Default or Event of Default has occurred and is continuing or, if any such Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof and what action the Borrower is taking or proposes to take in response thereto.

(e) Notice of Default, Litigation, etc.

(i) Immediately upon the Borrower obtaining actual knowledge thereof, notice, by facsimile, of the occurrence of any Default or Event of Default or any breach or default under any of the other Project Documents by the Borrower or any other party thereto, specifying the nature thereof and the action which the Borrower is taking and proposes to take with respect to the same; and

(ii) promptly, and in any event within twenty (20) Business Days after Borrower obtains actual knowledge thereof, notice of:

(A) any litigation or governmental proceeding, pending (1) against the Borrower, Sponsor or ENEL (x) involving a claim in excess of \$100,000 with respect to the Borrower and \$5,000,000 with respect to the Sponsor or ENEL (or the equivalent thereof in other currency) or (y) which is reasonably likely to have a Material Adverse Effect or (2) with respect to any Project Document;

(B) any proposal by any Governmental Authority to acquire compulsorily the Borrower, Sponsor, the Shareholder or ENEL, any Collateral or a substantial part of the business or assets of any of them;

(C) any substantial dispute between or among the Borrower, the Sponsor, the Shareholder or ENEL and any Governmental Authority or any other of the Borrower, Sponsor, the Shareholder or ENEL;

(D) any change in the authorized officers or directors referred to in Section 4.01(d) above, giving certified specimen signatures of any new officer or director so appointed and, if requested by the Lender, satisfactory evidence of the authority of such new officer or director;

(E) any actual or proposed termination, rescission, discharge (otherwise than by performance), amendment or waiver or indulgence under, any material provision of any Project Document (other than by the Lender);

(F) any material notice or correspondence received or initiated by the Borrower relating to a Governmental Approval or other license or authorization necessary for the performance by it of its obligations under the Project Documents;

(G) any Lien (including a Permitted Lien) becoming enforceable over any of the Borrower's assets;

(H) any proposed material change in the nature or scope of the Project or the business or operations of the Borrower, the Sponsor or ENEL and any one or more events, conditions or circumstances (including without limitation Force Majeure as defined in the ENEL Agreements) that exist or have occurred which are reasonably likely to have a Material Adverse Effect; or

(I) the occurrence of any event or act which could reasonably qualify as the basis for a claim under either of the MIGA Contracts.

(f) Implementation Reports. Within 21 days of the end of each month, beginning with the end of the month hereof, a report executed by the Borrower's chief engineer and attached to each Application for Funding in a form satisfactory to the Lender, on the implementation and progress of the Project, including (i) any factors materially and adversely affecting or which are reasonably likely to materially and adversely affect the carrying out of Phase II of the Project and (ii) copies of any reports received by the Borrower from any outside technical consultant identifying any matter that is of material adverse significance to the rehabilitation or operation of the Power Plant. Upon reasonable request of the Lender, the Borrower shall provide to the Lender copies of all reports submitted by the Borrower to ENEL or CNDC under the ENEL Agreements.

(g) Fiduciary Account Reports. The Borrower shall provide to the Lender any and all copies of monthly reports issued by Banco de Credito Centroamericano ("Banco") in accordance with Section 2.2 of the Fiduciary Account Agreement. Such reports shall be provided no later than the tenth day of each calendar month. The Borrower shall attach to each copy of such reports a copy of the notice specified under Section 2.1(c) of such Fiduciary Account Agreement indicating the amount to be required to be deposited in the account for the applicable month(s).

(h) Other Information. Any other information or reports related to the Borrower, Sponsor, the Shareholder, ENEL or the Project as the Lender may reasonably request.

SECTION 5.02 BOOKS, RECORDS AND INSPECTIONS; ACCOUNTING AND AUDIT MATTERS.

(a) Maintenance of Books and Records; Inspections. The Borrower will keep proper books of record and account adequate to reflect truly and fairly the financial condition and results of operations of the Borrower (including the progress of the Project) in which full, true and correct entries in conformity with GAAP shall be made. The Borrower will permit officers and designated representatives of the Lender to visit and inspect, under guidance of officers of the Borrower, any of the properties of the Borrower, and to examine and make copies of the books of record and account of the Borrower and discuss the affairs, finances and accounts of the Borrower with, and be advised as to the same by, its officers, all at such reasonable times and intervals and to such reasonable extent as the Lender may request.

(b) Consultation with Auditors. The Borrower shall (i) authorize the Auditors to communicate directly with the representatives of the Lender at reasonable intervals, but if a Default or Event of Default has occurred or is continuing, then at any time, regarding the Borrower's accounts and operations and (ii) furnish to the Lender a copy of such authorization, provided, however, that the Lender will (i) provide the Borrower with copies of any correspondence between such representatives and the Auditors; and (ii) provide the Borrower

with reasonable notice of any meeting between such representatives and the Auditors, with a description of the matters to be discussed at such meeting, and allow the Borrower to attend any such meeting.

SECTION 5.03 MAINTENANCE OF PROPERTY; INSURANCE.

(a) Obligation to Maintain Property and Insurances. The Borrower will (i) keep all property in its business in good working order and condition; (ii) keep its present and future properties and business insured (with business interruption coverage in an amount sufficient to cover fixed operating costs plus Debt Service as set forth in the approved Business Plan for a 24-month period commencing on the date of loss with financially sound and reputable insurers satisfactory to the Lender against loss or damage in such manner and to the same extent as specified in Schedule 5.03 until the expiration of such policies and continuously immediately thereafter, in each case pursuant to policies naming the Lender except as otherwise provided in Schedule 5.03 as sole loss payee thereunder, permitting the Lender to make claims thereunder and containing cut-through endorsements to reinsurers and provisions requiring that the Lender shall receive notices of extensions or renewals of insurance policies and notice of any non-payment of premiums and that such policy may only be canceled for non-payment of premiums, if cancelable, upon sixty (60) days prior notice to the Lender. Under no circumstances shall the Lender become liable for the payment of any premiums or any other amounts due or payable under the Insurance Contracts. On or prior to the dates required pursuant to this Section 5.03, the Borrower will submit to the Lender certificates of insurance relating to the insurances specified in Schedule 5.03 (together with copies of such insurance policies if then available) from the Borrower's insurers and insurance brokers (including confirmation of premium payments then due), which certificates shall indicate the properties insured, amounts and risks covered, names of the beneficiaries, expiration dates, names of the insurers and special features of the insurance policies. The Borrower shall provide the Lender with copies of insurance policies relating to the insurances specified in Schedule 5.03 hereto on or prior to the date such policies are required to be delivered to the Lender such policies to be in form and substance, and issued by companies, satisfactory to the Lender.

(b) Compliance with MIGA Contracts. The Borrower shall comply with or perform and shall procure compliance with or performance of all obligations specified under the MIGA Contracts as required to be complied with or performed by the Project Enterprise (as defined in the MIGA Contracts) or by the Guarantee Holder (as defined in the Shareholder's MIGA Guarantee) and shall not take any action or fail to take any action which would permit MIGA to terminate any of the MIGA Contracts.

(c) Effectiveness of Assignments. In the event that any insurance whatsoever is purchased, taken or otherwise obtained by the Borrower with respect to the Project, excluding insurance policies under Section 4.2.1 of the PPA, otherwise than as required hereunder or if not properly endorsed to the Lender as the sole loss payee or otherwise made upon the terms required in this Section 5.03, without limitation to any provision of the Security Documents, such insurance shall be considered assigned hereunder to the Lender with the right of the Lender to exercise its rights and remedies under any of the Financing Documents or under any Applicable Law.

(d) Reinstatement and Renewal of Insurances. Promptly after the

issuance, renewal, expiration or termination of any of the Insurance Contracts other than the MIGA Guarantee required to be maintained under this Section 5.03, or upon the reasonable request of the Lender, the Borrower shall cause issuance of a certificate stating that each of such Insurance Contracts is in full force and effect.

SECTION 5.04 MAINTENANCE OF EXISTENCE; PRIVILEGES; ETC. The Borrower shall at all times (a) preserve and maintain in full force and effect (i) its existence as an exempted limited liability company and in good standing under the laws of the Cayman Islands, (ii) its qualification to do business in each other jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as conducted or proposed to be conducted makes such qualification necessary and (iii) all of its powers, rights, privileges and franchises necessary for the construction, ownership, maintenance and operation of the Project and the maintenance of its existence, (b) obtain in a timely manner and maintain in full force and effect (or where appropriate, renew) all Governmental Approvals (including, without limitation, those under Environmental Laws) and all other licenses, registrations, waivers, consents and approvals required at any time or advisable in connection with the construction, maintenance, ownership or good and orderly operation of the Project and all licenses, consents and approvals necessary for the conversion to Dollars of all Cordoba amounts payable under the PPA, the Nicaragua Government Support Letter for the remission to the United States in Dollars of any amounts paid or payable to the Lender in connection with any Financing Document or the transactions contemplated thereby, and (c) preserve and maintain good and marketable title to its properties and assets (it being understood that the Borrower's rights with respect to the Site are solely as set forth in the Agreement of Association in Participation) subject to no Liens other than Permitted Liens.

SECTION 5.05 COMPLIANCE WITH STATUTES. The Borrower will comply with all Applicable Laws in respect of the conduct of its business and the ownership, operation and use of its property.

SECTION 5.06 PROJECT IMPLEMENTATION. The Borrower shall (i) carry out the Project and conduct its business with due diligence and efficiency and in accordance with sound engineering, financial, and business practices; (ii) obtain, or cause to be obtained, approval by the competent authority of the Republic of Nicaragua of the Project Remediation Plan; and (iii) use the proceeds of all Disbursements only for the purposes set forth in Section 2.02(a) and strictly in accordance with the Business Plan.

SECTION 5.07 AUDITORS. In the event that PricewaterhouseCoopers, Nicaragua should cease to be the Auditors of the Borrower for any reason, the Borrower shall appoint and maintain as the Auditors another firm of independent public accountants approved by the Lender.

SECTION 5.08 TAXES, DUTIES, ETC. The Borrower will pay and discharge all taxes, duties, fees, assessments and other governmental charges (including, without limitation, any documentary, stamp, registration, transaction or similar tax or fee) imposed on it, on its income or profits, on any of its property, or in connection with the execution, issue, delivery, registration, notarization, assignment or transfer of any interest in or for the legality, validity or enforceability of any Project Document (including, without limitation, any such tax or fee imposed in connection with any assignment or transfer by any Lender of the Loans or any of its

interests therein or herein) prior to the date on which penalties attach

thereto, and all claims, levies or liabilities (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which have or, if unpaid, might become a Lien upon the property of Borrower (or any part thereof). The Borrower shall have the right, however, to contest in good faith the validity or amount of any such tax, assessment, governmental charge or claim by proper proceedings timely instituted, and may permit the taxes, assessments, governmental charges or claims so contested to remain unpaid during the period of such contest if: (a) the Borrower diligently prosecutes such contest; (b) during the period of such contest the enforcement of any contested item is effectively stayed; (c) the Borrower sets aside on its books adequate reserves with respect to the contested items; and, (d) such contest does not, in the reasonable discretion of the Lender, involve a material risk of the sale, forfeiture or loss of any of the Collateral. The Borrower will promptly pay or cause to be paid any valid, final judgment enforcing any such tax, duty, fee, assessment, other governmental charge or claim and cause the same to be satisfied of record.

SECTION 5.09 PERFORMANCE OF OBLIGATIONS. The Borrower will perform all of its material obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound and will perform (a) all of its obligations under the terms of the Financing Documents, the PPA and the Agreement of Association in Participation and (b) such of its obligations under the terms of the Implementation Agreements, the non-performance of which is reasonably likely to have a Material Adverse Effect. The Borrower will obtain and maintain in full force and effect at all times the registration of this CFA with the appropriate Governmental Authorities.

SECTION 5.10 AVAILABILITY AND TRANSFER OF FOREIGN EXCHANGE. All requisite foreign exchange control approvals, licenses, consents and authorizations, if any, by Nicaragua or any department or agency thereof will be kept current and in full force and effect to assure (a) the ability of the Borrower to make any and all payments to the Borrower contemplated by the Project Documents and (b) and availability of Dollars to enable the Borrower to perform all of its obligations hereunder and under all other Project Documents in accordance with their respective terms.

SECTION 5.11 NAME CHANGES; ETC. The Borrower shall not change its name without the prior written consent of the Lender which shall not be unreasonably withheld. The Borrower shall not adopt or change any trade name or its business name without the prior written consent of the Lender which shall not be unreasonably withheld. The Borrower shall execute and deliver to the Lender any additional documents necessary or advisable to reflect any permitted adoption of or change in its name, trade name or fictitious name.

SECTION 5.12 CONSOLIDATION, MERGER, SALE OF ASSETS. Without the prior written consent of the Lender, the Borrower will not: (a) wind up, liquidate or abandon its affairs or enter into any transaction of merger or consolidation; (b) convey, sell, lease or otherwise transfer (or agree to do any of the foregoing at any future date) all or any part of its property or assets, except in the ordinary course of business and except sales of equipment which is uneconomic or obsolete or sales of assets that are no longer used by or useful to the Project and which are promptly replaced (if applicable) by substitutes of substantially equivalent utility to the replaced assets; or, (c) purchase or otherwise acquire (in one or a series of related transactions) any part of

the property or assets of any Person (other than purchases or other acquisitions of inventory or materials or capital expenditures, each in the ordinary course

of business).

SECTION 5.13 DISTRIBUTIONS; RESTRICTED PAYMENTS.

(a) Distributions. Without the prior written consent of the Lender, the Borrower will not return any capital or pay any profits to holders of any Share Capital or authorize or make or incur or assume any obligation to make any other distribution, payment or delivery of property or cash to the Shareholder or the Sponsor as such or by way of payment on account of Subordinated Indebtedness, or otherwise acquire, directly or indirectly, for consideration any ownership interest in the Borrower now or hereafter outstanding, or set aside any funds for any of the foregoing purposes, except if there is no Default and if at the time of declaration and after payment of such dividend, the Borrower meets the requirements of Section 5.34(b).

(b) Restricted Payments. Without the prior written consent of the Lender, the Borrower will not (i) make any payment or delivery of property or cash to any Person on account of any subordinated debt service or (ii) redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any third party subordinated indebtedness, or (iii) set aside any funds for any of the foregoing purposes, except in accordance with the Sponsor Project Funding Agreement.

SECTION 5.14 LEASES. Without the Lender's prior written consent, the Borrower will not enter into any agreement or arrangements to lease any property or equipment of any kind as lessee, except with respect to which the aggregate lease payments do not exceed the equivalent of US\$1,000,000 in any Fiscal Year or \$3,000,000 in the aggregate with respect to property other than Capital Expenditures.

SECTION 5.15 INDEBTEDNESS. Without the prior written consent of the Lender, the Borrower will not contract, create, incur, assume or suffer to exist any Indebtedness, except for the following types of Indebtedness ("Permitted Indebtedness"):

(a) The Loans. Indebtedness of the Borrower incurred under the Financing Documents;

(b) Working Capital. Indebtedness for working capital in the normal course of business and pari passu with the Loans, which would not exceed at any one time outstanding the equivalent of an amount equal to the sum of all revenues received by the Borrower for the three month period prior to the date such Indebtedness is incurred.

SECTION 5.16 LIENS. Without the prior written consent of the Lender, the Borrower will not, and will not agree to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real, personal or mixed, tangible or intangible) of the Borrower, whether now owned or hereafter acquired, provided that the provisions of this Section 5.16 shall not prevent the creation, incurrence, assumption or existence of the following Liens (each, a "Permitted Lien"):

(a) Liens. Liens for current taxes, assessments and other governmental charges, the payment of which is not at the time required;

(b) Liens Hereunder. Liens created pursuant to the Security Documents;
and

(c) Statutory Liens. Mechanics', materialmen's, carrier's and similar Liens securing obligations incurred in the ordinary course of business which (i)

are not past due or which are the subject of a Good Faith Contest by the Borrower (unless during the pendency of such contest or as a result thereof the Liens of the Security Documents could reasonably be expected to be materially endangered or any material portion of the Site, or the Project could reasonably be expected to become subject to loss or forfeiture) and (ii) which do not in the aggregate materially detract from the value of the Site or the Project or other assets of the Borrower or materially impair the use thereof; provided that upon the commencement of any proceeding to foreclose or enforce any such Permitted Lien, the Lender may take such action as it reasonably deems necessary to protect the Lender's interests in the Site or the Project including, without limitation, payment of amounts reasonably necessary to release any such Lien, and in such event the Borrower shall reimburse the Lender upon demand for the cost thereof together with interest thereon at a rate per annum equal to the LIBOR Overnight Rate plus 4.50%.

SECTION 5.17 GUARANTEES. Without the prior written consent of the Lender, the Borrower will not enter into any Contingent Obligations.

SECTION 5.18 SUBSIDIARIES; ADVANCES, INVESTMENTS AND LOANS. Without the prior written consent of the Lender, the Borrower will not form or have any Subsidiaries, lend money or credit or make deposits (other than deposits with the Lender or as provided in Section 5.28 of this Agreement or in relation to the payment for goods and equipment in the ordinary course of business) with or advances (except as specifically required by any Implementation Agreement) to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person, except that the Borrower may instruct the Lender to make Permitted Investments for the account of the Borrower up to amounts available in its current accounts with the Lender's New York Branch; provided, that such Permitted Investments shall mature no later than the Business Day prior to the day on which the Borrower needs the proceeds thereof for payment of Debt Service or for any other permitted use under this Agreement.

SECTION 5.19 TRANSACTIONS. The Borrower will not enter into any transaction or series of related transactions with any Person other than in the ordinary course of business on terms at least as favorable to the Borrower as available on an arm's-length basis from third parties and as permitted under the PPA. The Borrower shall remain at all times the "supplier" and the "operator" for purposes of the ENEL Agreements and will not, except in accordance with Sections 4.1.10 and 4.1.11 of the PPA, assign, hire, contract with or otherwise transfer to any Person the rights, duties and responsibilities under the ENEL Agreements.

SECTION 5.20 OTHER TRANSACTIONS. Without prior written consent of the Lender, the Borrower will not enter into any partnership, profit-sharing, or royalty agreement or other similar arrangement whereby the Borrower's income or profits are, or might be, shared with any other Person, or enter into any management contract or similar arrangement whereby its business or operations are managed by any other Person, except as permitted under the PPA.

SECTION 5.21 MODIFICATIONS OF ORGANIZATION DOCUMENTS; ADDITIONAL AGREEMENTS; ASSIGNMENTS AND MODIFICATIONS OF AGREEMENTS; ETC.

(a) No Modifications. The Borrower will not, without the prior written consent of the Lender, (i) amend or modify the Organization Documents of the Borrower, (ii) its filings with the Nicaraguan Foreign Investment Committee in existence as of the date hereof or (iii) change its Fiscal Year.

(b) No Amendment or Transfer of Project Documents. Without the prior written consent of the Lender which shall not be unreasonably withheld or

delayed, the Borrower shall not, directly or indirectly, terminate, cancel or suspend, or permit or consent to any termination, cancellation or suspension of, or enter into or consent to or permit the assignment of amend or modify the terms of the rights or obligations of any party to, any of the Project Documents. The Borrower shall not, directly or indirectly, amend, modify, supplement or waive, or permit or consent to the amendment, modification, supplement or waiver of, any of the provisions of, or give any consent under, any of the Project Documents without the prior, written consent of the Lender which shall not be unreasonably withheld or delayed.

(c) No Assignments of Project Document Rights. Other than the assignment of the Project Documents to the Lender, the Borrower will not assign (except with respect to Permitted Liens) any of its rights or obligations under any Project Document without the prior written consent of the Lender.

(d) No PPA Termination Without Lender Consent. The Borrower will not take any action under Section 12.3 of the PPA to require Termination (in terms of the PPA) without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

(e) No Force Majeure Claims Without Lender Consultation. The Borrower shall not claim for itself Force Majeure as provided in Clause XI of the PPA without prior consultation with the Lender.

SECTION 5.22 NO OTHER BUSINESS. Without the prior written consent of the Lender, the Borrower will not carry on any business other than in connection with the completion and operation of the Project and will take no action whether by acquisition or otherwise which would constitute or result in any material alteration to the nature of that business or the nature or scope of the Project.

SECTION 5.23 ABANDONMENT. The Borrower will not abandon or agree to abandon the Project or place it or agree to place it on a "care and maintenance" basis provided, however, that (a) nothing in this Section 5.23 shall prevent the Borrower from making shut-downs necessary for repairs and maintenance at the Power Plant in accordance with the ENEL Agreements or from placing the Power Plant or any part thereof on a "maintenance" basis during any Force Majeure (not within the control of the Borrower, which Force Majeure prevents the Borrower from rehabilitating, maintaining or operating same); and (b) nothing in this Section 5.23 shall be deemed to waive or limit in any way the right of the Lender to declare an Event of Default as provided in Article 6 hereof.

SECTION 5.24 IMPROPER USE. The Borrower will not use, maintain, operate or occupy, or allow the use, maintenance, operation or occupancy of, any portion of the Site or the Project for any purpose:

30

(a) Danger. Which may be dangerous, unless safeguarded as required by Applicable Law (provided, however, that this clause (a) shall not be deemed to prohibit the Borrower from carrying out the Project in accordance with the terms of the PPA and the Drilling Contracts in a reasonable and prudent manner);

(b) Violation of Applicable Law. Which violates any Applicable Law in any material respect;

(c) Nuisance. Which may constitute a public or private nuisance resulting in a Material Adverse Effect;

(d) Effect on Insurance Coverage. Which may make void, voidable, or cancelable or increase the premium of, any insurance (including, but not limited to, the MIGA Contracts) then in force with respect to the Site or the Project or any part thereof unless, in the case of an increase in premium, the Borrower

gives proof of payment of such increase; or

(e) Other Purposes. Otherwise than for the intended purpose thereof in the rehabilitation, maintenance and operation of the Power Plant.

SECTION 5.25 BUSINESS PLAN EXPENDITURES. From and after the Effective Date the Borrower may accelerate expenditures in any Fiscal Year in excess of the projected annual costs set forth in the Business Plan provided such expenditures are conducive to the earlier completion of the Project; the Borrower shall not delay any such expenditures without the concurrence of the Lender's Engineer.

SECTION 5.26 ISSUANCE OR TRANSFER OF SHARES. The Borrower will not issue any additional Share Capital or permit or consent to the transfer (by sale, assignment or otherwise) of any Share Capital in the Borrower, except as permitted under the Share Pledge and Sponsor Participation Retention Agreement.

SECTION 5.27 AMENDMENT OF BUSINESS PLAN. Other than as provided in Section 5.25, the Borrower will not, directly or indirectly, amend, modify, allocate, re-allocate or supplement or permit or consent to the amendment, modification, allocation, re-allocation or supplement of, any of the provisions of the Business Plan, except with the prior written approval of the Lender.

SECTION 5.28 BANK ACCOUNTS. The Borrower shall (a) establish and maintain at all times bank accounts with the Lender's New York Branch, opening such accounts with such documents as the Lender may require; and (b) maintain all its other bank accounts with the Lender, except that the Borrower may maintain bank accounts with balances not exceeding \$1,000,000, plus, for a period of 5 Business Days from the receipt thereof by the Borrower, an amount equal to the payments from ENEL, or its equivalent in Cordobas or combination thereof with Banco de Credito Centroamericano S.A. or such other Nicaraguan financial institutions that are approved in advance by the Lender; provided, however, that it shall not be a Default or Event of Default if the balances in the accounts permitted hereunder exceed such permitted amounts solely as a result of the Borrower's inability to exchange or transfer local currency, as a result of disruption in or closure of the foreign exchange market, if and for so long as such inability to convert or transfer continues and if there is not otherwise an Event of Default.

SECTION 5.29 PRESS RELEASES; ADVERTISING. Neither the Borrower, the Lender nor any Affiliate of the Borrower shall issue or consent to the issuance of any press release or other announcement or advertisement that refers to the provision of financing by the Lender for the Project without the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed; except that no consent shall be required where (a) the issuance of such press release, announcement or advertisement is required by Applicable Law or (b) such press release, announcement or advertisement discloses only the names of the parties involved in the provision of financing for the Project, together with a general description of the Project, without disclosing any of the terms of such financing.

SECTION 5.30 ADDITIONAL DOCUMENTS; FILINGS AND RECORDINGS. The Borrower shall execute and deliver, from time to time as reasonably requested by the Lender at the Borrower's expense, such other documents as shall be necessary or advisable or that the Lender may reasonably request in connection with the rights and remedies granted or provided for by the Project Documents, as applicable, and to consummate the transactions contemplated therein. The Borrower shall, at its own expense, take all reasonable actions that have been or shall be requested by the Lender or that the Borrower knows are necessary to

establish, maintain, protect, perfect and continue the perfection of the first priority security interests of the Lender created by the Security Documents and shall furnish timely notice of the necessity of any such action, together with such instruments, in execution form, and such other information as may be required to enable the Lender to effect any such action. Without limiting the generality of the foregoing, the Borrower shall (a) execute or cause to be executed and shall file or cause to be filed such financing statements, continuation statements, fixture filings and mortgages or deeds of trust in all places necessary or advisable (in the opinion of counsel for the Lender) to establish, maintain and perfect such security interests and in all other places that the Lender shall reasonably request and (b) do everything necessary in the reasonable judgment of the Lender to (i) create and perfect the Security with respect to future assets covered by the Security Documents, (ii) maintain the Security in full force and effect at all times and (iii) preserve and protect the Collateral and protect and enforce its rights and title and the rights and title of the Lender to the Collateral.

SECTION 5.31 EMPLOYEES AND EMPLOYEE PLANS. The Borrower shall not adopt, establish, maintain, sponsor, administer, contribute to, participate in, or incur any liability to provide post-retirement welfare benefits, except such liability to provide post-retirement welfare benefits as may be required by Applicable Law, the PPA and the Agreement of Association in Participation.

SECTION 5.32 ACCOUNTING CHANGES. The Borrower shall not make any significant change in accounting treatment or reporting, except as permitted by GAAP.

SECTION 5.33 DEBT SERVICE RESERVE ACCOUNT. The Borrower will establish no later than the Loan I Closing Date a separate Debt Service Reserve Account, maintained with the Lender's New York Branch, funded in Dollars with respect to each of Loan I and Loan II, on the earlier of (x) the date of the Phase I Completion Certificate or the Phase II Completion Certificate or (y) the last day of the Loan I Availability Period or Loan II Availability Period, as the case may be. The Lender will fund this obligation by drawing on the respective Loan commitments and by crediting the DSRA with the amount required and adding such amount to the outstanding balance of the respective Loan I or Loan II, and with a balance sufficient at all

times to cover Indebtedness For Borrowed Money in respect of Loan I and Loan II falling due on the first and second Principal Repayment Dates of each respective Loan, and in each case thereafter on the two next successive Principal Repayment Dates. Notwithstanding the above, in the event the Borrower does not have sufficient funds in bank accounts other than the DSRA, the Borrower may utilize balances in the DSRA to make payments as required under Section 2.03 and Section 2.04 of this Agreement on any Principal Repayment Date provided the remaining balance is not less than the amounts required for the next Principal Repayment Date. In such a case, the Borrower must deposit funds to the DSRA within 180 days in an amount sufficient to comply with the requirements of this Section 5.33.

SECTION 5.34 FINANCIAL RATIOS. The Borrower shall maintain at all times the following financial ratios:

(a) Leverage. A Senior Loan Debt to Borrower's Equity ratio not to exceed 7:3 prior to the Loan II Closing Date and 3:1 thereafter; and

(b) Coverage. A DSCR at a minimum level of 1.25:1, determined on and

reported to Lender on a quarterly basis.

(i) Prior to the Loan II Closing Date

(A) During the first four quarters commencing on the Loan I Closing Date the ratio shall be calculated as projected EBITDA during the succeeding four quarters divided by the Debt Service for the successive four quarters beginning on the first Principal Repayment Date, on the basis of the amount outstanding under Loan I on the date of calculation.

(B) From a date which is one year after the Loan I Closing Date the ratio shall be calculated as EBITDA during the previous four quarters divided by the Debt Service for the successive four quarters beginning on the first Principal Repayment Date, on the basis of the amount outstanding under Loan I on the date of calculation.

(ii) After the Loan II Closing Date:

(A) The ratio shall be calculated as EBITDA during the previous four quarters divided by the Debt Service for the succeeding four quarters in respect of Loan I and for the successive four quarters beginning on the first Principal Repayment Date applicable to Loan II and, in the event the Borrower declares a dividend, such dividend is permitted to be distributed under the terms of this Agreement and the Borrower distributes such dividend from Net Cashflow, the Borrower shall have reserved or set aside the payment of an amount from Net Cashflow as is necessary to maintain the DSCR at a minimum level of 1.25:1 after such dividend is distributed.

SECTION 5.35 COMPLETION CERTIFICATE. At the conclusion of each of Phase I and Phase II, as determined by the Borrower, which determination in the case of Phase II shall not be made prior to the completion of all geothermal wells for which drilling has begun unless the Lender's Engineer confirms that no Material Adverse Effect will result if such drilling is not completed, the Borrower shall submit to the Lender a Phase I or II Completion Certificate, as appropriate, certifying to the Lender that Phase I or Phase II, respectively, has been completed.

SECTION 5.36 LENDER'S EXPERTS AND CONSULTANTS.

(a) Lender's Engineer. The Lender may appoint an independent engineer or engineering firm to act as the Lender's engineer (the "Lender's Engineer") to observe and report on the drilling and construction works related to Phase II of the Project, to approve each Application for Funding from the Loan II Commitment as appropriate for the value of the work performed or to be performed, and in general to report to the Lender on the progress of the Project;

(b) Insurance Consultant. The Lender may appoint an independent Insurance Consultant to advise the Lender regarding the adequacy of all insurance coverage related to the Project and to make recommendations in respect thereto; and

(c) Borrower to Reimburse for Costs. All fees, disbursements and all other related costs of the Lender's Engineer and Insurance Consultant shall be reimbursed or paid by the Borrower no later than 30 days from the date of the Borrower's receipt of the relevant invoice.

SECTION 5.37 REGULATORY STATUS. The Borrower shall remain continuously exempt from all regulation under PUHCA as a result of being a "foreign utility company" under Section 33 of PUHCA or otherwise.

SECTION 5.38 CHILD LABOR AND FORCED LABOR. The Borrower shall refrain from employing Harmful Child Labor and/or using Forced Labor as defined in the MIGA Guarantee.

SECTION 5.39 INSURANCE PROCEEDS. The Borrower shall, in accordance with Section 4.2.2.2 of the PPA, apply all insurance proceeds received under the All-Risks property insurance to repair and rebuild the Project. In the event that ENEL fails to present a claim under such All-Risks property insurance to the insurers, the Borrower shall present such claim. In the case of business interruption, insurance proceeds shall be paid to or received by the Lender and held by it to be applied as if received from the Borrower as payment for amounts due on the next Principal Repayment Date and, provided no Event of Default has occurred and is continuing, any remaining amount shall be paid to the Borrower.

SECTION 5.40 NOTARIZATION, CONSULARIZATION AND REGISTRATION OF CFA

Within thirty (30) calendar days of the date hereof, this Agreement shall be translated into Spanish by an official translator, notarized and consularized as well as delivered for registration with each of the following:

(i) Ministerio de Hacienda y Credito Publico, Direccion General de Ingresos, for purposes of the Ley de Impuestos sobre la Renta of Nicaragua; and

(ii) Banco Central de Nicaragua, for purposes of the Ley Monetaria of Nicaragua.

SECTION 5.41 MIGA PREMIUM PAYMENTS

The Borrower will maintain with the Lender's New York Branch a balance in Dollars equal to the premium in respect of the MIGA Guarantee, as notified to the Borrower by either

MIGA or the Lender, falling due for the next six-month coverage period not less than two weeks prior to the due date.

SECTION 5.42 PPA AMENDMENT.

The Borrower shall use its reasonable efforts to ensure that an amendment to the PPA substantially in the form attached as Schedule 5.43 has been executed and is in full force and effect within 120 days of the date hereof. Failure to receive such executed amendment shall not constitute a Default or an Event of Default, but, the provision of Section 4.04(d) shall apply.

SECTION 5.43 MIGA ARBITRATION. The Borrower shall cooperate with the Lender and take such actions as the Lender may request to enable the Lender to obtain an Award (as such term is defined in the MIGA Guarantee) for purposes of satisfying the provision of Section 17.2 of the MIGA Guarantee, provided that if the Borrowers shall also elect to pursue an Award, the Lender shall consult with the Borrower regarding such actions.

ARTICLE 6. EVENTS OF DEFAULT.

Each of the following events or conditions set forth in Sections 6.01 through 6.17 (inclusive) shall be an event of default ("Event of Default") hereunder:

SECTION 6.01 PAYMENTS. The Borrower shall default in the payment when due of any principal of any Loan or any interest on any Loan or any other amounts owing to the Lender hereunder and such default shall continue unremedied for five (5) or more Business Days.

SECTION 6.02 REPRESENTATIONS, ETC. Any representation or warranty confirmed or made in any Project Document by the Borrower or any obligor which is an Affiliate of the Borrower, or in any writing provided by any of them in connection with the execution and delivery of, or in connection with any Application for Funding under this Agreement shall be found to have been incorrect in any material respect when made or deemed to be made and shall continue to be incorrect for a period of thirty (30) days after notice thereof shall have been given to the Borrower by the Lender.

SECTION 6.03 COVENANTS.

(a) This Agreement. The Borrower shall fail to perform or observe any covenant, term or agreement contained in 5.03 (Maintenance of Property; Insurance), 5.21 (Modifications of Organization Documents; Additional Agreements; Assignments and Modifications of Agreements; Etc.), 5.22 (No Other Business), 5.28 (Bank Accounts), and 5.33 (Debt Service Reserve Account) hereof.

(b) Other Agreements. The Borrower, the Sponsor, Ormat Industries Ltd. or any other Affiliate of the Borrower shall fail to perform or observe any other covenant, term or agreement contained in this Agreement or any other Project Document to which it is a party and such failure shall not be remediable or, if remediable, shall continue unremedied for a period of 30 days after the earlier of (i) the date on which such failure shall have first become known to the Borrower, the Sponsor, Ormat Industries Ltd. or other Affiliate of the Borrower, as the case may be, and (ii) the date on which written notice thereof shall have been received by the Borrower, the Sponsor, Ormat Industries Ltd. or other Affiliate of the Borrower, as the case may be, from the Lender;

provided that if (A) such failure cannot be cured within such 30-day period, (B) such failure, in the reasonable judgment of the Lender, is susceptible of cure, (C) the Borrower, the Sponsor, Ormat Industries Ltd. or other Affiliate of the Borrower, as the case may be, is proceeding with diligence and in good faith to cure such failure, (D) the existence of such failure in the reasonable judgment of the Lender has not had and is not reasonably likely to have a Material Adverse Effect and (E) the Lender shall have received an officer's certificate signed by a Financial Officer of the Borrower, the Sponsor, Ormat Industries Ltd. or other Affiliate of the Borrower, as the case may be, to the effect of clauses (A), (B) and (C) above and stating what action the Borrower is taking to cure such failure, then, such 30-day cure period shall be extended by up to an additional 60 days as shall be necessary for the Borrower, the Sponsor, Ormat Industries Ltd. or other Affiliate of the Borrower, as the case may be, diligently to cure such failure.

SECTION 6.04 DEFAULT UNDER OTHER AGREEMENTS.

(a) Borrower. Any Indebtedness For Borrowed Money of the Borrower shall be declared or for any reason any Person is entitled to declare it to be due and payable, or required to be prepaid other than by a regularly scheduled required

prepayment, prior to the stated maturity thereof taking into account any applicable grace period.

(b) ENEL Indebtedness. ENEL shall (i) default in any payment of any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$5 million beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness For Borrowed Money was created or (ii) default in the observance or performance of any material condition or provision of any agreement or condition relating to any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$10 million or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause any such Indebtedness For Borrowed Money to become due prior to its stated maturity.

(c) The Sponsor. The Sponsor (i) defaults in any payment of any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$5 million beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness For Borrowed Money was created or (ii) defaults in the observance or performance of any material condition or provision of any agreement or condition relating to any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$10 million or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause any such Indebtedness For Borrowed Money to become due prior to its stated maturity.

(d) ENEL Project Obligations. A default shall have occurred in the performance of any material obligation by (i) ENEL or Nicaragua under any of the Project Documents to which such Person is a party and such default shall continue unremedied beyond the period of grace, if any, extended to such Person with respect to such default, as specified in the Project Document under which such obligation was created or (ii) any other party (other than the Persons referred to in clause (i) of this Section 6.04(d)) under any of the Project Documents and the existence of such default in the reasonable judgment of the Lender has had or is reasonably likely to have a Material Adverse Effect and such default has not been cured within 60 days.

SECTION 6.05 BANKRUPTCY, ETC. There shall have been entered against the Borrower, Ormat Holding Corp., the Sponsor or ENEL a decree or order by a court adjudging the Borrower or such other Person bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower or such Person under any Applicable Law; or appointing a receiver, liquidator, assignee, trustee, sequestrator, special manager or administrator (or other similar official) of the Borrower or such Person or of any substantial part of its property or other assets, or ordering the winding up or liquidation of its affairs and the Borrower or such other Person (w) fails to obtain the dismissal or stay on appeal of any such proceeding or arrangement within forty-five (45) days of the commencement thereof against it or (x) any other procedure for the relief of financially distressed debtors is instituted against it and is not dismissed within forty-five (45) days of such commencement; or the institution by the Borrower or such other Person of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it; or the filing by it of a petition or answer or consent seeking reorganization or debt relief under any Applicable Law; or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, special manager or administrator (or other similar official) of the Borrower or any such other Person or of any substantial

part of its property; or the making by it of an assignment or an arrangement for the benefit of creditors; or the admission by it in writing of its inability to pay its debts generally as they become due; or any other event shall have occurred which under any Applicable Law would have an effect analogous to any of those events listed above in this subsection with respect to the Borrower or Ormat Holding Corp., the Sponsor or ENEL; or any corporate action is taken by the Borrower or Ormat Holding Corp., the Sponsor or ENEL for the purpose of effecting any of the foregoing; provided that any reorganization or reconstruction of a company while solvent with the prior consent of the Lender, such consent not to be unreasonably withheld or delayed, shall not be held to constitute any event mentioned in this paragraph; and provided, further, that (a) in connection with any other Person, no Event of Default shall be declared under this Section 6.05 if (y) such Person has fully complied and continues to fully comply with all of its obligations under all Project Documents to which such Person is a party and (z) in the reasonable judgment of the Lender, such Event of Default has not had and is not reasonably likely to have a Material Adverse Effect.

SECTION 6.06 PROJECT EVENTS.

(a) Eviction. The Borrower shall cease to have the right to access and use the Site; or

(b) PPA Termination. Any event shall have occurred which entitles (i) the Borrower to give a notice under Section 12.3 of the PPA, or (ii) ENEL to give a notice under Section 12.2 of the PPA; or

(c) Disposition of Interest. The Borrower shall (except as permitted by Section 6.13 hereof) sell or otherwise dispose of any of its interest in the Project.

SECTION 6.07 MATERIAL ADVERSE EFFECT. One or more events, conditions or circumstances shall exist or shall have occurred which, in the reasonable judgment of the Lender, is reasonably likely to have a Material Adverse Effect.

SECTION 6.08 PROJECT DOCUMENTS; SECURITY DOCUMENTS.

(a) Failure of Project Document. This Agreement or any of the other Financing Documents or any of the Project Documents, or any material provision hereof or thereof (i) is or becomes invalid, illegal or unenforceable or any party thereto (other than the Lender) shall so assert, unless a Good Faith Contest is instituted and the assertion is withdrawn within 30 days thereof and prior to the next date of Disbursement, or (ii) ceases to be in full force and effect, or shall cease to give the Lender the Collateral, rights, powers and privileges purported to be created thereby, therein or hereby or any party thereto (other than any Lender) shall so assert subject to the last clause of this Section 6.08 (a)(i).

(b) Failure of Security Document. Except as permitted by Section 5.16 hereof, the Collateral or any component part thereof for any reason fails to constitute a valid and perfected first priority Lien or ceases to be in full force and effect or the Borrower or the grantor or pledgor thereof shall so assert provided, however, that if and for so long as the Sponsor Project Funding Agreement and the Contingent Guarantee Agreement remain in full force and effect, the cancellation, invalidity or termination of the coverage for Expropriation as provided in Addendum A, Paragraphs 1 and 3 of the MIGA Guarantee shall not be an Event of Default under this Section 6.08(b).

SECTION 6.09 OWNERSHIP OF THE BORROWER. The Sponsor shall cease to maintain Control of the Borrower or shall cease to own, directly or indirectly, all of the ownership interests in the Borrower free and clear of all Liens other than as permitted by the Share Pledge and Sponsor Participation Retention Agreement (it being understood that, for purposes of this Section 6.09, if the Sponsor owns ownership interests in the Borrower indirectly, the percentage of its ownership in the Borrower shall be the product of the percentage ownership it has in any intermediate subsidiary or other entity and the percentage ownership which the subsidiary or other entity owning ownership interests in the Borrower directly has in the Borrower).

SECTION 6.10 JUDGMENTS. One or more judgments or decrees shall be entered (a) against the Borrower involving in the aggregate a liability (not paid or fully covered by insurance) of \$1 million or more; or (b) prior to the date on which the Sponsor shall cease to be an obligor, against the Sponsor or involving in the aggregate a liability (not paid or fully covered by insurance) of \$1 million or more with respect to the Sponsor which liability in the reasonable judgment of the Lender has had or is likely to have a Material Adverse Effect; and in any such case all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days after the entry thereof.

SECTION 6.11 GOVERNMENTAL ACTION. Any government or Governmental Authority shall have condemned, nationalized, seized, or otherwise expropriated all or any substantial part of the property or other assets of the Borrower or shall have assumed custody or control of such property or other assets or of the business or operations of the Borrower or shall have taken any action for the dissolution or disestablishment of the Borrower or any action that would prevent the Borrower or its officers from carrying on its business or operations or a substantial part thereof.

SECTION 6.12 PERMITS. The Borrower, ENEL, or any of their respective Affiliates shall fail to obtain, renew, maintain or comply in all material respects with any Governmental Approval set forth in Schedule 3.11, except as noted thereon, or any license, approval or

consent referred to in Section 4.02(c); or any such Governmental Approval or license, approval or consent shall be rescinded, terminated, suspended, modified or withheld or shall be determined to be invalid or shall cease to be in full force and effect; or any proceeding shall be commenced by or before any Governmental Authority for the purpose of rescinding, terminating, suspending, modifying or withholding any such Governmental Approval or license, approval or consent and such proceeding is not dismissed within 60 days; and such failure, rescission, determination of invalidity, termination, suspension, modification, withholding, cessation or commencement is reasonably likely to have a Material Adverse Effect.

SECTION 6.13 TRANSFER OF COLLATERAL; EVENT OF LOSS; DIMINUTION OF PROPERTY RIGHTS.

(a) Transfer; Event of Loss. Title to or any right in all or any part of the Collateral, covered by the Security Documents (other than as permitted pursuant to this Agreement, including Section 5.12 hereof) shall become vested in any party other than the party named as owner and/or holder thereof in the applicable Security Document, whether by operation of law or otherwise, or (iv) there shall have occurred an Event of Loss with respect to which adequate compensation has not been paid, or it is reasonably unlikely that adequate

compensation will be paid.

(b) Diminution. Except as permitted pursuant to any Financing Document or this Agreement, the Borrower hereafter grants or permits any easement or dedication, files any plat, declaration or restriction or enters any lease or sub-lease concerning the Site, the Collateral or the Power Plant and the effect thereof is determined by the Lender, in its reasonable discretion, to have a Material and Adverse Effect.

SECTION 6.14 COMPLETION BY DATE CERTAIN. A determination by the Lender, in each case in its reasonable judgment, that the Project is not reasonably likely to be completed either within the financial budget or on time as established under the Business Plan; provided that no Event of Default shall be declared as a result of any such determination if all of the following conditions are met: (i) within 30 days after notice by the Lender to the Borrower of such determination, the Borrower submits to the Lender a plan, in form and substance acceptable to the Lender, specifying the plan of action the Borrower intends to take to remedy the condition described herein and (ii) the Borrower proceeds diligently in implementing such plan to the Lender's reasonable satisfaction and provides reports periodically as the Lender may request of the status of such implementation and from time to time amends such plan with the Lender's consent (which shall not be unreasonably withheld) so that such plan remains likely to achieve its aims.

SECTION 6.15 SPONSOR PROJECT FUNDING AGREEMENT. The failure of the Sponsor to make or cause to be made any subordinated loan or equity contribution or the failure of the Sponsor to pay any amount required to be paid by it under, or otherwise to comply with any of the terms of, the Sponsor Project Funding Agreement.

SECTION 6.16 CONTINGENT GUARANTEE AGREEMENT. The failure of Ormat Industries Ltd. to pay any amount required to be paid by it under or otherwise to comply with any of the terms of the Contingent Guarantee Agreement.

SECTION 6.17 MIGA CONTRACTS. Any of the MIGA Contracts shall not be valid, binding and in full force and effect.

SECTION 6.18 REMEDIES. Notwithstanding anything herein or in any Financing Document or elsewhere to the contrary, upon the occurrence of an Event of Default, and at any time thereafter, if such Event of Default is continuing, the Lender, by written notice to the Borrower and the Sponsor, may declare immediately due and payable (i) all or any portion of the principal amounts of the Loans then outstanding, including accrued interest thereon to the date of payment, and (ii) all other amounts owing under this Agreement. Except as expressly provided in this Article 6, presentment, demand, protest, promptness, dishonor and all other notices of any kind are hereby expressly waived. The aforementioned right to accelerate is in addition to and not a substitute for any other rights and remedies, in law or in equity, available to the Lender under this Agreement and other Applicable Laws, including, without limitation or prejudice to the Lender's other rights and remedies, the following:

(a) Suspension. The Lender's right to refuse, and the Lender not to be obligated, to make any Disbursements or make any payments from any account, including (but not limited to) the Debt Service Reserve Account;

(b) Enforcement of Rights. Exercise any and all rights and remedies available to it under any of the Project Documents.

ARTICLE 7. MISCELLANEOUS

SECTION 7.01 NOTICES.

(a) Procedure. All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Borrower by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified below, and (ii) shall be followed promptly by the mailing or delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices below; or, as directed to the Borrower or the Lender, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Lender.

(b) Effectiveness. All such notices, requests and communications shall, when faxed, be effective when transmitted in legible form by facsimile machine, or if mailed, upon the seventh day after the date deposited into the national mail, or if delivered, upon delivery; except that notices pursuant to Article 2 shall not be effective until actually received by the Lender, and notices, requests and communications received on a day which is not a Business Day, shall be deemed received on the next following Business Day.

(c) Lender's Right to Rely. Any agreement of the Lender to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Lender shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Lender shall not have any liability to any other Person on account of any action taken or not taken by the Lender in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans shall not be

affected in any way or to any extent by any failure by the Lender to receive written confirmation of any telephonic or facsimile notice or the receipt by the Lender of a confirmation which is at variance with the terms understood by the Lender to be contained in the telephonic or facsimile notice.

(d) Addresses.

Addresses:

If to the Borrower:

ORMAT MOMOTOMBO POWER COMPANY
c/o Maples and Calder, Attorneys in Law
Ugland House
P.O.B. 309, George Town
Grand Cayman
Cayman Islands, British West Indies
Attn: President
Tel: 1-345-949-8066
Fax: 1-345-949-8080
and with a copy to:

c/o Ormat International, Inc.
980 Greg Street
Sparks, Nevada 89431-6039

Attn: President
Tel: (775) 356-9029
Fax: (775) 356-9039

If to the Lender:

BANK HAPOALIM B.M.
Foreign Trade Operations Center, Export Unit
40 Hamasger Street
Tel-Aviv 67131, Israel
Attn: I. Gottlieb
Tel: 011-972-3-714-6613/6616
Fax: 011-972-3-714-6619
Telex: 342342 or 341453

Copy to:

BANK HAPOALIM B.M.
Head Office/Corporate Banking Division
Trade Finance Department
41-45 Rothschild Boulevard
P.O. Box 27
Tel-Aviv 61000, Israel

Attn: E. Arnon
Tel: 011-972-3-567-3628/3622
Fax: 011-972-3-567-6572/4548
Telex: 341453 or 342342

SECTION 7.02 ENGLISH LANGUAGE. All documents to be furnished or communications to be given or made under this Agreement, or any other Financing Document shall be in the English language or, if in another language, shall be accompanied by a translation into English certified by a representative of the Borrower, which translation shall be the governing version among the Borrower and the Lender.

SECTION 7.03 INDEMNITIES AND EXPENSES.

(a) Indemnity Obligation. Subject to Section 7.03(b), whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold the Lender and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, claims, suits, costs, charges, expenses and disbursements (including, without limitation, Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans) be imposed on, incurred by or asserted against any such Indemnified Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, any investigation, litigation or proceeding (including any bankruptcy, insolvency proceeding or appellate proceeding) related to or arising out of this Agreement, or any other Project Documents or the Loans or the use of the proceeds thereof or any Environmental Claim relating to the Borrower or the Project or arising out of the use of the Power Plant or Site or any actual or alleged presence of Hazardous Materials on, under or at the Power Plant or Site, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Borrower shall have no obligation hereunder to any

Indemnified Person with respect to Indemnified Liabilities resulting solely from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all amounts due under this Agreement. The Lender and each other Indemnified Person shall (1) use its reasonable efforts to, upon its becoming aware of any event which may result in the Borrower being required to perform any of its obligations under this Section 7.03(a), promptly notify the Borrower (provided that failure to so notify shall not mitigate the obligations of the Borrower hereunder), (2) upon request from the Borrower consult the Borrower regarding any step (including any step which may mitigate the effect of such event) it proposes to take in respect of such event, and (3) obtain the prior written consent of the Borrower before entering into any settlement or compromise in relation to any such claims, actions or suits.

(b) Expenses. The Borrower shall: (i) subject to the last sentence of this Section 7.03(b) whether or not the transactions contemplated hereby are consummated, pay or reimburse the Lender as soon as practicable but, in any event, within 30 days after demand for all reasonable costs and expenses incurred by the Lender, in connection with the development, preparation, negotiation, delivery, printing, registration, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this

Agreement, any Financing Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable travel expenses, communication costs, fees and expenses of outside professional or technical advisers or consultants, and including Attorney Costs incurred by the Lender, with respect thereto; and (ii) pay or reimburse the Lender as soon as practicable but, in any event, within 30 days after demand for all reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Financing Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any bankruptcy or insolvency proceeding or appellate proceeding). In addition, the Borrower shall, whether or not the transactions contemplated hereby are consummated, pay or reimburse the Lender on the each of the Loan I Closing Date and Loan II Closing Date for all accrued and unpaid reasonable costs, fees and expenses to the extent then due and payable on such date of payment (including Attorney Costs, Commitment Fees and any amounts arising from any indemnities) incurred by the Lender, prior to such date in connection with the development, preparation, negotiation, delivery, printing, administration, enforcement and execution of, and any amendment, supplement, waiver or modification to (in each case whether or not consummated), this Agreement, any Financing Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, provided that Attorney Costs shall include such costs to the extent invoiced prior to or on such date of payment.

(c) Maximum Amount Permitted under Applicable Law. To the extent that the undertaking in the preceding paragraphs of this Section 7.03 may be unenforceable because it is violative of any law or public policy, the Borrower will contribute the maximum portion that it is permitted to pay and satisfy under Applicable Law to the payment and satisfaction of such undertakings.

(d) Late Payment. All sums paid and costs incurred by the Lender in respect to any matter indemnified hereunder shall bear interest at the LIBOR Overnight Rate plus 4.50% from the date so paid until reimbursed by the Borrower, and all such sums and costs shall be added to the debt and be secured

by the Security Documents and shall be immediately due and payable on demand.

(e) Judgment Currency. If any arbitration award, judgment or order is given or made for the payment of any amount due under this Agreement or any other Project Document and such arbitration award, judgment or order is expressed in a currency other than Dollars, the Borrower shall, subject to this Section 7.03(e), indemnify the Lender against and hold it harmless from all loss and damage incurred by the Lender as a result of any variation in rates of exchange between the date of such arbitration award, judgment or order and the date of payment (or, in the case of partial payments, the date of each partial payment) thereof. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Agreement or any other Project Document, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Lender from time to time, and shall continue in full force and effect notwithstanding any arbitration award, judgment or order for a liquidated sum in respect of an amount due under this Agreement or any other Project Document.

SECTION 7.04 SURVIVAL. All indemnities set forth herein and the obligations of the Borrower to pay additional costs as set forth in Article 2 hereof shall survive the execution and delivery of this Agreement and the making and repayment of the Loans.

SECTION 7.05 GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) Governing Law. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA WITHOUT REFERENCE TO THE CONFLICTS OF LAWS PROVISIONS THEREOF (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

(b) Submission to Jurisdiction. Any legal action or proceeding against the Borrower with respect to this Agreement, or any Financing Document may be brought in the courts of the State of New York in the County of New York or of the United States for the Southern District of New York and, by execution and delivery of this Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Borrower agrees that a judgment, after exhaustion of all available appeals, in any such action or proceeding shall be conclusive and binding upon the Borrower, and may be enforced in any other jurisdiction, including without limitation Nicaragua, by a suit upon such judgment, a certified copy of which shall be conclusive evidence of the judgment. The Borrower hereby irrevocably designates, appoints and empowers CT Corporation System, on the date hereof, with offices at 111 Eighth Avenue, New York, New York 10011, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding. If for any reason such designee, appointee and agent shall cease to be available to act as such, the Borrower agrees to designate a new designee, appointee and agent in New York City on the terms and for the purposes of this provision satisfactory to the Lender. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower, at its address set forth in Section 7.01 hereof, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in Nicaragua or in any other jurisdiction.

(c) Waiver of Procedural Defenses. The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement, or any other Financing Document brought in the courts referred to in clause (b) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(d) Waiver of Jury Trial. WITH REGARD TO THIS AGREEMENT, EACH OF THE BORROWER AND THE LENDER HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY, SUCH WAIVER ACKNOWLEDGED HEREBY AS BEING A VOLUNTARY, KNOWING AND INTELLIGENT WAIVER BY EACH PARTY HERETO.

SECTION 7.06 SUCCESSORS AND ASSIGNS.

(a) Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto except that the Borrower may not assign or otherwise transfer all or any part of its rights or obligations under this Agreement without obtaining the prior written consent of the Lender. For the avoidance of doubt, any merger, reincorporation, corporate restructuring or other business combination involving any shareholder of any Lender (and any other transaction related to such shareholder which is undertaken in connection with any such transactions) shall not be construed as an assignment or transfer requiring any consent under this Section 7.06(a).

(b) Disposition of Indebtedness. Subject to the following restrictions, the Lender may at any time sell, assign, transfer, negotiate, or otherwise dispose of, in whole or in part, its rights and obligations under this Agreement or the Loans and such sale, assignment, negotiation or disposition shall be evidenced by an assignment and acceptance agreement, in form and substance acceptable to the Lender and to the Borrower, appropriately completed and executed by the assigning Lender and the assignee. Such executed assignment and acceptance agreement shall be delivered to the Lender and the Borrower immediately after execution and shall not be effective until all conditions set forth therein and in this Section 7.06 shall have been satisfied.

(i) The Lender may assign its rights and obligations under this Agreement and/or the Loans only to a Person approved by the Borrower (which approval in each case shall not be unreasonably withheld) in its sole discretion; provided, that no Borrower approval shall be required in the event of such an assignment by a Lender to an Affiliate of the Lender.

(ii) The exercise of such right by the Lender is subject in all cases to the conditions that immediately thereafter the Lender shall have given written notice of any such transfer to the Borrower, and the transferee shall (a) not have, or shall have effectively waived, any right pursuant to Section 2.09 or 2.14 to claim from the Borrower any additional amounts above and beyond those which could have been claimed by the transferor had it continued to own its Loans hereunder and (b) not have any right pursuant to Section 2.09 or 2.14 not possessed by the transferor had it continued to own its Loans hereunder.

(c) Succession. From and after the date that the Lender has received an executed assignment and acceptance agreement (in accordance with the terms of Section 7.06(b) and the conditions set forth in such assignment and acceptance agreement have been satisfied, (i) the assignee Lender thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such assignment and acceptance agreement, shall have the rights and obligations of a Lender hereunder and under the other Financing

Documents and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Financing Documents have been assigned by it pursuant to such assignment and acceptance agreement, relinquish its rights and be released from its obligations under the Financing Documents.

(d) Deemed Amendment. Immediately upon the satisfaction of all other conditions in this Section 7.06 and in such assignment and acceptance agreement, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the assignee Lender and the resulting adjustment of the Total Commitment arising therefrom.

The Total Commitment allocated to each assignee Lender shall reduce such Total Commitment of the assigning Lender pro tanto.

(e) Disposition Acknowledged Upon Notice. The Borrower may treat the Lender as the owner of the Loans until written notice of transfer or assignment shall have been received by it.

(f) Participations. Notwithstanding anything to the contrary contained in this Section 7.06, each Lender may grant participations, in whole or in part, in its rights and obligations under this Agreement and the Loans without notice to the Borrower and without restriction; provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement, and the Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans of the Lender.

SECTION 7.07 COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

SECTION 7.08 RIGHT OF SETOFF. In addition to any rights now or hereafter granted under Applicable Law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, the Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) including, without limitation, the accounts established under Sections 5.28(a) and 5.33, and any other Indebtedness at any time held or owing by the Lender (including without limitation by branches and agencies of the Lender, wherever located), to or for the credit or the account of the Borrower against and on account of the Loans and any other Indebtedness of the Borrower to the Lender, under this Agreement, or any of the other Financing Documents, including, without limitation, all claims of any nature or description arising out of or connected with this Agreement, or any other Financing Document, irrespective of whether or not the Lender shall have made any demand hereunder and although said liabilities or claims, or any of them, shall be contingent or unmatured.

SECTION 7.09 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Lender in exercising any right, power or privilege hereunder or any other Financing Document and no course of dealing between the Borrower and the Lender shall impair any such right, power or privilege or operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or any other Financing Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein, or in any other

Financing Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lender would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lender to any other or further action in any circumstances without notice or demand.

SECTION 7.10 SEVERABILITY. Any provision of this Agreement and any other Financing Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability but that shall not invalidate the remaining provisions of this Agreement or any other Financing Document or affect such provision in any other jurisdiction.

SECTION 7.11 CALCULATION. Except as otherwise provided, all accounts, financial determinations and calculations to be made under, or for the purposes of, this Agreement shall be determined in accordance with GAAP, applied on a consistent basis and, except as otherwise required to conform to the definitions contained in Appendix A of this Agreement or any other provisions of this Agreement, shall be calculated from the then most recently issued quarterly financial statements which the Borrower is obligated to furnish to the Lender from time to time, as provided hereunder; provided, however, that (a) if the relevant quarterly financial statements should be in respect of the last quarter of a Fiscal Year then such calculations shall be made from the audited financial statements for the relevant Fiscal Year, and (b) if there should occur any material adverse change in the financial condition or results of operations of the Borrower after the end of the period covered by the relevant financial statements, then such material adverse change shall also be taken into account in calculating the relevant figures.

SECTION 7.12 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

SECTION 7.13 AMENDMENT OR WAIVER. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated unless, such change, waiver, discharge or termination is in a writing signed by the Lender and the Borrower.

SECTION 7.14 DISCLAIMER. The Lender shall not be responsible in any way for the performance of the Project Documents, and no claim with respect to the performance of the Project Documents will affect the obligations of the Borrower under this Agreement or any other Financing Document.

SECTION 7.15 PAYMENTS SET ASIDE. To the extent that the Borrower makes a payment to the Lender or the Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, in connection with any bankruptcy or insolvency proceeding or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred.

SECTION 7.16 CONFIDENTIAL INFORMATION. The Lender agrees that it (a) shall hold all non-public information obtained by it pursuant to the requirements of the Financing Documents, which have been identified in writing

as non-public information by the Sponsor, in accordance with its customary procedures for handling confidential information of such nature and in accordance with reasonable internal practices, and (b) may make disclosure reasonably required by a potential assignee of the Lender or by a potential participant in the Loans made or to be made by the Lender or of the Collateral in connection with the contemplated assignment or participation if such potential assignee or participant executes an agreement to keep such

disclosure confidential substantially in accordance with the terms of this clause; provided, however, no confidentiality obligation shall apply to any information that (x) is generally available to the public, (y) was already known to the Lender on a non-confidential basis on the date of receipt, or (z) is subsequently disclosed to the Lender on a non-confidential basis by a third party not having a confidential relationship with the Sponsor with respect to such information. Notwithstanding the foregoing, the Lender shall be free to disclose any such information or data to its attorneys, outside engineers, experts and auditors and shall be free to disclose any such information otherwise (a) to the extent required by Applicable Law or by any Governmental Authority, except as provided in the last sentence of this Section 7.16, it is expressly understood that all obligations and liabilities of the Borrower under this Agreement, and the other Project Documents to which the Borrower is a party and any other related document, agreement or instrument executed by the Borrower are solely obligations of the Borrower, provided, that such limitation of liability shall not apply to any other party hereto if and to the extent that such party commits fraud or misappropriation of earnings, revenues, profits or proceeds from the Borrower or the Project. Notwithstanding anything herein to the contrary, nothing herein shall limit, or be construed or deemed to limit, the liability of any other party under any Project Document to which such is a party in its individual capacity.

SECTION 7.17 NO RECOURSE. Except as provided in the last 2 sentences of this Section 7.17 neither the Sponsor nor any Affiliate of the Sponsor (other than the Borrower), nor its or their respective officers, directors, stockholders, controlling persons or employees (each, a "Non-Recourse Party"), shall have any personal liability for any amounts payable by the Borrower hereunder or under any other Project Document or for the performance of any covenant, agreement or obligation of the Borrower, or for the breach of any representation, warranty or covenant of the Borrower under this Agreement or any other Project Document, agreement, undertaking, certificate or other document delivered by or on behalf of the Borrower in connection with this Agreement, and therefore no judgment or recourse shall be sought or enforced against any Non-Recourse Party for the payment or performance of the obligations of the Borrower under any Project Document or any other such agreement, undertaking, certificate or document executed by the Borrower. Except as provided in the last sentence of this Section 7.17, it is expressly understood that all obligations and liabilities of the Borrower under this Agreement and the other Project Documents to which the Borrower is a party and any other related document, agreement or instrument executed by the Borrower are solely obligations of the Borrower, provided, that such limitation of liability shall not apply to a Non-Recourse Party if and to the extent that such Non-Recourse Party commits fraud causing material damage or loss to the Borrower, the Project or the Lender or misappropriates earnings, revenues, profits or proceeds from the Borrower or the Project. Notwithstanding anything herein to the contrary, nothing herein shall limit, or be construed or deemed to limit, the liability of any Non-Recourse Party under any Project Document to which such Non-Recourse party is a party in its individual capacity.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date set forth below.

ORMAT MOMOTOMBO POWER COMPANY,
as Borrower

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

BANK HAPOALIM B.M.,
as Lender

By: /s/ Ehud Arnon

Name: Ehud Arnon
Title: Head of Foreign Trade

EXHIBIT 10.1.4

CREDIT AGREEMENT

dated as of

December 31, 2002

among

ORMESA LLC,
as Borrower

UNITED CAPITAL,
a division of Hudson United Bank,
as Administrative Agent and Collateral Agent

and

The Lenders party to this Agreement
from time to time

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CREDIT AGREEMENT (this "AGREEMENT") dated as of December 31, 2002 among ORMESA LLC, a limited liability company duly formed and validly existing under the laws of the State of Delaware (the "BORROWER"), each of the lenders that is a signatory hereto or which, pursuant to Section 11.06(b), shall become a "Lender" hereunder (individually, a "LENDER" and, collectively, the "LENDERS"), UNITED CAPITAL, a division of Hudson United Bank, a New Jersey banking corporation ("UNITED"), not in its individual capacity, but solely as administrative agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT"), and UNITED, not in its individual capacity, but solely as collateral agent for the benefit of the Secured Parties (in such capacity, the "COLLATERAL AGENT").

WHEREAS, the Borrower directly owns 100% of the assets comprising each Project and has requested that the Lenders make Loans to it in an aggregate principal amount not exceeding \$27,500,000 in order to enable the Borrower to: (a) fund the Debt Service Reserve Account as provided herein; (b) fund certain of its working capital needs in connection with the operation of each Project; (c) pay costs associated with the transactions contemplated by the Financing Documents; and (d) make a distribution to the Sponsor;

WHEREAS, the Lenders are prepared to make the Loans upon the terms and conditions hereof;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETIVE MATTERS

- 1.01 CERTAIN DEFINED TERMS. Unless otherwise specified herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Schedule I. Capitalized terms and other terms used in this Agreement shall be interpreted in accordance with Sections 1.02, 1.03 and 1.04, as applicable.
- 1.02 CLASSES AND TYPES OF LOANS. Loans hereunder are distinguished by "Class" and by "Type". The "CLASS" of a Loan refers to whether such Loan is an Initial Term Loan or an Additional Term Loan, each of which constitutes a Class of Loans. Commitments to make Loans and Notes evidencing Loans may be correspondingly referred to hereunder by the Class of Loan to which such Commitment or Note, as applicable, relates. The "TYPE" of a Loan refers to whether such Loan is a Prime Rate Loan or a Eurodollar Loan, each of which constitutes a Type of Loan. Loans may be identified by both Class and Type.
- 1.03 RULES OF INTERPRETATION. Unless the context of this Agreement otherwise requires:
- (a) words of any gender include each other gender;

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- (b) words using the singular or plural form also include the plural or singular form, respectively;
- (c) any reference to any Person in any capacity includes a reference

to its successors and assigns in such capacity to the extent such succession or assignment is permitted or not prohibited hereunder and, in the case of any Government Authority, any Person succeeding to its functions and capacities;

- (d) the terms "hereof", "herein", "hereby", "hereto" and similar words refer to this entire Agreement and not any particular Section, Schedule, Exhibit or other subdivision of this Agreement;
- (e) references to "Section", "Schedule" or "Exhibit" are to such subdivisions contained in or annexed to this Agreement;
- (f) the words "include" and "including" shall be deemed to be followed by "without limitation" or "but not limited to", whether or not they are followed by such phrases or words of like import;
- (g) references to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;
- (h) references to any agreement or document (including this Agreement) shall (unless otherwise expressly provided) be construed as a reference to such agreement or document as amended, modified, novated or supplemented (to the extent such amendment, modification, novation or supplement is permitted or not prohibited by the terms of such agreement or document, this Agreement and any other Financing Document) and in effect from time to time and shall (unless otherwise expressly provided) include a reference to any document that amends, modifies, novates or supplements it, or is entered into, made or given pursuant to or in accordance with its terms;
- (i) "this Agreement" and words of similar import shall mean this Agreement, together with all Schedules and Exhibits;
- (j) the headings and table of contents contained in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement;
- (k) references to days shall refer to calendar days, unless Business Days are expressly specified; references to weeks, months or years shall be to calendar weeks, months or years, respectively, unless expressly specified otherwise; and

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- (l) to the extent capitalized terms used in this Agreement are defined by reference to any other Transaction Document (or by reference in such Transaction Document to any other Transaction Document), for purposes of this Agreement, such terms shall continue to have their original definitions notwithstanding any termination or expiration of such agreements, except to the extent the parties hereto agree to the contrary.

1.04 ACCOUNTING TERMS.

- (a) Accounting Principles, Etc. Except as otherwise expressly provided in this Agreement, all accounting terms used herein or in any other Financing Document shall be interpreted, and all financial statements, certificates and reports as to financial accounting matters required to be delivered hereunder or thereunder, shall (unless otherwise notified as provided in Section 1.04(b)) be prepared or made in accordance with the Accounting Principles of the relevant Person to which such terms, financial statements,

certificates and/or reports relate, applied on a basis consistent with those used in the preparation of the latest financial statements of such Person furnished hereunder or thereunder, as the case may be, except for such changes as are required by such Accounting Principles.

- (b) Accounting Variations. In respect of any relevant period, the Borrower shall, except to the extent already required by the relevant Accounting Principles, deliver (or cause the relevant other Person to deliver) to the Administrative Agent, at the same time as the delivery of any financial statement for that period under Section 8.01, a description in reasonable detail of any material variation (and the consequence thereof) between the application of the Accounting Principles employed in the preparation of such statement and the application of the Accounting Principles employed in the preparation of the financial statements for the immediately preceding period.
- (c) Fiscal Periods. To enable the ready and consistent determination of compliance with this Agreement, the Borrower shall not change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively, except to the extent required by any Government Rule. The Borrower shall notify the Administrative Agent promptly upon becoming aware of such proposed Government Rule requirement of the nature and the effective date of such proposed change. Promptly after the delivery of such notice, the Borrower and the Administrative Agent (acting at the direction or with the consent of the Majority Lenders) shall negotiate in good faith any amendments to the provisions of the Financing Documents that may be necessary to give fair effect to the intention of such provisions.

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ARTICLE II

COMMITMENTS

2.01 LOANS.

- (a) Initial Term Loan Facility. Each Lender severally agrees, on the terms and conditions of this Agreement, to make a loan (collectively, the "INITIAL TERM LOANS") to the Borrower in Dollars on the Closing Date in an aggregate principal amount equal to the amount of the Initial Term Loan Commitment of such Lender; provided that: (i) there shall be no more than one borrowing of Initial Term Loans; and (ii) in no event shall the aggregate principal amount of all Initial Term Loans at any one time outstanding exceed the aggregate amount of the Initial Term Loan Commitments as in effect from time to time. Amounts prepaid or repaid in respect of the Initial Term Loans may not be reborrowed.
- (b) Additional Term Loan Facility. Each Lender severally agrees, on the terms and conditions of this Agreement, to make a loan (collectively, the "ADDITIONAL TERM LOANS") to the Borrower in Dollars during the Additional Term Loan Availability Period in an aggregate principal amount at any one time outstanding up to, but not exceeding, the amount of the Additional Term Loan Commitment of such Lender as in effect from time to time; provided that: (i) there shall be no more than one borrowing of Additional Term

Loans; and (ii) in no event shall the aggregate principal amount of all Additional Term Loans at any one time outstanding exceed the aggregate amount of the Additional Term Loan Commitments as in effect from time to time. Amounts prepaid or repaid in respect of the Additional Term Loans may not be reborrowed.

(c) Terms Applicable to All Loans; Conversions and Continuations.

- (i) Borrowings of Loans shall be made and Continued solely in the form of Eurodollar Loans; provided that the Borrower may, subject to all other applicable terms and conditions of this Agreement (including Section 5.04):
 - (A) Subject to its prior delivery to the Administrative Agent of a Conversion/Continuation Notice, convert any Loans that are Eurodollar Loans into Prime Rate Loans as provided in Sections 5.02 and 5.04;
 - (B) in any other circumstance where the Borrower and the Administrative Agent concur that, taking account of the expected timing of repayment of any such Loan and the duration of the Interest Periods available for selection by the Borrower, Converting such Loan into a Prime Rate
- (C) borrow Loans initially as Prime Rate Loans with the consent of the Administrative Agent (not to be unreasonably withheld or delayed) as and to the extent necessary to synchronize the Interest Period of such Loans with other outstanding Loans that are Eurodollar Loans; provided that the Borrower shall, subject to its prior delivery to the Administrative Agent of a Conversion/Continuation Notice, Convert such Prime Rate Loans to Eurodollar Loans as soon as possible to achieve synchronization of such Loans.
- (ii) Borrowings of Loans may be made initially in the form of Prime Rate Loans if the Borrower is unable to provide sufficient advance notice pursuant to Section 4.05 of the borrowing of such Loans as Eurodollar Loans; provided that such Loans shall be Converted as soon as practicable after the initial borrowing thereof into Eurodollar Loans (unless the Borrower and the Administrative Agent concur that, taking account of the expected timing of repayment of any such Loan and the duration of the Interest Periods available for selection by the Borrower if such Loan were so Converted, the Conversion of such Loan into a Eurodollar Loan will likely subject the Borrower to additional costs pursuant to Section 5.05).
- (iii) Following the occurrence of any Default or Event of Default, the Administrative Agent may suspend the right of the Borrower to Continue any Loans as, or to Convert any Loans into, Eurodollar Loans.
- (iv) In connection with any Conversion hereunder, and notwithstanding anything to the contrary contained in this

Loan will enable the Borrower to avoid breakage costs pursuant to Section 5.05, make such Conversion; and

Agreement, a Lender may (in its sole discretion, subject to Section 5.07(a)) change its Applicable Lending Office with respect to the Loan so Converted.

- (d) Limit on Eurodollar Loans. Only one Interest Period in respect of Eurodollar Loans may be outstanding at any one time.

2.02 BORROWINGS. The Borrower shall give the Administrative Agent (which shall promptly notify the Lenders) notice of each borrowing hereunder as provided in Section 4.05 pursuant to a Notice of Borrowing. Not later than 11:00 a.m., New York time, on the date specified for each borrowing hereunder, each Lender shall make available the amount of the Loan to be made by it on such date to the Administrative Agent at its

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Principal Office, in immediately available funds, for the account of the Borrower. The aggregate principal amount of the Initial Term Loan Commitment shall, subject to the terms and conditions of this Agreement, be made available to the Borrower by the Administrative Agent's depositing the same in immediately available funds to such accounts as agreed between the Borrower and the Administrative Agent; provided that an amount equal to \$724,000 of the proceeds of the Initial Term Loans shall, pursuant to said agreement between the Borrower and the Administrative Agent, be deposited to the Revenue Account.

2.03 REDUCTION OF COMMITMENTS.

- (a) Optional Reduction of Additional Term Loan Commitments. Subject to Section 2.03(b), the Borrower may at any time reduce the aggregate unused amount of the Additional Term Loan Commitments that are surplus to the needs of the Borrower; provided that: (i) the Borrower shall give notice of each such reduction as provided in Section 4.05; and (ii) each partial reduction shall be in an aggregate amount at least equal to \$500,000 and in integral multiples of \$500,000 in excess thereof.
- (b) No Reinstatement. Any Commitments reduced pursuant to paragraph (a) above shall for all purposes hereof be terminated and may not be reinstated.
- (c) Termination of Commitments. Unless previously terminated, the Commitments of each Class shall terminate at 5:00 p.m., New York time, on the last day of the Initial Term Loan Availability Period or Additional Term Loan Availability Period, as the case may be.

2.04 FEES.

- (a) Up-Front Fee. On the Closing Date the Borrower shall pay to the Administrative Agent, for the account of each Lender, an up-front fee in an amount equal to 2.00% of the sum of such Lender's Commitments; provided, however, that such fee payable to United, as Lender, shall be reduced by an amount equal to \$50,000.
- (b) Commitment Fees. The Borrower shall pay to the Administrative Agent, for the account of each Lender, a commitment fee on the daily average unused amount of such Lender's Commitments for the period from (and including) the Execution Date through (and including): (i) in the case of the Initial Term Loan Commitments,

the earliest of (A) the Closing Date, (B) the day on which the Initial Term Loan Commitments are reduced to zero or terminated, and (C) the last day of the Initial Term Loan Availability Period and, (ii) in the case of the Additional Term Loan Commitments, the earliest of (A) the Second Closing Date, (B) the day on which the Additional Term Loan Commitments are reduced to zero or terminated, and (C) the last day of the Additional Term Loan Availability Period, in each case in the amount of 0.375% per annum.

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- (c) Commitment Fees Generally. All accrued commitment fees payable pursuant to Section 2.04(b) shall be payable in arrears on each Quarterly Date and, with respect to the Commitments of any Class, on the earliest to occur of the date on which of the Commitments of such Class expire, the date the Commitments of such Class are terminated or reduced to zero, and the Final Maturity Date.
- (d) Administrative Agency Fees. Commencing on the first anniversary of the Closing Date, and annually on each subsequent anniversary thereafter, the Borrower shall pay to the Administrative Agent, for the account of the Administrative Agent, an annual agency fee in an amount equal to \$25,000. The Administrative Agent shall not be required to refund any fee it has already received.

2.05 LENDING OFFICES. The Loans of each Type made by each Lender shall be made and maintained at such Lender's Applicable Lending Office for Loans of such Type.

2.06 SEVERAL OBLIGATIONS; REMEDIES INDEPENDENT. The obligations of the Lenders hereunder are several and not joint. The failure of any Lender to make any Loan to be made by it, or any payment required to be made by it hereunder, on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan, or its payment, on such date. Neither any Lender nor any Agent shall be responsible for the failure of any other Lender to make a Loan, or a payment, to be made by such other Lender.

2.07 NOTES.

- (a) Initial Term Loan Notes. The Initial Term Loan of each Lender shall be evidenced by a single promissory note of the Borrower (each, an "INITIAL TERM LOAN NOTE") substantially in the form of Exhibit A-1, dated the Closing Date, payable to such Lender in a principal amount equal to the amount of its Initial Term Loan Commitment as in effect on the Closing Date and otherwise duly completed.
- (b) Additional Term Loan Notes. The Additional Term Loan of each Lender shall be evidenced by a single promissory note of the Borrower (each, an "ADDITIONAL TERM LOAN NOTE") substantially in the form of Exhibit A-2, dated the Closing Date, payable to such Lender in a principal amount equal to the amount of its Additional Term Loan Commitment as in effect on the Closing Date and otherwise duly completed.
- (c) Loan Records. Each Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender,

including the amounts of principal and interest payable and paid to such Lender from time to time hereunder. The Administrative Agent shall maintain records in which it shall record: (i) the amount of each Loan made hereunder, the Class and Type thereof and each Interest Period therefor; (ii) the amount of any principal or interest due and

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payable or to become due and payable from the Borrower to each Lender hereunder; and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The entries made in the records maintained pursuant to this paragraph (c) shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such records or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

- (d) Subdivision. No Lender shall be entitled to have any of its Notes subdivided, by exchange for promissory notes of lesser denominations or otherwise, except in connection with a permitted assignment of all or any portion of such Lender's related Commitment, related Loan and related Notes pursuant to Section 11.06(b).

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ARTICLE III

PAYMENTS OF PRINCIPAL AND INTEREST

3.01 REPAYMENT OF LOANS.

The Borrower hereby promises to pay to the Administrative Agent for the account of each Lender the outstanding principal of such Lender's Loan in twenty (20) consecutive quarterly installments payable commencing on the first Quarterly Date following the Closing Date, on the next eighteen succeeding Quarterly Dates and on the Final Maturity Date, each such installment in the amount set forth below (a) if prior to the Second Closing Date, under the heading "Initial Term Loan Principal Payment" and (b) if on or after the Second Closing Date, under the heading "Initial and Additional Term Loan Principal Payment", in each case opposite the reference to such Quarterly Date, less any portion of any such Initial Term Loans prepaid in accordance with Sections 3.03 and 3.04:

PAYMENT DATE	INITIAL TERM LOAN PRINCIPAL PAYMENT	INITIAL AND ADDITIONAL TERM LOAN PRINCIPAL PAYMENT
March 31, 2003	\$ 698,000	\$ 698,000
June 30, 2003	\$ 434,000	\$ 434,000
September 30, 2003	\$1,696,000	\$1,696,000
December 31, 2003	\$1,698,700	\$1,698,700

March 31, 2004	\$ 594,171	\$ 869,000
June 30, 2004	\$ 369,596	\$ 540,550
September 30, 2004	\$1,446,369	\$2,115,375
December 31, 2004	\$1,446,369	\$2,115,375
March 31, 2005	\$ 649,177	\$ 950,000
June 30, 2005	\$ 403,856	\$ 591,000
September 30, 2005	\$1,579,208	\$2,311,000
December 31, 2005	\$1,579,209	\$2,311,000
March 31, 2006	\$ 709,544	\$1,039,000
June 30, 2006	\$ 441,161	\$ 646,000
September 30, 2006	\$1,726,399	\$2,528,000
December 31, 2006	\$1,726,399	\$2,528,000
March 31, 2007	\$ 446,306	\$ 683,000
June 30, 2007	\$ 277,062	\$ 424,000
September 30, 2007	\$1,085,379	\$1,661,000
December 31, 2007	\$ 993,095	\$1,661,000

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Notwithstanding anything to the contrary herein, to the extent not otherwise repaid in full prior to the Final Maturity Date, the Borrower unconditionally promises to pay to the Administrative Agent for the account of each Lender the outstanding principal amount of the Loans made by such Lender, and such Loans shall mature, on the Final Maturity Date.

3.02 INTEREST.

- (a) General. The Borrower hereby promises to pay to the Administrative Agent for the account of each Lender, interest on the unpaid principal amount of each Loan made by such Lender for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:
 - (i) during such periods as such Loan is a Prime Rate Loan, the Prime Rate (as in effect from time to time) plus the Applicable Margin; and
 - (ii) during such periods as such Loan is a Eurodollar Loan, for each Interest Period relating thereto, the Eurodollar Rate for such Loan for such Interest Period plus the Applicable Margin.
- (b) Default Interest. Notwithstanding the foregoing, the Borrower hereby promises to pay to the Administrative Agent for the account of each Lender interest at the applicable Post-Default Rate on any principal of any Loan made by such Lender, and on any other amount payable by the Borrower hereunder or under any Note held by such Lender, to or for the account of such Lender, which shall not be paid in full when due (whether at stated maturity, by acceleration, by mandatory prepayment or otherwise), for the period from and including the due date thereof to but excluding the date the same is paid in full.
- (c) Payment. Accrued interest on each Loan shall be payable: (i) in the case of a Prime Rate Loan, quarterly on the Quarterly Dates; (ii) in the case of a Eurodollar Loan, on the last day of each Interest Period therefor; and (iii) in the case of any Loan, upon the payment or prepayment thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid or Converted).

Interest payable at the Post-Default Rate as provided in Section 3.02(b) shall be payable from time to time on demand (or, if no

demand is made during any month, on the last day of such month).

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- (d) Determination of Interest Rate. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall give notice thereof to the Lenders to which such interest is payable and to the Borrower.

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3.03 OPTIONAL PREPAYMENTS.

- (a) Subject to Section 4.04, the Borrower shall have the right to prepay any Loans, at any time and from time to time following the second anniversary of the Closing Date; provided that: (a) the Borrower shall give the Administrative Agent and the Collateral Agent notice of each such prepayment, as provided in Section 4.05 (and, upon the date specified in any such notice of prepayment, the amount to be prepaid shall become due and payable hereunder); and (b) Eurodollar Loans may be prepaid only on the last day of the Interest Period for such Loans unless the Borrower pays all applicable breakage costs pursuant to Section 5.05 at the time of such prepayment.
- (b) Simultaneously with any optional prepayment, in whole or in part, of the principal of any Loans pursuant to the foregoing clause (a) (other than any prepayment made pursuant to the final sentence of Section 5.07(a)) or any mandatory prepayment pursuant to Sections 3.04(b) or 3.04(c), the Borrower agrees to pay to the Administrative Agent for the account of each Lender a prepayment commission in respect of each such prepayment in an amount equal to that percentage of the principal amount of the Loans so prepaid set forth below opposite the period in which such prepayment occurs:

Period in Which Prepayment is Made -----	Prepayment Commission -----
From and including the second anniversary of the Closing Date through and including the day prior to the third anniversary of the Closing Date	2.00%
From and including the third anniversary of the Closing Date through and including the day prior to the fourth anniversary of the Closing Date	1.00%
From and including the fourth anniversary of the Closing Date through and including the Final Maturity Date	0.00%

- 3.04 MANDATORY PREPAYMENTS; ETC. The Borrower shall make the following mandatory payments in the amounts and at the times set out below, in each case, except as otherwise provided in Section 3.03(b), without any

(a) Event of Loss.

- (i) If a Project is declared a Total Loss by its insurers, then on the later of the date of actual receipt of Loss Proceeds with respect thereto and the date of such declaration; and
- (ii) not later than the date specified for prepayment in accordance with Section 8.05(d) with respect to: (A) any Event of Loss (or upon such earlier date as the Borrower shall have determined not to Restore the related Affected Property); or (B) any period during which any of the conditions of the Restoration under Section 8.05(d) shall have ceased to be satisfied,

in each case, the Borrower shall prepay the Loans in an amount equal to 100% of the Loss Proceeds with respect to such Event of Loss (less the amount expended on the Restoration of the related Affected Property as permitted by, and as expended in accordance with, Section 8.05(d)).

Nothing in this paragraph (a) shall be deemed to limit any obligation of the Borrower to deposit (or cause to be deposited) in the Restoration Sub-Account the Loss Proceeds in respect of any Event of Loss.

- (b) Project Documents. If any Project Document at any time is amended or terminated by any party thereto and in a manner that could reasonably be expected to result in a Material Adverse Effect and generate a current cash payment to the Borrower, then the Borrower shall, promptly upon receipt of such payment, prepay the Loans in an amount equal to the proceeds of such payment.
- (c) Certain Asset Sales. If the Borrower at any time shall transfer, assign, sell or otherwise dispose of any material asset or Property pertaining to any Project, other than in accordance with Section 8.12 hereof, then the Borrower shall, promptly upon receipt of the proceeds of any payment relating to such transaction, prepay the Loans in an amount equal to the proceeds of such payment.
- (d) Cash Sweeps. If, as of any Quarterly Date, the Borrower shall fail to comply with Section 8.13(iii) hereof, the Borrower shall, at its sole option as provided in Section 4.1(e) of the Depositary Agreement, prepay the Loans in the amounts set out in, and otherwise in accordance with, such Section 4.1(e).

3.05 Prepayment Mechanics. All prepayments described in Sections 3.03 and 3.04 (other than any prepayment made pursuant to the final sentence of Section 5.07(a) which prepayment shall be applied in accordance with such Section 5.07(a)) shall be applied to the Initial Term Loans and the Additional Term Loans pro rata, and in the inverse order of the maturities of the installments of the Loans then outstanding. Amounts prepaid may

not be reborrowed. Any prepayment made or required to be made pursuant to Sections 3.03 or 3.04 shall be made together with all accrued but unpaid interest thereon and all other amounts (including, without limitation, any amounts due pursuant to Article V) then due from the Borrower hereunder.

ARTICLE IV

PAYMENTS; PRO RATA TREATMENT; COMPUTATIONS; ETC.

4.01 PAYMENTS.

- (a) General. Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement and the Notes and, except to the extent otherwise provided therein, all payments to be made by the Borrower under any other Financing Document, shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Administrative Agent at its Principal Office, or to such account as the Administrative Agent may specify in writing to the Borrower, not later than 1:00 p.m., New York time, on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).
- (b) Application of Payments. The Borrower shall, at the time of making each payment under this Agreement or any Note for the account of any Lender, specify to the Administrative Agent (which shall so notify the intended recipient(s) thereof) the Loans or other amounts owing by the Borrower hereunder to which such payment is to be applied. In the event that the Borrower fails to so specify, or if an Event of Default has occurred and is continuing, the Administrative Agent may distribute such payment to the Lenders for application in such manner as the Administrative Agent or the Majority Lenders, subject to Section 4.02, may reasonably determine to be appropriate.
- (c) Forwarding of Payments by Administrative Agent. Each payment received by the Administrative Agent under this Agreement or any Note for the account of any Lender or the Collateral Agent or the Depositary Bank shall be paid by the Administrative Agent promptly to such Person, in immediately available funds, for the account of such Lender's Applicable Lending Office for the Loan or other obligation in respect of which such payment is made or for the account of the Collateral Agent or the Depositary Bank, as applicable.
- (d) Extensions to Next Business Day. If the due date of any payment under this Agreement or any Note would otherwise fall on a day that is not a Business Day, such date shall instead be extended to the first Business Day thereafter, and interest shall be payable for any principal so extended for the period of such

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extension, unless such Business Day shall fall in a subsequent calendar month, in which case such payment shall be due on the immediately preceding Business Day.

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4.02 PRO RATA TREATMENT. Except to the extent otherwise provided herein:

- (a) each borrowing of Loans from the Lenders under Section 2.01 shall be made from the relevant Lenders, each payment of commitment fees under Section 2.04 in respect of Commitments shall be made for the account of the relevant Lenders, and each termination or reduction of the amount of the Commitments under Section 2.03 shall be applied to the respective Commitments, pro rata according to the amounts of their respective Commitments;
- (b) the making of Loans shall be made pro rata among the relevant Lenders according to the amounts of their respective Commitments;
- (c) except to the extent indicated in Section 4.07(b) and except for prepayments made pursuant to the final sentence of Section 5.07(a), each payment or prepayment of principal of Loans by the Borrower shall be made for the account of the relevant Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; provided that if immediately prior to giving effect to any such payment in respect of any Loan the outstanding principal amount of the Loans shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time such Loans were made (by reason of a failure of a Lender to make a Loan hereunder in the circumstances described in the penultimate paragraph of Section 11.04), then such payment shall be applied to the Loans in such manner as shall result, as nearly as is practicable, in the outstanding principal amount of the Loans being held by the Lenders pro rata in accordance with their respective Commitments; and
- (d) each payment of interest on Loans by the Borrower shall be made for the account of the relevant Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

4.03 COMPUTATIONS. Interest on Eurodollar Loans and on other obligations of the Borrower or the Lenders that are computed on the basis of the Federal Funds Rate shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable. Interest on Prime Rate Loans, on other obligations of the Borrower or the Lenders that are computed on the basis of the Prime Rate and commitment fees payable in accordance with Section 2.04 shall be computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

4.04 MINIMUM AMOUNTS. Except for mandatory prepayments pursuant to Section 3.04 and the borrowing of Additional Term Loans, each borrowing and partial prepayment of principal of Loans shall be in an amount at least equal to \$500,000 and in multiples of \$100,000 in excess thereof. Borrowings or prepayments of Loans of different Types or, in the case of Eurodollar Loans, having different Interest Periods, at the same time

hereunder shall be deemed separate borrowings and prepayments for purposes of the foregoing, one for each Type or Interest Period.

4.05 NOTICES.

(a) Certain Notices.

- (i) Notices by the Borrower to the Administrative Agent (and, as applicable, the Collateral Agent) of optional terminations or reductions of the Commitments, borrowings of Loans, optional prepayments of Loans, Continuations of Eurodollar Loans and Conversions of Loans shall be irrevocable and shall be effective only if received by the Administrative Agent (and, as applicable, the Collateral Agent) not later than 11:00 a.m., New York time, on the number of Business Days prior to the date of the relevant termination, reduction, borrowing, prepayment, Continuation or Conversion or the first day of such Interest Period specified below:

Notice	Number of Business Days Prior
Optional termination or reduction of the Commitments; optional prepayment of Loans	5
Borrowing of, Continuation of, or Conversion into Eurodollar Loans	3
Borrowing of or Conversion into, Prime Rate Loans	1

- (ii) Each such notice of optional termination or reduction of Commitments shall specify the amount of such Commitments to be terminated or reduced.
- (iii) Each such notice of borrowing, Conversion, Continuation or optional prepayment shall specify the Class and Type of Loans to be borrowed, Converted, Continued or prepaid, the amount (subject to Section 4.04) of each Loan to be borrowed, Converted, Continued or prepaid, and the date of borrowing, Conversion, Continuation or optional prepayment (which shall be a Business Day).
- (iv) Each such notice of Conversion shall contain a certification of an Authorized Officer of the Borrower that the requirements of

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Section 2.01(c) have been satisfied with respect to such Conversion.

- (v) The Administrative Agent shall promptly notify the Lenders of the contents of each such notice. In the event that the Borrower fails to select the Type of Loan, within the time period and otherwise as provided in this Section 4.05, such Loan will be made or Continued, as applicable, as a Eurodollar Loan having an Interest Period of three months.

4.06 NON-RECEIPT OF FUNDS BY THE ADMINISTRATIVE AGENT(a). Unless the Administrative Agent shall have been notified by the Borrower prior to the date on which the Borrower is to make payment to the Administrative Agent for the account of one or more of the Lenders hereunder (each such payment being herein called the "REQUIRED PAYMENT"), which notice shall be effective upon receipt, that the Borrower does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date. If the Borrower has not in fact made the Required Payment to the Administrative Agent, the recipient(s) of such payment shall, on demand, repay to the Administrative Agent the amount made available by the Administrative Agent pursuant to the previous sentence, together with interest thereon in respect of each day during the period commencing on the date (the "ADVANCE DATE") such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day.

4.07 SHARING OF PAYMENTS; ETC.

- (a) Right of Set-Off. The Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option, to offset balances held by it for the account of the Borrower at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans, or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower and the Administrative Agent thereof; provided that such Lender's failure to give such notice shall not affect the validity thereof.
- (b) Sharing. If any Lender shall obtain from the Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any Note held by it or any other Financing Document through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise (other than: (i) from the Administrative Agent as provided herein; or (ii) in connection with any reimbursement or indemnification under Section 11.03

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or any similar provision of any other Financing Document to which less than all of the Lenders are entitled under the terms hereof or thereof, as the case may be; or (iii) in connection with any assignment or participation pursuant to Section 11.06 or any replacement of any Lender pursuant to Article V) and, as a result of such payment, such Lender shall have received a greater percentage of the principal of or interest on the Loans or such other amounts then due hereunder or thereunder to such Lender than the percentage received by any other Lender(s) who were also entitled to receive such payments, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans or such other amounts, respectively, owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) pro

rata in accordance with the unpaid principal of and/or interest on the Loans or such other amounts, respectively, owing to each of the Lenders; provided that if at the time of such payment, the outstanding principal amount of the Loans shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time such Loans were made (by reason of a failure of a Lender to make a Loan hereunder in the circumstances described in the penultimate paragraph of Section 11.04), then such purchases of participations and/or direct interests shall be made in such manner as will result, as nearly as is practicable, in the outstanding principal amount of the Loans being held by the Lenders pro rata according to the amounts of such Commitments. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

- (c) Consent by the Borrower. The Borrower agrees that any Lender so purchasing such a participation (or direct interest) may exercise all rights of set-off, banker's liens, counterclaims or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.
- (d) Rights of Lenders; Bankruptcy. Nothing contained in this Section 4.07 shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4.07 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.07 to share in the benefits of any recovery on such secured claim.

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ARTICLE V

YIELD PROTECTION; ETC.

5.01 ADDITIONAL COSTS.

- (a) Costs of Making or Maintaining Eurodollar Loans. The Borrower shall pay directly to each Lender from time to time such amounts as such Lender may determine to be necessary to compensate it for any costs that such Lender determines are attributable to its making or maintaining of any Eurodollar Loans or its obligation to make any Eurodollar Loans hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), resulting from any Regulatory Change that:
 - (i) shall subject any Lender (or its Applicable Lending Office for any of such Loans) to any tax, duty or other charge in respect of such Loans or changes the basis of taxation of any amounts payable to such Lender under this Agreement or the Notes in respect of such Loans (other than taxes imposed on or measured by the overall net income of such Lender or of its Applicable Lending Office for such Loans by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office);

- (ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the Eurodollar Rate for any Interest Period for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including any of such Loans or any deposits referred to in the definition of "Eurodollar Base Rate"), or any Commitment of such Lender to make any such Loans hereunder; or
- (iii) imposes any other condition affecting this Agreement or the Notes (or any of such extensions of credit or liabilities) or its Commitments.

If any Lender requests compensation from the Borrower under this paragraph (a), the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or Continue Eurodollar Loans or to Convert Prime Rate Loans into Eurodollar Loans, until the Regulatory Change giving rise to such request ceases to be in effect (in which case the

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provisions of Section 5.04 shall apply); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested.

- (b) Election by Lender to Suspend Obligations. Without limiting the effect of the provisions of paragraph (a) above, in the event that, by reason of any Regulatory Change, any Lender either:
 - (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes Eurodollar Loans; or
 - (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold,

then, if such Lender so elects by notice to the Borrower (with a copy to the Administrative Agent), the obligation of such Lender to make or Continue, or Convert Prime Rate Loans into, Eurodollar Loans hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 5.04 shall apply).

- (c) Capital Costs. Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), the Borrower shall pay directly to each Lender from time to time on request such amounts as such Lender may determine to be necessary to compensate such Lender (or, without duplication, the parent company of such Lender) for any costs that it determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such parent company) of capital in respect of its Commitments or Loans, pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any court, Government Authority or monetary authority:

- (i) following any Regulatory Change; or
- (ii) implementing any risk-based capital guideline or other requirement (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful) heretofore issued but not implemented, or hereafter issued, by any Government Authority or supervisory authority implementing at the national level the Basle Accord (including the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A; 12 C.F.R. Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the

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Office of the Comptroller of the Currency (12 C.F.R. Part 3, Appendix A)).

Such compensation shall include an amount equal to any reduction of the rate of return on assets or equity of such Lender (or any Applicable Lending Office or such parent company) to a level below that which such Lender (or any Applicable Lending Office or such parent company) could have achieved but for such law, regulation, interpretation, directive or request.

- (d) Notification and Certification. Each Lender shall notify the Borrower of any event occurring after the date of this Agreement that will entitle such Lender to compensation under paragraph (a) or (c) above as promptly as practicable after such Lender obtains actual knowledge thereof. Each Lender will furnish to the Borrower a certificate setting out in reasonable detail the basis and amount of each request by such Lender for compensation under paragraph (a) or (c) above. Determinations and allocations by any Lender, for purposes of this Section 5.01, of the effect of any Regulatory Change pursuant to paragraph (a) or (b) above, or of the effect of capital maintained pursuant to paragraph (c) above, on its costs or rate of return of maintaining Loans or its obligation to make Loans, or on amounts receivable by it in respect of Loans, and of the amounts required to compensate such Lender under this Section 5.01, shall be conclusive absent manifest error.
- (e) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section 5.01 for any increased costs or reductions incurred more than 60 days prior to the date that such Lender notifies the Borrower of the Regulatory Change giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided, further, that, if the Regulatory Change giving rise to such increased costs or reductions is retroactive, then the 60-day period referred to above shall be extended to include the period of retroactive effect thereof.

5.02 LIMITATION ON EURODOLLAR LOANS. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Eurodollar Base Rate for any Interest Period:

- (a) the Administrative Agent determines, which determination shall be

conclusive absent manifest error, that quotations of interest rates for the relevant deposits referred to in the definition of "Eurodollar Base Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Eurodollar Loans as provided herein; or

- (b) the Majority Lenders determine, which determination shall be conclusive absent manifest error, and notify the Administrative Agent that the relevant rates of

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interest referred to in the definition of "Eurodollar Base Rate", upon the basis of which the rate of interest for Eurodollar Loans for such Interest Period is to be determined, are not likely to adequately cover the cost to such Lenders of making or maintaining such Eurodollar Loans for such Interest Period,

then the Administrative Agent shall give the Borrower and each Lender prompt notice thereof, and so long as such condition remains in effect, the obligation of the Lenders to make additional Eurodollar Loans, Continue existing Eurodollar Loans or Convert Prime Rate Loans into Eurodollar Loans shall be suspended, in which case the provisions of Section 5.04 shall be applicable.

5.03 ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful or any central bank or other Government Authority asserts that it is unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans hereunder, and, in the opinion of such Lender (as stated in writing), the designation of a different Applicable Lending Office would either not avoid such unlawfulness or would be disadvantageous to such Lender, then such Lender shall promptly notify the Borrower thereof in writing (with a copy to the Administrative Agent) and such Lender's obligation to make or Continue, or to Convert Prime Rate Loans into, Eurodollar Loans shall be suspended until such time as such Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 5.04 shall be applicable).

5.04 TREATMENT OF AFFECTED LOANS. If the obligation of any Lender to make or Continue, or to Convert Prime Rate Loans into, Eurodollar Loans shall be suspended pursuant to Section 5.01, 5.02 or 5.03 (the "AFFECTED LOANS"), such Lender's Affected Loans shall be automatically Converted into Prime Rate Loans on the last day(s) of the then-current Interest Period(s) for the Affected Loans (or, in the case of a Conversion required by Section 5.01(b) or 5.03, on such earlier date as such Lender may certify to the Borrower with a copy to the Administrative Agent as being the last permissible date for such Conversion under, or by reason of, the relevant Regulatory Change or circumstances described under Section 5.03, such certification to be conclusive absent manifest error) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.01, 5.02 or 5.03 which gave rise to such Conversion no longer exist:

- (a) to the extent that such Lender's Affected Loans have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Loans shall be applied instead to its Prime Rate Loans; and
- (b) all Loans that would otherwise be made by such Lender as

Eurodollar Loans shall be made instead as Prime Rate Loans.

If such Lender gives notice to the Borrower with a copy to the Administrative Agent that the circumstances specified in Section 5.01, 5.02 or 5.03 that gave rise to the Conversion

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of such Lender's Eurodollar Loans of any Class pursuant to this Section 5.04 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist): (i) at a time when Eurodollar Loans made by other Lenders are outstanding, each of such Lender's Prime Rate Loans shall be automatically Converted to Eurodollar Loans, on the first day of the next succeeding Interest Period for, and having the same Interest Period as, such outstanding Eurodollar Loans and to the extent necessary so that, after giving effect thereto, all Prime Rate Loans and Eurodollar Loans are allocated among the Lenders ratably (as to principal amounts, Types and Interest Periods) as nearly as possible in accordance with their respective Commitments; and (ii) at any other time, the Borrower may thereafter provide to the Administrative Agent a notice of Conversion, in accordance with Section 4.05, of such Lender's Prime Rate Loans to Eurodollar Loans.

- 5.05 COMPENSATION. The Borrower shall pay to the Administrative Agent for the account of each Lender, upon the request of such Lender through the Administrative Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate such Lender for any loss, cost or expense that such Lender reasonably determines is attributable to:
- (a) any payment, prepayment or Conversion of a Eurodollar Loan made by such Lender for any reason (including the acceleration of the Loans pursuant to Section 9.02) on a date other than the last day of an Interest Period for such Loan; or
 - (b) any failure by the Borrower for any reason (including the failure of any of the conditions precedent specified in Article VI to be satisfied) to borrow a Eurodollar Loan from such Lender on the date for such borrowing specified in the relevant Notice of Borrowing given pursuant to Section 2.02.

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of: (i) the amount of interest that otherwise would have accrued on the principal amount so paid, prepaid, Converted or not borrowed for the period from the date of such payment, prepayment, Conversion or failure to borrow to the last day of the then-current Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for such borrowing) at the applicable rate of interest for such Loan provided for herein; over (ii) the amount of interest that otherwise would have accrued on such principal amount at a rate per annum equal to the interest component of the amount such Lender would have bid in the London interbank market for Dollar deposits of the Reference Banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Lender).

5.06 TAXES.

- (a) General. All payments to be made hereunder and under the Notes and any other Financing Document by the Borrower shall be made free

deduction for or on account of, any Taxes (other than Taxes imposed on either Agent or any Lender by the jurisdiction in which such Person is organized or has its principal office or, in the case of any Lender, by the jurisdiction in which its Applicable Lending Office is organized or located or, in each case, any political subdivision or taxing authority thereof or therein or otherwise imposed by any taxing authority upon, or measured by, income or assets as a result of the organization or location of such Lender in such taxing authority's jurisdiction (unless such organization or location is attributable to the execution of, or the exercise of any rights or remedies under or in connection with, the Transaction Documents)) (such Taxes being herein referred to as the "APPLICABLE TAXES").

If any Applicable Taxes are imposed and required to be withheld from any amount payable by the Borrower hereunder or under the Notes or any other Financing Document, the Borrower shall (subject to the second sentence of Section 5.06(c)) be obligated to: (i) pay such additional amount so that the Agents and the Lenders, as applicable, shall receive a net amount (after giving effect to the payment of such additional amount and to the deduction of all Applicable Taxes) equal to the amount due hereunder; (ii) pay such Applicable Taxes to the appropriate taxing authority for the account of the Administrative Agent, for the benefit of the Agents and the Lenders, as applicable; and (iii) as promptly as possible thereafter, send to the Administrative Agent a certified copy of any original official receipt showing payment thereof, together with such additional documentary evidence as the Administrative Agent or such other Agent or Lender (as applicable) may from time to time reasonably require.

If the Borrower fails to pay any Applicable Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall be obligated to indemnify each Agent and each Lender for any incremental Taxes, as well as interest and penalties that may become payable by such Agent or such Lender as a result of such failure. The obligations of the Borrower under this Section 5.06(a) shall survive the termination of the Commitments and the repayment of the Loans.

- (b) Evidence of Payment. Within 30 days after paying any amount to either Agent or any Lender from which it is required by law to make any deduction or withholding, and within 30 days after it is required by law to remit such deduction or withholding to any relevant taxing or other authority, the Borrower shall deliver to the Administrative Agent, for delivery to such Person, evidence reasonably satisfactory to such Person of such deduction, withholding or payment (as the case may be).
- (c) Foreign Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with

respect to payments by the Borrower under this Agreement, the Notes or any other Financing Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate. For any period during which a Foreign Lender has failed to provide the Borrower with the appropriate documentation as required by the preceding sentence, the Borrower shall not be obligated to pay, and such Foreign Lender shall not be entitled to receive, additional amounts under Section 5.06(a) with respect to Applicable Taxes imposed by the United States to the extent that such additional amounts would not have arisen but for such failure of such Foreign Lender. If a Foreign Lender that is otherwise exempt from or subject to a reduced rate of withholding tax becomes subject to Applicable Taxes, or a higher amount thereof, because of its failure to deliver documentation described in the first sentence of this paragraph (c), the Borrower shall take such steps as such Foreign Lender shall reasonably request to assist such Foreign Lender to recover such Applicable Taxes.

- (d) Tax Refunds. If an Agent or a Lender receives a refund of, or in respect of, any Applicable Taxes with respect to which the Borrower has paid additional amounts pursuant to Section 5.06(a) and (i) either: (A) such refund (as received by such Agent or such Lender) is specifically referable to such Applicable Taxes; or (B) such Agent or such Lender determines (in its sole discretion) that such refund is in respect of, such Applicable Taxes; and (ii) such Agent's or such Lender's (as applicable) tax affairs for its tax year in respect of which such refund was obtained have been finally settled, then in each case such Agent or such Lender shall, to the extent it can do so without prejudice to the retention of such refund, pay to the Borrower an amount equal to such refund (but only to the extent of additional amounts paid by the Borrower under Section 5.06(a) with respect to the Applicable Taxes giving rise to such refund), net of all out-of-pocket expenses and Taxes incurred by such Agent or such Lender with respect thereto and without interest (other than any interest paid by the relevant Government Authority with respect to such refund). Any such payment by any Agent or any Lender shall be applied toward payments of amounts then owed by the Borrower under this Agreement if, at the time of such payment, an Event of Default has occurred and is continuing.

The Borrower shall indemnify each Agent and each Lender on an after-tax basis for any Taxes that are imposed on such Person as a result of the disallowance, unavailability, recapture or reduction of any such refund, as to which such Person has already made payment in full to the Borrower as required by this paragraph (d). Nothing herein shall oblige any Agent or any Lender to disclose any of the tax returns, books or other records of such Person, nor shall anything herein interfere with the right of any Agent or any Lender to arrange its tax and

commercial affairs and its dealings with its various customers in whatever manner it thinks fit. In particular, no Agent or Lender shall be under any obligation to claim credit, relief, remission or repayment from or against its corporate profits or similar tax liability in respect of the amount of any Tax, deduction or withholding as aforesaid in priority to any other claims, reliefs, credits or deductions available to it or that it determines in its sole discretion to be inadvisable.

5.07 MITIGATION OBLIGATIONS; PREPAYMENTS; REPLACEMENT OF LENDERS.

- (a) Designation of a Different Lending Office; Prepayments. If any Lender requests compensation under Section 5.01 or 5.06, or if the Borrower is required to pay any additional amount to any Lender or any Government Authority for the account of any Lender pursuant to Section 5.06, then such Lender shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office for the Loans of such Lender affected by such event or to assign its rights and obligations therein to another of its offices, branches or Affiliates, if, in the sole opinion of such Lender, such designation or assignment: (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or 5.06, as the case may be, in the future; and (ii) would not be disadvantageous to such Lender; provided that such Lender shall have no obligation to designate an Applicable Lending Office located in the United States if such Lender's Applicable Lending Office is not then located in the United States. The Borrower shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment. In the event any such Lender requesting compensation is unable or, for any reason, declines to so designate a different Applicable Lending Office of its Loans, the Borrower shall have the right to prepay such Lender in whole or in part pursuant to the terms of Section 3.03(a) and Section 3.05, and such prepayment shall be exclusive of the prepayment commission described in Section 3.03(b).
- (b) Replacement of Lenders. If any Lender requests compensation under Section 5.01 or 5.06, or if the Borrower is required to pay any additional amount to any Lender or any Government Authority for the account of any Lender pursuant to Section 5.06, or if any Lender exercises its rights under Section 5.03, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate (in accordance with and subject to the restrictions contained in Section 11.06), without recourse and without compensation or payment of any type other than amounts referred to in clause (i) below, all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that: (i) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case

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of all other amounts); and (ii) such assignment will: (A) result in a reduction in such compensation or payments; or (B) effect the availability of Eurodollar Loans, as applicable. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

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ARTICLE VI

CONDITIONS PRECEDENT

6.01 INITIAL TERM LOANS. The obligation of any Lender to make its Initial Loan Term Loan hereunder is subject to the receipt by the Administrative Agent of each of the documents and the satisfaction of the conditions precedent set out in this Section 6.01, each of which shall be satisfactory to the Lenders in form, scope and substance.

(a) Certain Financing Documents. Each of the following Financing Documents, each such document to be duly executed and delivered by each of the intended parties thereto:

- (i) this Agreement;
- (ii) each of the Initial Term Loan Notes; and
- (iii) the Consent and Agreement of each of the Operator and Imperial Irrigation District relating to the Project Documents to which such Project Party is a party or by which it is otherwise bound, except as otherwise agreed in writing by the Administrative Agent on or prior to the Closing Date.

(b) Security Documents. Each of the following Security Documents, each such document to be duly executed and delivered by each of the intended parties thereto:

- (i) the Borrower Security Agreement;
- (ii) the Borrower Equity Interest Pledge;
- (iii) the Deed of Trust; and
- (iv) the Depositary Agreement.

(c) Project Documents. A copy (which, in the case of the Project Documents referred to in clauses (v), (viii), (ix) and (x) below, may be in electronic, CD-ROM format), certified by an Authorized Officer of the Borrower to be true, correct and complete, of each of the following Project Documents, each such document to be duly executed and delivered by each of the intended parties thereto:

- (i) each PPA;
- (ii) each Plant Connection Agreement;

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- (iii) the O&M Contract;
- (iv) each Transmission Services Agreement;
- (v) each Real Property Document;
- (vi) the Water Supply Agreement;
- (vii) the Energy Services Agreement;

- (viii) each Acquisition Document;
 - (ix) each Restructuring Document;
 - (x) each Merger Document;
 - (xi) the Funding and Construction Agreement; and
 - (xii) the Unit Agreement.
- (d) Limited Liability Company Documents. A certificate of the Secretary or Assistant Secretary of the Borrower or of its managing member, dated as of the Closing Date, certifying: (A) that attached thereto is a true, correct and complete copy of the Charter Documents (including the LLC Agreement) of the Borrower as in effect on the date of such certificate; (B) that attached thereto is a true, correct and complete copy of resolutions duly adopted by the managers or member of the Borrower, authorizing the execution, delivery and performance of the Financing Documents to which the Borrower is or is intended to be a party, and that such resolutions have not been modified, rescinded or amended and are in full force and effect; and (C) as to the incumbency and specimen signature of each officer of the Borrower executing each of the Financing Documents, to which the Borrower is or is intended to be a party and each other document to be delivered by the Borrower from time to time in connection therewith (and each Financing Party may conclusively rely on such certificate until it receives notice in writing to the contrary from the Borrower).
- (e) Officers' Certificates. A certificate of an Authorized Officer of the Borrower, dated as of the Closing Date, certifying that: (A) the representations and warranties of the Borrower contained in Article VII and the material representations and warranties of the Borrower in each other Transaction Document to which it is a party are true and correct in all material respects as if made on and as of such date (or, if stated to have been made solely as of an earlier date, were true and correct as of such date); (B) the Borrower is in compliance with all of its covenants and obligations under each of the Financing Documents to which it is a party, and is in compliance in all material respects with all of its covenants and obligations under each of the Project Documents to which it is a

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party; (C) all Transaction Documents are in full force and effect; and (D) no Default or Event of Default has occurred and is continuing on such date, in each case, both immediately prior to the initial extension of credit hereunder and after giving effect thereto and to the intended use thereof.

- (f) Real Property Documents; Title Insurance; Survey.
- (i) Title Insurance. A title policy or policies issued by the relevant Title Company or Title Companies which is in ALTA, extended coverage, Lender's Fee Policy form 1970 (revised 10/17/84) or such other form approved by the Lenders, or a binding marked commitment to issue such policy or policies, in form, scope and substance satisfactory to the Lenders, insuring the Collateral Agent for the benefit of the Secured Parties, in an amount satisfactory to the Lenders, that the Borrower is lawfully seized and possessed of a valid and subsisting leasehold interest in the Leasehold Properties and estate or interest in the ROW and the Site

Licenses, as the case may be, in the Project and that such interests are free and clear of all defects and encumbrances except those approved by the Lenders.

Each Title Policy shall contain:

- (A) full coverage against Mechanics' Liens (filed and inchoate);
 - (B) a reference to the relevant Initial Survey with no survey exceptions except those theretofore approved by the Lenders; and
 - (C) such affirmative insurance and endorsements as the Lenders may require.
- (ii) Initial Survey. An as-built survey of the Site current to within 90 days of the Closing Date (each such survey, an "INITIAL SURVEY"), which survey shall:
- (A) be a current "as-built" metes and bounds survey of the Site, including easements that benefit such Site;
 - (B) be made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA, ACSM and NSPS in 1999 with all measurements made in accordance with the "Minimum Angle, Distance and Closure

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Requirements for Survey Measurements Which Control Land Boundaries for ALTA/ACSM Land Title Surveys";

- (C) be prepared by a surveyor satisfactory to the Lenders;
 - (D) contain "Optional Survey Responsibilities and Specifications" 2, 3, 8, 10 and 16 as specified on Table A to the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys"; and
 - (E) contain a certification from said surveyor satisfactory to the Lenders.
- (iii) Fees. Evidence that the Borrower shall have paid to each Title Company all of its expenses and premiums in connection with the issuance of the Title Policy and in addition shall have paid to each Title Company an amount equal to the relevant recording and stamp taxes payable in connection with recording the Deed of Trust in the appropriate county land offices.
- (g) Financial Statements. The most recent unaudited quarterly financial statements (consolidated as appropriate) of the Borrower, prepared in accordance with the relevant Accounting Principles, together with a certificate from an Authorized Officer of the Borrower stating that: (A) no material adverse change in its consolidated assets, liabilities and operations or financial condition has occurred from those set out in such most recent financial statements; and (B) such financial statements fairly present in all material respects the financial condition of the

Borrower.

(h) Government Actions.

- (i) Government Approvals. Copies, certified by an Authorized Officer of the Borrower to be true, correct and complete, of all Government Approvals referred to in Schedule VI (other than those listed on Schedule VII or otherwise designated on such Schedule VII as unavailable), all of which shall be in form and substance satisfactory to the Lenders, together with a certificate from an Authorized Officer of the Borrower stating that all such Government Approvals, other than those listed on Schedule VII, are in full force and effect.
- (ii) Status. Evidence in form and substance satisfactory to the Lenders that each of the Projects is a QF.

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- (i) Independent Engineer's Report and Certificate. A report of the Independent Engineer, dated as of a recent date and in form, scope and substance satisfactory to the Lenders addressing (among other matters reviewed at the request of the Lenders as determined in their sole discretion): (i) the historical and projected operating and maintenance costs; (ii) the historic operation of the Project, including capacity ratings and actual energy production; (iii) the capability of the Resource, including (A) a review of Resource temperature, well production and operation and maintenance costs associated with the production and injection wells; (B) the historic production and injection volumes and temperature; (C) the ability of the Resource to continually provide sufficient temperatures and volumes of geothermal fluid to maintain the Project's electricity production and costs as set forth in the Closing Pro Forma; (D) the expected degradation of the Resource during the period beginning on the Closing Date and ending on the Final Maturity Date; (E) a review of the Resource management and well drilling plans, and the capabilities of the Operator to operate and maintain the Resource; (F) a review of the costs associated with management, maintenance, and development of the Resource to maintain temperature and production; and (G) the expected useful life of the Resource as currently used and as anticipated to be used following the Upgrade Project; (iv) the assumptions, formulae, methodologies and structure of the Closing Pro Forma; (v) the technical and economic ability and feasibility of the Project to produce and transmit the capacity and energy, and generate Project Cash Flow, in accordance with the Closing Pro Forma; (vi) the technical ability and feasibility of the Project to supply capacity and energy and otherwise fulfill its obligations under the PPAs; (vii) the projected availability of the Project; (viii) the Borrower's ability to perform under the Project Documents; (ix) the adequacy of the Plant Connection Agreements, the Transmission Services Agreements, and all other arrangements relating to interconnection; (x) the adequacy of the O&M Contract and the reasonableness of the costs and expenses of the Operator for performing services under the O&M Contract; (xi) the existence of skilled third party operators capable of performing such services at a comparable cost to the fees paid to the Operator under the O&M Contract; (xii) any environmental matters at or in relation to the Site, including (A) the Borrower's and the Project's compliance with all applicable Government Rules, including all Environmental Laws and all applicable Government Rules relating to health and safety; (B) whether the Borrower or the Project is subject to any federal, state or local investigation regarding any actual or potential

remedial action or involving any actual or potential expenditure in excess of \$100,000 in the aggregate with respect to any Environmental Law or in response to any Release; and (C) whether the Borrower or the Project has any contingent liability in excess of \$100,000 in the aggregate in connection with any Release; (xiii) the adequacy of the plans relating to the Upgrade Project and an opinion that the expectations of the Upgrade Project are obtainable within the cost and time frame anticipated; and (xiv) any other technical or regulatory issue that may arise in

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connection with the Independent Engineer's review of the Project on behalf of the Lenders.

- (j) Closing Pro Forma. The Closing Pro Forma.
- (k) Insurance.
 - (i) Acceptable Insurance Broker Certificate. A certificate of an Acceptable Insurance Broker as to the Borrower's compliance with Section 8.05(a) and Schedule IV, such certificate to be in form and substance satisfactory to the Administrative Agent.
 - (ii) Compliance Certificate. A certificate of an Authorized Officer of the Borrower, dated as of the Closing Date, certifying that insurance complying with Section 8.05(a) and Schedule IV, covering the risks referred to therein, has been obtained and is in full force and effect and, as of the date thereof, no notice of cancellation has been issued thereunder.
 - (iii) Insurance Advisor's Report. A report of the Insurance Advisor, dated as of a recent date and satisfactory in form, scope and substance: (A) addressing (among other matters reviewed at the request of the Lenders as determined in their sole discretion): (I) the adequacy of the insurance required by Section 8.05 and Schedule IV and confirming that such insurance and reinsurance provides adequate cover for the Project and adequately protects the interests of the Agents and the Lenders; and (II) the comparability of such insurance with insurance maintained with respect to similar projects by prudent power producers; and (B) confirming that insurance complying with Section 8.05 and Schedule IV, covering the risks referred to therein: (I) is reasonably likely to remain available through the Final Maturity Date; and (II) has been obtained and is in full force and effect and as of the date thereof, no notice of cancellation has been issued thereunder.
- (l) Filings, Registrations and Recordings; Fees and Taxes.
 - (i) Financing Statements. Acknowledgment copies of all financing statements under the Uniform Commercial Code (and copies of Uniform Commercial Code search reports and tax lien, judgment and litigation search reports) with respect to the Borrower, in each jurisdiction (and, to the extent applicable, county land offices) listed under the name of such Person on Schedule V and in each other jurisdiction in which such financing statements are necessary or, in the opinion of special counsel to the Lenders, desirable to

perfect the Liens created by the Security Documents (including Liens in fixtures created by the Deed of Trust and all other instruments to be recorded or filed or delivered in connection with the Security Documents).

- (ii) Recordation. Evidence satisfactory to the Administrative Agent that the Security Documents have been duly recorded and filed in all places wherein such recording and filing are necessary to perfect the interests of the Administrative Agent in and to the Collateral covered thereby.
- (iii) Fees and Taxes. Evidence that all filing, recordation, subscription and inscription fees and all recording and other similar fees, and all recording, stamp and other taxes and other expenses related to such filings, registrations and recordings necessary for the consummation of the transactions contemplated by this Agreement and the other Financing Documents have been paid in full by or on behalf of the Borrower or otherwise provided for.
- (iv) Other Action. Evidence satisfactory to the Administrative Agent that all other action necessary in order to effectively establish, create and perfect the Liens, charges and security interests contemplated by the Security Documents shall have been duly taken or made and remains in full force and effect.

(m) No Proceedings.

- (i) As of the Closing Date there is no: (I) injunction, writ, preliminary restraining order or any order of any nature issued by any Government Authority, arbitral tribunal or other body directing that any of the transactions provided for herein or in the other Transaction Documents not be consummated as herein or therein provided; or (II) litigation, proceeding or, to the Borrower's knowledge, investigation, of or before any Government Authority, arbitral tribunal or other body pending or, to the Borrower's knowledge, threatened with respect to or affecting any Project, this Agreement or any other Transaction Document or any of the transactions contemplated hereby or thereby.
- (ii) A certificate of an Authorized Officer of the Borrower, dated as of the Closing Date, certifying as to such effect.

(n) No Material Adverse Change.

- (i) As of the Closing Date, there has been no Material Adverse Effect since November 7, 2002, and no act, event or circumstance affecting the Borrower has arisen since such date that could reasonably be expected to result in a Material Adverse Effect.
- (ii) A certificate of an Authorized Officer of the Borrower, dated as of the Closing Date, certifying as to such effect.

- (o) Opinions of Counsel. The following opinions of counsel, each acceptable in form and substance to the Agents and the Lenders:
 - (i) An opinion of Chadbourne & Parke LLP, as special New York counsel to the Borrower and the Sponsor, and addressing certain New York State and Federal law matters;
 - (ii) An opinion of David Chanover, special California counsel to the Borrower; and
 - (iii) An opinion of Morris, Nichols, Arsht & Tunnell, as special Delaware counsel to the Borrower and the Sponsor and addressing certain general Delaware corporate, limited liability Company, and Uniform Commercial Code matters.
- (p) Fees and Expenses. Evidence that the Borrower shall have paid in full, on or before the Closing Date, all fees and expenses then due under or pursuant to this Agreement.
- (q) Establishment and Funding of the Accounts. Each of the Accounts shall have been established as of the Closing Date in accordance with the terms of the Depositary Agreement. The Debt Service Reserve Account shall have on deposit a credit balance of immediately available funds in an amount not less than the Debt Service Reserve Required Amount, provided that the initial funding of the Debt Service Reserve Account may be made with the proceeds of the Initial Term Loans.
- (r) Borrower's LLC Agreement. The Borrower's LLC Agreement shall be in form and substance satisfactory to the Administrative Agent.
- (s) No Default. Immediately before and after giving effect to such proposed Loan, no Default or Event of Default shall have occurred and be continuing and no Default would result therefrom.
- (t) Representations and Warranties. Immediately before and after giving effect to such proposed extension of credit, all representations of the Borrower and the Sponsor contained in the Financing Documents shall be true and correct on and as

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of the Closing Date in all material respects as if made on and as of such date except for any such representations and warranties that were initially stated to have been made solely as of an earlier date, in which case such representations shall have been true and correct in all material respects as of such earlier date.

- (u) Absence of Material Adverse Effect. Immediately before and after giving effect to such proposed extension of credit, no Material Adverse Effect shall have occurred and be continuing or would result therefrom.
- (v) Government Approvals. All Government Approvals that are necessary for each Project as of the Closing Date shall have been obtained on or prior to the Closing Date and shall be in full force and effect and not subject to appeal. (w) Notice of Borrowing. The Borrower shall have delivered to the Administrative Agent (with a copy to the Collateral Agent) a Notice of Borrowing with respect to Initial Term Loans in an amount equal to the aggregate Initial Term Loan Commitments.

- (x) Payment Instructions. Evidence that the Borrower shall have irrevocably instructed in writing each of SCE and Imperial Irrigation District to make all payments owing to the Borrower under any Project Document to which either SCE or Imperial Irrigation District is party to the Depositary Bank for deposit into the Revenue Account.

6.02 ADDITIONAL TERM LOANS. The obligation of any Lender to make its Additional Term Loan is subject to the receipt by the Administrative Agent of the documents and the satisfaction of the conditions precedent set out below on the date of such Loan, each of which shall be in form and substance satisfactory to the Administrative Agent and the Majority Lenders.

- (a) No Default. Immediately before and after giving effect to such proposed extension of credit, no Default or Event of Default shall have occurred and be continuing and no Default would result therefrom.
- (b) Representations and Warranties. Immediately before and after giving effect to such proposed extension of credit, all representations of the Borrower and the Sponsor contained in the Financing Documents shall be true and correct on and as of the date of such Additional Term Loan in all material respects as if made on and as of such date except for any such representations and warranties that were initially stated to have been made solely as of an earlier date, in which case such representations shall have been true and correct in all material respects as of such earlier date.

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- (c) Absence of Material Adverse Effect. Immediately before and after giving effect to such proposed extension of credit, no Material Adverse Effect shall have occurred and be continuing or would result therefrom.
- (d) Government Approvals. All Government Approvals that are necessary for the then current stage of the Development of each Project shall have been obtained on or prior to the date of such extension of credit and shall be in full force and effect and not subject to appeal.
- (e) Upgrade Acceptance Test. The Project has successfully passed the Upgrade Acceptance Test on or before December 31, 2003.
- (f) Upgrade Pro Forma. The Upgrade Pro Forma, containing assumptions and otherwise in form and substance satisfactory to the Lenders and the Independent Engineer, taking into account the effect of the Upgrade Project on the Projects' performance, and demonstrating an annual Debt Service Coverage Ratio of at least 1.5:1.
- (g) Independent Engineer's Upgrade Report; Defective Tower Repair. An update to the report of the Independent Engineer that was delivered on the Closing Date, confirming that the Upgrade Acceptance Test has been satisfied in all material respects in form and substance satisfactory to the Lenders, and a certificate of an Authorized Officer of the Borrower, dated no later than July 1, 2003 certifying that the Tower Repairs have been substantially completed and that, as a result, the cooling towers subject

thereof are, as of such date, in good working order and condition in accordance with generally accepted prudent utility practices.

- (h) Title Policy Endorsement. An endorsement to the Title Policy to the date of such extension of credit, in the form approved by the Administrative Agent and setting out no additional exceptions (including survey exceptions).
- (i) Notice of Borrowing. The Borrower shall have delivered to the Administrative Agent (with a copy to the Collateral Agent) a Notice of Borrowing with respect to Additional Term Loans in an amount not exceeding the present value, as calculated by the Administrative Agent, discounted at ten percent (10%), of two-thirds (2/3) of Additional Project Cash Flow, as set forth in the Upgrade Pro Forma, for the period from the date the Project passes the Upgrade Acceptance Test to the Final Maturity Date, but not to exceed the aggregate Additional Term Loan Commitments.
- (j) Other. Such other statements, certificates, documents and information with respect to any Project or matters contemplated by this Agreement as either Agent or the Majority Lenders may reasonably request.

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ARTICLE VII

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders and each Agent that:

7.01 EXISTENCE. The Borrower is duly organized or formed, validly existing and in good standing under the laws of the State of Delaware. The Borrower is duly qualified to do business and is in good standing in the State of California. The Borrower is duly qualified to do business and is in good standing in all other places where necessary in light of the business it conducts and the Property it owns and intends to conduct and own and in light of the transactions contemplated by this Agreement and the other Transaction Documents, except where the failure to so qualify or be in good standing could not reasonably be expected to have a Material Adverse Effect. No filing, recording, publishing or other act that has not been made or done is necessary in connection with the existence or good standing of the Borrower or the conduct of its business.

7.02 FINANCIAL CONDITION.

- (a) Financial Statements. The financial statements delivered to the Administrative Agent pursuant to Section 8.01, and any related statements of income, owner's equity and cash flows: (i) fairly present, in all material respects, the financial condition of the Borrower as of the date delivered and the results of its operations for the period covered thereby (subject, in the case of any quarterly financial statements to normal year-end audit adjustments); and (ii) have been prepared in accordance with the Accounting Principles applicable to such Person.
- (b) No Material Contingent Liabilities. As of the date of the relevant balance sheet included in such financial statements, the Borrower has no contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments or any other liabilities or obligations of a nature required to be reflected in a balance

sheet for the period to which such financial statements relate that were not disclosed in such balance sheet and, either individually or in the aggregate would be material to the Borrower.

- (c) No Material Adverse Change. The Borrower knows of no reasonable basis existing as of the date of its most recent balance sheet in accordance with Section 8.01 for the assertion against it of any liability or obligation of a nature required to be reflected in a balance sheet that is not fully reflected in its most recent balance sheet. Since the date of delivery of such balance sheet, there has been no material adverse change in the financial condition, operations or business of the Borrower from that set out in such financial statements as at such date.

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7.03 ACTION.

- (a) Borrower. The Borrower has full limited liability company power, authority and legal right to execute and deliver the Transaction Documents to which it is or is intended to be a party and to perform its obligations thereunder. The execution, delivery and performance by the Borrower of each of the Transaction Documents to which it is or is intended to be a party and the consummation of the transactions contemplated thereby have been duly authorized by all necessary limited liability company action on its part. Each of the Transaction Documents to which the Borrower is a party has been duly executed and delivered by or on behalf of such Person and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by: (i) applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and (ii) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).
- (b) Other Major Project Parties.
 - (i) Each of the other Major Project Parties has full corporate, limited liability company or partnership power, authority and legal right to execute and deliver each of the Transaction Documents to which it is or is intended to be a party and to perform its obligations thereunder;
 - (ii) the execution, delivery and performance by each other Major Project Party of each of the Transaction Documents to which it is or is intended to be a party and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate, limited liability company or partnership action on the part of such other Major Project Party; and
 - (iii) each of the Transaction Documents to which any other Major Project Party is a party has been duly executed and delivered by such other Major Project Party and constitutes the legal, valid and binding obligation of such other Project Party enforceable against such other Major Project Party in accordance with its terms, except as the enforceability thereof may be limited by: (A) applicable

bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and (B) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity);

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provided that these representations shall be made only to the knowledge of the Borrower with respect to any other Major Project Party that is not an Affiliate of the Borrower.

7.04 NO BREACH.

- (a) Execution, Etc. of Transaction Documents. The execution, delivery and performance by the Borrower of each of the Transaction Documents to which it is or is intended to be a party and the consummation of the transactions contemplated thereby do not and will not: (i) require any consent or approval of any Person that has not been obtained (except for consents from the BLM, SCE and for certain consents by third parties to the right of the Collateral Agent on behalf of the Secured Parties under the Security Documents to step into, cure defaults under or substitute a counterparty to, certain Project Documents) and each such consent and approval that has been obtained is in full force and effect; (ii) violate any material Government Rule or material Government Approval applicable to any Project; (iii) conflict with, result in a breach of or constitute a default under: (A) the Borrower's Charter Documents or any corporate, limited liability company action or any resolution of the member of the Borrower; or (B) any Project Document other than with respect to the Consents described in clause (i) above that have not been obtained or any indenture or loan or credit agreement or any other material agreement, lease or instrument to which the Borrower is a party or by which it or its Property may be bound or affected in any material respect; or (iv) result in, or create any Lien (other than a Permitted Lien) upon or with respect to any of the properties now owned or hereafter acquired by the Borrower.
- (b) No Breach. The Borrower is not in violation of any Government Rule or Government Approval that could reasonably be expected to result in a Material Adverse Effect. The Borrower is not in breach of or default under any indenture, loan or credit agreement or any other agreement, lease or instrument referred to in paragraph (a)(iii) above, except such breaches or defaults that, in the aggregate could not reasonably be expected to result in a Material Adverse Effect.

7.05 GOVERNMENT APPROVALS; GOVERNMENT RULES.

- (a) Borrower. All Government Approvals necessary under Government Rules to be obtained by or on behalf of the Borrower on or prior to the Closing Date are set out in Schedules VI and, except for those Government Approvals set out in Schedule VII which are not currently required for any Project, have been duly obtained, were validly issued, are in full force and effect, are not subject to appeal, are held in the name, or on behalf of, such Person and are free from conditions or requirements compliance with which could reasonably be expected to result in a Material Adverse Effect or which such Person does not reasonably expect to be able to satisfy on or prior to the time when necessary.

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- (b) Other Major Project Parties. To the Borrower's knowledge: (i) each other Major Project Party has obtained all Government Approvals necessary under Government Rules that are required to be obtained on or prior to the Closing Date in order for such other Major Project Party to perform its obligations under the Transaction Documents to which it is or is intended to be a party, other than those Government Approvals not currently required for any Project; and (ii) such Government Approvals are in full force and effect, are not subject to appeal, are held in the name of such other Major Project Party and are free from conditions or requirements compliance with which could reasonably be expected to result in a Material Adverse Effect or which the Borrower does not reasonably expect such other Major Project Party to be able to satisfy on or prior to the time when necessary.
- (c) No Material Omission. The information set out in each application and all other written materials submitted by the Borrower (and to the Borrower's knowledge, each other Major Project Party) to the applicable Government Authority in connection with each of its Government Approvals is accurate and complete in all material respects as of the date submitted to such Government Authority and does not omit to state any material fact necessary to make such information not misleading.
- (d) Future Government Approvals. The Borrower has no reason to believe that any Government Approvals that have not been obtained by it or any other Major Project Party as of the date of this Agreement, but which will be required in the future, will not be obtained in due course on or prior to the time when necessary and will be free from any condition or requirement, compliance with which could reasonably be expected to have a Material Adverse Effect.
- (e) Compliance of Upgrade Project. The Upgrade Project, if constructed in accordance with the Plans and Specifications therefor and otherwise Developed as contemplated by the Project Documents, will conform to and comply, in all material respects, with all covenants, conditions, restrictions and reservations in the Government Approvals applicable thereto and all Government Rules.
- (f) Copies Provided to Administrative Agent. In accordance with Section 6.01(h), the Administrative Agent has received a certified copy of each Government Approval heretofore obtained.

7.06 PROCEEDINGS. There is no action, suit or proceeding at law or in equity or by or before any Government Authority, arbitral tribunal or other body now pending or, to the knowledge of the Borrower, threatened against or affecting it, any of its Property (including any Project) or, to the knowledge of the Borrower, any other Major Project Party, that could reasonably be expected to result in a Material Adverse Effect. No winding up, dissolution or similar process is pending or threatened against the Borrower or (to the knowledge of the Borrower) any other Major Project Party except, after the

Closing Date, to the extent such process, if adversely determined, could not reasonably be expected to result in an Event of Default.

7.07 ENVIRONMENTAL MATTERS.

- (a) Environmental Claims. Except as described in Part A of Schedule VIII, to the knowledge of the Borrower, there are no facts, circumstances, conditions or occurrences regarding any Project that could reasonably be expected to form the basis of an Environmental Claim arising with respect to any Project or against such Project, the Borrower or, in connection with its involvement in any Project, any other Environmental Party, that individually or in the aggregate could reasonably be expected to result in a Material Adverse Effect.
- (b) Threatened Environmental Claims. Except as set out in Part B of Schedule VIII, there are no pending or, to the knowledge of the Borrower no past or, threatened Environmental Claims arising with respect to any Project or against such Project, the Borrower or, in connection with its involvement in the Development of any Project, any other Environmental Party, that individually or in the aggregate could reasonably be expected to result in a Material Adverse Effect.
- (c) Hazardous Materials. Except as set out in Part C of Schedule VIII, to the Borrower's knowledge no Hazardous Materials have been Used or Released at, on, under or from any Project in an amount or concentration that is not otherwise in compliance with applicable Environmental Law and that individually or in the aggregate could reasonably be expected to result in a Material Adverse Effect.
- (d) Other Materials. There are not now and, to the knowledge of the Borrower, never have been any underground storage tanks located at any Project. There is no asbestos contained in, forming part of, or contaminating any part of any Project, and no polychlorinated biphenyls are used, stored, located at or contaminate any part of any Project.
- (e) Investigations. There have been no environmental investigations, studies, audits, reviews or other analyses conducted by or that are in the possession of the Borrower (or, with respect to such investigations, studies, audits, reviews and other analysis conducted prior to April 15, 2002, known by the Borrower to be in its possession) in relation to any Project that have not been provided to the Administrative Agent and the Lenders.

7.08 TAXES. The Borrower has filed or caused to be filed all tax returns that are required by applicable law to be filed, and has paid all Taxes shown to be due and payable on said returns or on any assessments made against the Borrower or any of its Property and all other Taxes imposed on the Borrower by any Government Authority (other than Taxes the payment of which are not yet due or that are being Contested) except, in each case, where such failure could not reasonably be expected to have a Material Adverse Effect.

No Liens for Taxes (other than Permitted Liens) against the Borrower or any of its Property exist and no claims are being asserted against the Borrower or any of its Property with respect to any Taxes. The aggregate amount of sales, excise or property taxes imposed or reasonably expected to be imposed on the Borrower or any of its Property does not exceed the amounts provided therefor in the Closing Pro Forma. The charges, accruals and reserves on its books in respect of Taxes are, in the opinion of the Borrower, adequate.

7.09 TAX STATUS.

- (a) For Federal and state income tax purposes, the Borrower is disregarded as an entity separate from its owner.
- (b) Neither the execution and delivery of this Agreement, the other Transaction Documents or the Non-Material Project Contracts nor the consummation of any of the transactions contemplated hereby or thereby shall affect the classification of the Borrower as set out in paragraph (a) above.

7.10 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, materially exceed the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, materially exceed the fair market value of the assets of all such underfunded Plans.

7.11 NATURE OF BUSINESS. The Borrower has not engaged in any business other than the Development of the Projects and with respect to the SIGC Lease. Neither the business nor any Properties of the Borrower are or have been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could reasonably be expected to have a Material Adverse Effect.

7.12 TITLE; SECURITY DOCUMENTS.

- (a) Title. The Borrower owns and has good, legal and marketable title to the Collateral purported to be covered by the Security Documents to which it is a party, except for that portion of the Collateral which is Real Property, in which the Borrower has a valid estate or interest, and all such interests of the Borrower are free and clear of all Liens other than Permitted Liens.

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- (i) The Borrower is lawfully possessed of a valid and subsisting estate in and to the Real Property and rights to the Real Property described in the Deed of Trust free and clear of all Liens other than the Liens granted to the Collateral Agent for the benefit of the Secured Parties under the Security Documents and:
 - (A) as at the Closing Date, exceptions shown on the Title Policy delivered on the Closing Date in relation thereto; and
 - (B) Permitted Liens.
- (ii) The Borrower enjoys peaceful and undisturbed possession of,

all of its Properties (subject only to the Permitted Liens described above) that are necessary for the Projects.

- (b) Security Documents. The provisions of the Security Documents are effective to create, in favor of the Collateral Agent for the benefit of the Secured Parties, a legal, valid and enforceable Lien on and security interest in all of the Collateral purported to be covered thereby in accordance with state law and as permitted pursuant to the rules and regulations of the BLM. All necessary and appropriate recordings and filings have been made, or are being made concurrently herewith, in all necessary and appropriate public offices (including in the jurisdictions set out in Schedule V), and all other necessary and appropriate action has been, or is concurrently herewith being, taken, so that, subject to the rules and regulations of the BLM, each such Security Document creates, or as to after-acquired property will create, to the extent set forth in such Security Document, a perfected Lien on and security interest in all right, title, estate and interest in the Collateral covered thereby, prior and superior to all other Liens other than Permitted Liens. Except as otherwise agreed by the Lenders, all necessary and appropriate consents to the creation, perfection and enforcement of such Liens have been obtained from each of the parties to the Project Documents except for the BLM and SCE. Subject to the rules and regulations of the BLM, no mortgage or financing statement or other instrument or recordation covering all or any part of the Collateral purported to be covered by the Security Documents is on file in any recording office, except such as may have been filed in favor of the Collateral Agent for the benefit of the Secured Parties or in respect of any Permitted Lien.

7.13 SUBSIDIARIES.

- (a) No Subsidiaries. The Borrower has no subsidiaries.
- (b) Ownership Interests in Borrower. There are no ownership interests in the Borrower other than the 100% member interest held by the Sponsor.

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7.14 UTILITY REGULATION.

- (a) Holding Company. The Borrower is not a "public-utility company" or a "holding company", or an "affiliate" of a "holding company" or of a "public-utility company", or a "subsidiary company" of a "holding company", within the meaning of PUHCA nor is Borrower subject to regulation under PUHCA. None of the Projects is a "public-utility company" or a "holding company", or an "affiliate" of a "holding company" or of a "public-utility company", or a "subsidiary company" of a "holding company" within the meaning of PUHCA.
- (b) Status. Each of the Projects is a QF. The Borrower is not, nor will any of the Secured Parties (solely as a result of its execution, delivery or performance of this Agreement or the other Financing Documents or the transactions contemplated thereby, other than the exercise of remedies under the Security Documents except to the extent that, following such exercise of remedies, the Borrower will remain as the owner of the Projects, and the Operator will remain as the operator thereof) be, subject to regulation as a "public-utility company", a "holding company" or a "subsidiary company" or an "affiliate" of any of the foregoing,

under PUHCA.

- (c) Public Utility. Except as set out on Schedule VII and provided in the Government Approvals identified therein, the Borrower is not, nor will any of the Secured Parties be (solely as a result of its execution, delivery or performance of this Agreement or the other Financing Documents or the transactions contemplated thereby, other than the exercise of remedies under the Security Documents except to the extent that, following such exercise of remedies, the Borrower will remain as the owner of the relevant Projects, and the Operator will remain as the operator thereof), subject to regulation: (i) respecting the rates of electric utilities or material financial and organizational regulation of electric utilities under the FPA or the applicable Government Rules of the State of California other than, solely with respect to the Secured Parties' exercise of remedies under the Security Documents, Section 203 of the FPA; or (ii) otherwise as a gas or other regulated utility, however denominated, under applicable Government Rules of the United States of America or the State of California.
- (d) Investment Company. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940 or an "investment advisor" within the meaning of the Investment Company Act of 1940.

7.15 FINANCING DOCUMENTS; PROJECT DOCUMENTS; NON-MATERIAL PROJECT CONTRACTS; LICENSES, ETC.

- (a) Financing Documents; Project Documents; Non-Material Project Contracts. The Financing Documents, Project Documents and the Non-Material Project Contracts constitute and include all contracts and agreements relating to the Projects. As at

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the Closing Date, all Project Documents are set out in the definition thereof in Schedule I. There are no material services, materials or rights (other than Government Approvals) required for any Project other than those granted by, or to be provided to the Borrower pursuant to, the Project Documents. The Borrower has no reason to believe that any services, materials or rights (other than Government Approvals) that have not been obtained as of the date of this Agreement, but that will be required for a future stage of the Development of any Project (including, without limitation, the Upgrade Project), will not be obtained in due course on or prior to the commencement of the appropriate stage of Development of such Project and will not contain any condition or requirement compliance with which could reasonably be expected to have a Material Adverse Effect.

- (b) Copies of Documents. The Administrative Agent has received a copy (certified by the Borrower) of each Project Document, in accordance with Section 6.01(c), in each case as in effect on the date of delivery and each amendment, modification or supplement thereto.
- (c) No Amendment. Since their certification and delivery in accordance with Section 6.01(c) and except as permitted pursuant to Section 8.22, none of the Project Documents has been amended, modified or supplemented or has been Impaired and all of the Project Documents

are in full force and effect in all material respects. All conditions precedent to the obligations of the respective parties under the Project Documents have been satisfied or waived except for such conditions precedent that need not and cannot be satisfied until a later stage of Development of the relevant Project, and the Borrower has no reason to believe that any such condition precedent cannot be satisfied on or prior to the commencement of the appropriate stage of Development of such Project.

- (d) Representations and Warranties. All material representations, warranties and other factual statements made by the Borrower and, to the knowledge of the Borrower, made by each other Person in the Project Documents are true and correct in all material respects (or, if stated to have been made solely as of an earlier date, were true and correct as of such date) and do not omit to state any material fact necessary to make such representations, warranties and other factual statements not misleading.
- (e) No Default. The Borrower is not in default in the performance of any covenant or obligation set out in any Project Document in a manner that could reasonably be expected to result in a Material Adverse Effect. To the knowledge of the Borrower, no other party to any Project Document is in default in the performance of any covenant or obligation set out therein in a manner that could reasonably be expected to result in a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

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- (f) Licenses. All material permits, licenses, trademarks, patents or agreements with respect to the usage of technology or other property (other than those constituting Government Approvals) that are necessary for each Project have been obtained, are final and are in full force and effect in all material respects and any such permits, licenses, trademarks, patents or agreements not currently necessary for each Project can reasonably be expected to be obtained when needed, free from conditions or requirements, compliance with which could reasonably be expected to result in a Material Adverse Effect.

- 7.16 UTILITY SERVICES. All utility services necessary for the Development of each Project, including, as necessary, water supply, storm and sanitary sewer, electric and telephone services and facilities, are available to such Project.
- 7.17 DISCLOSURE. All factual information in writing (taken as a whole) furnished by the Borrower or any Affiliate of the Borrower on its behalf, whether in print or electronic form, to any Financing Party was true and accurate in all material respects: on the dates as of which such information was furnished, and was not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided; provided, however, that, except as otherwise expressly provided in this Agreement, the Borrower's sole representation with respect to projections, estimates or other expressions of view as to future circumstances shall be that such projections, estimates or other expressions of view as to future circumstances: (i) were prepared in good faith and with due care; (ii) fairly present in all material respects the Borrower's expectations as to the matters covered thereby as of their respective date(s) of delivery;

(iii) were based on reasonable assumptions as to all factual and legal matters material to the estimates therein as of their respective date(s) of delivery; (iv) were in all material respects consistent with the provisions of the Transaction Documents as of their respective date(s) of delivery; and (v) contain no statements or conclusions that are based upon or include information known to the Borrower to be misleading or that fail to take into account material information regarding the matters reported therein as of their respective date(s) of delivery. There are in existence no documents or agreements that have not been disclosed to the Lenders that are material in the context of the Transaction Documents or that have the effect of varying any of the Transaction Documents or the Projects. There is no fact known to the Borrower that has not been disclosed in writing to the Lenders and that has had, or that could reasonably be expected in the future to have, a Material Adverse Effect.

- 7.18 USE OF PROCEEDS. The proceeds of each Loan will be used solely in accordance with, and solely for the purposes contemplated by, Section 8.09. No part of the proceeds of any Loan hereunder will be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock or to extend credit to others for such purpose.
- 7.19 FEES. On the Closing Date, except with respect to the financial advisor to the Borrower in connection with the transactions contemplated hereby, the Borrower does not have any

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obligation to any Person in respect of any finder's, broker's, investment banking, legal or accounting or other similar fee (including any fee payable to engineers, environmental consultants, fuel consultants or similar experts) in connection with any of the transactions contemplated by the Transaction Documents for services rendered more than 60 days prior to the Closing Date other than fees payable to Lenders or fees specifically contemplated in the Closing Pro Forma.

- 7.20 INDEBTEDNESS. The Borrower is not directly or indirectly liable with respect to any Indebtedness outstanding as of the Closing Date other than Permitted Indebtedness.
- 7.21 INVESTMENTS. The Borrower has no Investments except Permitted Investments.
- 7.22 NO FORCE MAJEURE. No event, condition or circumstance has occurred on the basis of which the Borrower has either given a notice of "force majeure" or received such notice from any other Person that could reasonably be expected to entitle the Borrower or such notifying Person to excuse, defer or suspend the performance of any of the material obligations of the Borrower or such notifying Person under any Transaction Document to which it is a party on the basis of "force majeure."
- 7.23 ASSETS. The Borrower owns, leases and otherwise has full legal right to use all Real Property, subject to the rules and regulations of the BLM, buildings, machinery, equipment and other assets, whether tangible or intangible, that are necessary or useful for the conduct of its business as presently conducted and as proposed to be conducted through the Final Maturity Date. On and as of the Closing Date, each such asset is, except for the assets to be repaired and/or upgraded as part of the Upgrade Project and the Tower Repairs, free from defects (patent and latent), is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it is presently used and as proposed to be used through the Final Maturity Date. Since April 15,

2002, each such asset, except for the assets to be repaired and/or upgraded as part of the Upgrade Project and the Tower Repairs, has been maintained in accordance with prudent and good industry practice.

ARTICLE VIII

COVENANTS

The Borrower covenants and agrees with the Lenders and the Agents that until the Termination Date:

8.01 FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower shall deliver to the Administrative Agent (in sufficient copies for distribution to each of the Lenders):

- (a) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of the Borrower, unaudited statements

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of income, owners' equity and cash flows of the Borrower, for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related unaudited balance sheet as at the end of such period, setting out in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by any material accounting variation report required by Section 1.04(b) and a certificate of a senior financial officer of the Borrower, which certificate shall state that said financial statements fairly present in all material respects the financial condition and results of operations of the Borrower, in accordance with the Accounting Principles applicable to the Borrower as at the end of, and for, such period (subject to normal year-end audit adjustments);

- (b) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, audited statements of income, owners' equity and cash flows of the Borrower for such year and the related audited balance sheets as at the end of such year, setting out in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by any material accounting variation report required by Section 1.04(b) and an opinion thereon of independent certified public accountants of recognized standing reasonably acceptable to the Lenders, which opinion shall state that said financial statements fairly present in all material respects the financial condition and results of operations of the Borrower as at the end of, and for, such fiscal year in accordance with the Accounting Principles applicable to the Borrower, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any Default or Event of Default (which certificate may be limited to the extent required by accounting rules or guidelines or customary accounting practice);
- (c) promptly upon their becoming available, copies of all registration statements and regular periodic reports, if any, that the Borrower shall have filed with the Securities and Exchange Commission or any national securities exchange;

- (d) prompt written notice of receipt by the Borrower of written notice of the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower in an aggregate amount that could reasonably be expected to result in a Default or have a Material Adverse Effect;
- (e) promptly after the Borrower knows or has reason to believe that any Default or Event of Default has occurred, a notice of such event describing the same in reasonable detail and, together with such notice or as soon thereafter as practicable, a description of the action that the Borrower has taken or proposes to take with respect thereto;

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- (f) promptly after the Borrower knows or has reason to believe that any fact, event, circumstance, condition or occurrence has occurred that results in, or could reasonably be expected to result in, a Material Adverse Effect, a notice of such fact, event, circumstance, condition or occurrence describing the same in reasonable detail and, together with such notice or as soon thereafter as practicable, a description of the action that the Borrower has taken or proposes to take with respect thereto;
- (g) promptly after the Borrower knows or has reason to believe that any event, circumstance or condition in the nature of force majeure has occurred which could reasonably be expected to result in a materially adverse change from the Closing Pro Forma or, if the Second Closing Date has occurred, the Upgrade Pro Form, a notice of such event, describing the same in reasonable detail and, together with such notice or as soon thereafter as practicable, a description of the action that the Borrower has taken or proposes to take with respect thereto;
- (h) promptly upon their becoming available, copies of all material notices or material documents received by the Borrower pursuant to any Project Document (including any notice or other document relating to a failure by the Borrower to perform any of its covenants or obligations under such Project Document);
- (i) promptly upon their becoming available, copies of all material periodic reports received from the Operator and other material notices relating to any Project received from any Project Party;
- (j) the notices required by Section 8.06;
- (k) as soon as practicable as they are available, copies of each insurance policy relating to the Projects, together with a certificate of an Authorized Officer of the Borrower, dated as of the date of such delivery, certifying that the policies comply with Section 8.05(a) and Schedule IV, cover the risks referred to therein, are in full and effect, as of the date of such delivery, no notice of cancellation has been issued thereunder, and that all premiums then due and payable thereon have been paid; and
- (l) from time to time such other information regarding the financial condition, operations, business or prospects of the Borrower (including any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender

(through the Administrative Agent) or Agent may reasonably request.

- 8.02 MAINTENANCE OF EXISTENCE; ETC. The Borrower shall: (a) preserve and maintain its legal existence; (b) preserve and maintain its good standing and all material licenses, rights, privileges and franchises necessary for the proper operation of each Project and its qualification to do business; and (c) conduct its business in an orderly, efficient and

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regular manner, unless the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

8.03 COMPLIANCE WITH GOVERNMENT RULES; ETC.

- (a) Compliance with Government Rules. The Borrower shall comply with all applicable Government Rules and from time to time obtain, maintain, comply with and renew all Government Approvals as shall now or hereafter be necessary under applicable Government Rules (except any thereof the non-compliance with or non-renewal of which could not reasonably be expected to result in a Material Adverse Effect). The Borrower shall promptly upon receipt or publication furnish a copy (certified by the Borrower or, if available, the applicable Government Authority) of each such Government Approval to the Administrative Agent.
- (b) No Amendment. Except as provided in Section 8.22(b)(vi), the Borrower shall not petition, request or take any legal or administrative action that seeks to amend, supplement or modify any Government Approval unless: (i) the Borrower theretofore shall have furnished to the Administrative Agent and the Lenders a detailed description of the proposed amendment, supplement or modification and the actions that the Borrower proposes to take with respect thereto; and (ii) such amendment, supplement or modification could not reasonably be expected to result in a Material Adverse Effect. The Borrower shall promptly upon receipt or publication thereof furnish a copy (certified by the Borrower or the applicable Government Authority) of each amendment, supplement or modification to any Government Approval to the Administrative Agent.
- (c) QF Status. The Borrower shall maintain the status of the Projects as QFs.

8.04 ENVIRONMENTAL COMPLIANCE.

- (a) No Use or Release. The Borrower shall not Use or Release, or permit the Use or Release of, Hazardous Materials at any Project other than in compliance with all applicable Environmental Laws and where such Use or Release could not reasonably be expected to result in a Material Adverse Effect.
- (b) Investigation. The Borrower shall conduct and complete any investigation, study, sampling and testing and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials Released at, on, in, under or from any Project, to the extent required by and consistent with the requirements of all applicable Environmental Laws except where failure to conduct or complete such clean-up, removal, remedial or other action could not reasonably be expected to result in a Material Adverse Effect.

- (c) Environmental Claim. The Borrower shall deliver to the Administrative Agent and each Lender:

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- (i) promptly upon obtaining knowledge of: (A) any fact, circumstance, condition or occurrence that could form the basis of an Environmental Claim arising with respect to any Project or against such Project, the Borrower or, in connection with its involvement in any Project, any other Environmental Party, in each case, which could reasonably be expected to have a Material Adverse Effect; or (B) any pending or threatened material Environmental Claim arising with respect to any Project or against such Project, the Borrower or, in connection with its involvement in any Project, any other Environmental Party, a notice thereof describing the same in reasonable detail and, together with such notice or as soon thereafter as practicable, a description of the action that the Borrower has taken or proposes to take with respect thereto and, thereafter, from time to time such detailed reports with respect thereto as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request; and
- (ii) promptly upon their becoming available, copies of all material written communications with any Government Authority relating to any violation or alleged violation of any Environmental Law or any Environmental Claim relating to any Project.

8.05 INSURANCE; EVENTS OF LOSS.

- (a) Insurance Maintained by the Borrower. The Borrower shall keep its present and future properties and business insured as required by and in accordance with the terms and conditions described in Schedule IV.
- (b) Compromise, Adjustment or Settlement. The Administrative Agent shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with any Event of Loss under any policy or policies of insurance or any proceeding with respect to any condemnation (including a Condemnation) or other taking of Property of the Borrower in excess of \$1,000,000. The Borrower shall, within five Business Days after request therefor, reimburse the Administrative Agent for all reasonable out-of-pocket expenses (including reasonable attorneys' and experts' fees) incurred by the Administrative Agent in connection with such participation. The Borrower shall not make any compromise, adjustment or settlement in connection with any such claim without the approval of the Administrative Agent, which approval shall not unreasonably be withheld, conditioned or delayed. The Borrower shall diligently pursue all claims and rights to compensation against all relevant insurers and/or Government Authorities, as applicable, in respect of any Event of Loss.
- (c) Loss Proceeds. In the event that the Borrower receives any amount of Loss Proceeds in respect of any Event of Loss, the Borrower shall deposit the amount

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of such Loss Proceeds in the Restoration Sub-Account. In the event that the Borrower receives any amount of proceeds of business interruption insurance and other payments received for interruption of operations in respect of any Event of Loss, the Borrower shall deposit the amount of such proceeds in the Revenue Account. In the event that the amount of such Loss Proceeds with respect to any Event of Loss is \$2,500,000 or less, such amounts shall be made available to the Borrower for the purpose of Restoring the Affected Property and shall be applied by the Borrower to the payment of the cost of the Restoration of the Affected Property. In the event that the amount of such Loss Proceeds with respect to any Event of Loss is greater than \$2,500,000, such amounts shall be made available to the Borrower from time to time in accordance with paragraph (d) and shall be applied by the Borrower to the payment of the cost of the Restoration of the Affected Property.

In the event that the relevant Event of Loss has caused a Project to be declared a total loss by its insurers, the Loss Proceeds with respect to such Event of Loss shall be promptly applied by the Administrative Agent in accordance with Section 3.04.

(d) Restoration. Amounts to be made available to the Borrower from the Restoration Sub-Account to be applied to the Restoration of Affected Property following any Event of Loss ("RESTORATION WORK") shall be remitted to the Borrower by the Administrative Agent, in the event that the amount of Loss Proceeds with respect to such Event of Loss is greater than \$2,500,000, subject to the satisfaction of the following conditions:

- (i) in the event that the amount of Loss Proceeds with respect to such Event of Loss is less than or equal to \$5,000,000, the Borrower has delivered to the Administrative Agent plans and specifications for the Restoration Work, including reasonable estimates of the costs and time required to complete such Restoration Work ("RESTORATION PLANS") and has certified in writing to the Administrative Agent that the conditions set out in paragraphs (ii)(B), (C), (E) and (F) below have been satisfied; and
- (ii) in the event that the amount of Loss Proceeds with respect to such Event of Loss is greater than \$5,000,000:
 - (A) the Borrower shall have delivered the relevant Restoration Plan to the Administrative Agent and the Independent Engineer;
 - (B) the Restoration Plans provide for Restoration Work that is technically feasible and will, upon completion thereof, result in the Project being at least equal in value, general

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utility and levels of performance as the Project prior to the Event of Loss;

- (C) the Restoration Plans provide for the Restoration Work to be completed within the period covered by business interruption insurance, plus any additional period agreed between the Borrower and the Administrative Agent (after consultation with the Independent Engineer) for a cost not to exceed the

relevant Loss Proceeds plus any necessary additional funds ("ADDITIONAL RESTORATION FUNDS") to be contributed towards such Restoration from: (I) amounts then on deposit in the Revenue Account that are distributable in accordance with Section 8.13, which amounts shall be transferred to the Restoration Sub-Account; or (II) cash actually deposited into the Restoration Sub-Account by a Person other than the Borrower;

- (D) the Independent Engineer shall have delivered to the Administrative Agent and the Lenders a certificate to the effect that the amount of Loss Proceeds with respect to such Event of Loss that has been deposited in the Restoration Sub-Account together with any Additional Restoration Funds, business interruption insurance proceeds relating thereto and any projected revenues from the Project are sufficient to Restore the Affected Property and to pay all Operation and Maintenance Expenses and all maintenance expenditures for such affected Project and Debt Service, in each case during the period of time that is required, in the opinion of the Independent Engineer, to Restore the Affected Property (the "RECONSTRUCTION PERIOD");
- (E) no Event of Default could reasonably be expected to occur during Restoration as a consequence of Restoration Work, assuming that Restoration Work on such Project proceeds in accordance with the Restoration Plan;
- (F) the Property constituting the Restoration Work shall be subject to the Lien of the Security Documents (whether by amendment to the Security Documents or otherwise) free and clear of all Liens other than Permitted Liens; and
- (G) Each request by the Borrower for a disbursement of funds from the Restoration Sub-Account shall be made on 10 days' prior written notice to the Administrative Agent,

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Collateral Agent and the Depositary Bank and shall be accompanied by: (I) a certificate of each of an Authorized Officer of the Borrower and the Independent Engineer that: (1) all of the Restoration Work completed has been done substantially in compliance with the Restoration Plan therefor; (2) the sum requested is required to pay, or to reimburse the Borrower for, costs incurred in connection with such Restoration Work (giving a brief description of the services and materials provided in connection with such Restoration Work); (3) the sum requested, when added to all Loss Proceeds and Additional Restoration Funds with respect to the relevant Event of Loss previously paid out by the Depositary Bank, does not exceed the cost of the Restoration Work done as of the date of such certificate; and (4) the amount of Loss Proceeds with respect to the relevant Event of Loss remaining in the Restoration Sub-Account,

together with any remaining Additional Restoration Funds, will be sufficient to complete the Restoration Work (giving an estimate of the cost of such completion in such reasonable detail as the Administrative Agent may reasonably request); (II) a certificate of an Authorized Officer of the Borrower certifying that no Default or Event of Default shall have occurred and is continuing at such date; and (III) partial lien waivers executed by each contractor and major subcontractor involved in the Restoration Work that shall cover all labor, materials (including equipment and fixtures of all kinds), supplies or services done, performed or furnished at, for or to the relevant Project in connection with the Restoration Work performed to the date of such payment.

Once such Restoration Work is complete (such completion to be evidenced by a certificate of the Borrower delivered to the Administrative Agent, the Collateral Agent and the Depositary Bank), any remaining relevant Loss Proceeds shall be applied as set out in Section 4.3 of the Depositary Agreement.

If the Borrower shall at any time abandon the Restoration Work or otherwise fail to pursue the Restoration Work substantially in accordance with the Restoration Plans, then, to the extent that such Loss Proceeds shall not otherwise have been remitted as aforesaid to the Borrower, such Loss Proceeds shall promptly (at the direction of the Majority Lenders) be applied by the Administrative Agent in accordance with Section 3.04(a). Anything to the contrary in this Section 8.05 notwithstanding, if as the result of such Event of Loss or Restoration Work an Event of Default shall have occurred and be continuing, the Administrative Agent

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may instruct the Depositary Bank to apply any amount of such Loss Proceeds in the Restoration Sub-Account in accordance with Section 3.05.

- 8.06 PROCEEDINGS. The Borrower shall, promptly upon: (a) obtaining knowledge of any action, suit or proceeding at law or in equity by or before any Government Authority, arbitral tribunal or other body pending or threatened against or otherwise affecting the Borrower or any other Major Project Party or any of such Person's Property, any Transaction Document, any Project or the Collateral, in each case that could reasonably be expected to result in a Material Adverse Effect; or (b) becoming aware of any other circumstance, act or condition (including the adoption, amendment or repeal of any Government Rule or the Impairment of any Government Approval or notice (whether formal or informal, written or oral) of the failure to comply with the terms and conditions of any Government Approval) that could reasonably be expected to result in a Material Adverse Effect, in each case, furnish to the Administrative Agent a notice of such event describing the same in reasonable detail and, together with such notice or as soon thereafter as practicable, a description of the action that the Borrower or such other Major Project Party has taken and, with respect to the Borrower, proposes to take with respect thereto.
- 8.07 TAXES. The Borrower shall pay and discharge all Taxes imposed on it or on its income or profits or on any of its Property or on any Transaction

Document prior to the date on which penalties attach thereto and prepare and file Tax returns on or before their due date.

- 8.08 **BOOKS AND RECORDS.** The Borrower shall keep proper books of record and accounts in accordance with Accounting Principles applicable to it and permit representatives of either Agent, upon reasonable notice, to visit and inspect its properties, to examine, copy or make excerpts from its books, records and documents and to discuss its affairs, finances and accounts with its principal officers during normal business hours and at such intervals as either Agent may reasonably request. The Borrower shall notify the Agents of any change in its independent accountants. The Independent Engineer shall have the right to inspect any Project in order to perform its obligations under the Financing Documents, including, to witness and verify any acceptance tests and to discuss the Borrower's affairs with its principal officers and engineers, all at such reasonable times and at such intervals as the Independent Engineer may reasonably request. The Borrower shall at all times maintain and preserve a complete set of Plans and Specifications for each Project (and any Restoration Plans with respect to such Project) at such Project's Site, available for inspection by the Independent Engineer (in order to perform its obligations under the Financing Documents), the Agents and any Lender.
- 8.09 **USE OF PROCEEDS.** The Borrower shall utilize the proceeds of the Loans as provided in the second paragraph of this Agreement.
- 8.10 **MAINTENANCE OF LIENS.** The Borrower shall maintain and preserve the Liens created by the Security Documents and the priority thereof and shall from time to time execute or

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cause to be executed any and all further instruments (including financing statements, continuation statements and similar statements with respect to any Security Document) reasonably requested by the Collateral Agent for such purposes. The Borrower shall promptly discharge, at the Borrower's cost and expense, any Lien (other than Permitted Liens) on the Collateral.

- 8.11 [INTENTIONALLY OMITTED].
- 8.12 **PROHIBITION OF FUNDAMENTAL CHANGES.**
- (a) **Merger or Consolidation.** The Borrower shall not merge into or consolidate with, or acquire all or any substantial part of the assets or any class of stock or other ownership interests of, any other Person without the prior written consent of the Majority Lenders. The Borrower shall not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any assets except sales of (without duplication) (A) electrical energy or capacity or ancillary services pursuant to a PPA or otherwise in the ordinary course of its business; (B) assets in the ordinary course of its business, the proceeds of which do not in any year exceed the aggregate sum of \$250,000 as to all Projects; and (C) assets made redundant by the Upgrade Project.
 - (b) **No Acquisition.** The Borrower shall not purchase or acquire any assets other than: (i) the purchase of assets reasonably required for the repair of the Defective Towers, and the Upgrade Project, in each case, in accordance with the respective plans therefor; (ii) the purchase of assets reasonably required in connection with

Restoration of the Project in accordance with Section 8.05(d); (iii) the purchase of assets in the ordinary course of business as reasonably required in connection with the Project in accordance with the Project Documents and the Non-Material Project Contracts and as contemplated by the Closing Pro Forma or, if the Second Closing Date has occurred, the Upgrade Pro Forma; and (iv) Permitted Investments.

8.13 RESTRICTED PAYMENTS(a).

The Borrower shall not, directly or indirectly, declare or make any other Restricted Payment unless each of the following conditions is satisfied both immediately before and after the date of payment thereof:

- (i) the date of payment of such Restricted Payment shall be on or within 30 days after a Quarterly Date; provided that, if the Borrower has been precluded from making any Restricted Payment within such 30-day period solely as a consequence of the condition set out in paragraph (ii) below being unsatisfied during such period and such condition is subsequently satisfied, the Borrower may make such Restricted Payment on any date (the "EXTENDED

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RESTRICTED PAYMENT DATE") within 10 days after the date such condition is first satisfied as long as all other conditions of this Section 8.13 are satisfied on and as of such Extended Restricted Payment Date;

- (ii) no Default (other than any Default that (i) provides a cure period therefor of not less than 30 days, (ii) is reasonably capable of being remedied during such 30-day period, (iii) as to which the Borrower is diligently prosecuting or pursuing such remedy, and (iv) following the occurrence of which not more than 30 days have elapsed), or an Event of Default shall have occurred and shall be continuing or would result from the making of such Restricted Payment;
- (iii) for any Quarterly Date on or prior to March 31, 2004, the Projected Debt Service Coverage Ratio shall be at least 1.20:1, and for any corresponding Quarterly Date thereafter, the Debt Service Coverage Ratio for the relevant Historical Computation Period shall be at least 1.20:1;
- (iv) the balance on deposit in the Debt Service Reserve Account shall, on the date of payment of such Restricted Payment after giving effect thereto, be at least equal to the Debt Service Reserve Required Amount;
- (v) the Restricted Payment shall only be made from and to the extent of Distributable Cash (as defined in the Depositary Agreement); and
- (vi) each of the Administrative Agent and the Depositary Bank has received: (i) at least 10 days prior to the corresponding Quarterly Date and, if applicable, Extended Restricted Payment Date, a Distribution Certificate substantially in the form of Exhibit G.

If any of the foregoing conditions to distribution are not satisfied, the

relevant monies shall be applied as set out in Section 4.1 of the Depositary Agreement.

- 8.14 LIENS. The Borrower shall not create, incur, assume or suffer to exist any Lien on any of the Collateral or any of the other Property of the Borrower except Permitted Liens.
- 8.15 INVESTMENTS. The Borrower shall not make any Investments except Permitted Investments.
- 8.16 HEDGING ARRANGEMENTS. The Borrower shall, not later than 30 days following the Closing Date, enter into and at all times thereafter maintain in full force and effect one or

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more Interest Rate Cap Agreements providing for the payment to the Borrower of an amount equal to the excess of the Eurodollar Rate minus (b) six percent (6%), and otherwise on terms reasonably acceptable to the Administrative Agent and the Borrower, with one or more hedge providers reasonably acceptable to the Administrative Agent and the Borrower, and in a notional equivalent amount at least equal to 60% of the principal amount of all Loans outstanding on any Quarterly Date prior to the Final Maturity Date.

- 8.17 INDEBTEDNESS. The Borrower shall not, directly or indirectly, create, incur, assume or otherwise be or become liable with respect to any Indebtedness except Permitted Indebtedness.
- 8.18 TRANSACTIONS WITH AFFILIATES. Except as expressly permitted by this Agreement, the Borrower shall not, directly or indirectly, enter into any transaction directly or indirectly with or for the benefit of an Affiliate other than transactions that: (a) are in the ordinary course of business, including, without limitation, the Upgrade Project; (b) are on terms and conditions at least as favorable to the Borrower as would be obtainable at the time in a comparable "arm's-length" transaction with a Person other than an Affiliate; (c) would not result in any Default hereunder; and (d) are not otherwise prohibited hereunder.
- 8.19 NATURE OF BUSINESS. The Borrower shall not engage in any business other than the operation of the Projects as contemplated by the applicable Project Documents and Non-Material Project Contracts and as contemplated by the SIGC Lease.
- 8.20 MAINTENANCE OF PROPERTIES.
 - (a) Properties. The Borrower shall maintain and preserve all of its Properties necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and in accordance with generally accepted prudent utility practices (and all other standards and requirements, to the extent more stringent, set out in any Project Document).
 - (b) Restoration. The Borrower shall Restore any of its Property now or hereafter the subject of an Event of Loss (whether or not insured against or insurable) except any of its Property that has been the subject of an Event of Loss that the Borrower determines in good faith (and, in relation to any Event of Loss for which the amount of the Loss Proceeds exceeds \$2,000,000, with the approval of the Majority Lenders) not to be necessary to the conduct of its business.

- (c) No Removal. The Borrower shall not permit all or any portion of any Project to be removed from such Project's Site (except in the ordinary course of business with respect to maintenance of components of such Project that is required to be conducted off of such Project's Site), demolished or materially altered; provided that spare parts and similar individual items of equipment may be moved from one Project to another Project as the Borrower may reasonably believe necessary.

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8.21 [INTENTIONALLY OMITTED]

8.22 PROJECT DOCUMENTS; ETC.

- (a) Project Documents. The Borrower shall, unless prior written consent is obtained from the Majority Lenders: (i) perform and observe in all material respects all of its material covenants and obligations contained in each of the Project Documents to which it is a party; and (ii) except as permitted by Section 8.22(b): (A) take all reasonable and necessary action to prevent the termination or cancellation of any Project Documents in accordance with the terms thereof or otherwise; and (B) enforce against the relevant Project Party each material covenant or obligation of such Project Document in accordance with its terms, unless the failure to so comply could not reasonably be expected to result in a Material Adverse Effect. Anything in the foregoing to the contrary notwithstanding, the Borrower shall pay, or cause to be paid, when due, all claims for labor, material, supplies or services (under the Project Documents or otherwise) that, if unpaid, could by law result in a Mechanics' Lien; provided that: (A) in the event that, in accordance with the provisions of the relevant Project Document, any such claim may be paid in installments or may be deferred (whether or not interest shall accrue on the unpaid balance thereof), the Borrower may pay such claim in installments (together with accrued interest on the unpaid balance thereof, if any) as the same become due or prior to the end of such period of deferral; and (B) the Borrower shall have the right to contest the validity or amount of such claim.
- (b) No Cancellation, Assignment, Etc. The Borrower shall not, without the prior written consent of the Majority Lenders:
- (i) cancel or terminate any Project Document to which it is a party or consent to or accept any cancellation or termination thereof;
 - (ii) sell, assign (other than pursuant to the Security Documents) or otherwise dispose of (by operation of law or otherwise) any part of its interest in any Project Document, except as permitted by Section 8.12;
 - (iii) waive any default under, or material breach of, any Project Document or waive, fail to enforce, forgive, compromise, settle, adjust or release any material right, interest or entitlement, howsoever arising, under or in respect of any Project Document or in any way vary, or agree to the variation of, any material provision of such Project Document or of the performance of any material covenant or

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- (iv) exercise any "price reopener" or quantity adjustment provisions or similar contractual adjustment provisions (whether or not such provisions relate to price or quantity) under any Project Document or act upon any "price reopener" or quantity adjustment provisions or any such similar contractual adjustment provisions under any Project Document exercised by any other Project Party (except, in each case, upon instructions of the Majority Lenders (after Expert Consultation));
 - (v) petition, request or take any other legal or administrative action that seeks, or may reasonably be expected, to impair any Project Document or amend, modify or supplement any Project Document; or
 - (vi) amend, supplement or modify any Project Document (in each case as in effect on the Closing Date (or if executed subsequently, its execution date) other than as contemplated by the Energy Services Agreement and as thereafter amended, supplemented or modified in accordance with this paragraph (b)) in any material respect.
- (c) Additional Project Documents. The Borrower shall not enter into any Additional Project Document (other than Interest Rate Cap Agreements) without the prior approval of the Majority Lenders (such consent not to be unreasonably withheld or delayed) unless:
- (i) the terms of such Additional Project Document are in accordance with the terms of the then-current Annual Operating Plan and Budget;
 - (ii) entering into such Additional Project Document could not reasonably be expected to have a Material Adverse Effect;
 - (iii) the terms and conditions of such Additional Project Document are consistent with the Financing Documents; and
 - (iv) the Borrower shall take (or cause to be taken) all action necessary to create and perfect the Lien and security interests of the Secured Parties thereon (including execution of all Ancillary Documents).
- (d) Restrictions. The Borrower shall not enter into any contract or agreement (other than the Financing Documents and any Project Document related to the Upgrade Project) or take any other action that, directly or indirectly, restricts its ability to:
- (i) enter into amendments, modifications, supplements or waivers of any of the Transaction Documents;
 - (ii) sell, transfer or otherwise dispose of its assets other than in the ordinary course of its business;
 - (iii) create, incur, assume or suffer to exist any Lien upon any of its Property other than Permitted Liens;
 - (iv) create, incur, assume, suffer to exist or otherwise become liable with respect to any Indebtedness other than Permitted Indebtedness; or
 - (v) declare or make any Restricted Payment except in accordance with Section 8.13.
- (e) Delivery of Documents. Promptly after the execution and delivery thereof, the Borrower shall furnish each Agent and the Lenders with:
- (i) copies (certified by

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the Borrower) of: (A) all amendments, supplements, change orders or modifications of any Project Document to which such Person is a party; and (B) all Additional Project Documents to which it is a party; and (ii) all Ancillary Documents to which it is a party relating to any Additional Project Document.

- (f) Fees Under O&M Contract. The Borrower and the Operator shall not, without the prior written consent of the Majority Lenders, permit "Extraordinary Operation Expenses" under and as defined in the O&M Contract to exceed \$750,000 in any fiscal year of the Borrower.

8.23 ANNUAL OPERATING PLANS AND BUDGETS; OPERATING STATEMENTS.

- (a) Annual Operating Plan and Budget.
 - (i) Scope of Annual Operating Plan and Budget. The Borrower shall prepare and submit to the Administrative Agent (with sufficient copies to permit distribution to each Lender and the Independent Engineer), as and when required by this Agreement, a consolidated annual operating plan and budget for the Borrower for the upcoming Operating Year, including operating and maintenance programs, capital expenditure programs, and budgeted statements of income and sources and uses of cash and balance sheets (the "ANNUAL OPERATING PLAN AND BUDGET"). The Annual Operating Plan and Budget shall be accompanied by a statement of a financial officer of the Borrower to the effect that, to the best of such officer's knowledge, such budget is a reasonable estimate for the period covered thereby and is in compliance with the requirements of this Section 8.23(a).
 - (ii) Contents. Each Annual Operating Plan and Budget shall contain reasonable estimates of Project Revenues (broken out by source), Operation and Maintenance Expenses, Extraordinary Operation Expenses (as defined in the O&M Contract (including a monthly breakdown thereof), capital expenditures, projected working capital requirements of the Borrower and production goals, including detailed assumptions regarding the dispatch of each Project and power prices, in each case, for each calendar month covered by such Annual Operating Plan and Budget, based on the reasonable projections at such time. Such projections shall be based on all facts and circumstances then existing and known to the Borrower and that reflect a reasonable estimate of its future results for the upcoming Operating Year and, in the case of its net income, the next succeeding three (3) Operating Years. Each Annual Operating Plan and Budget shall also address each Project's interface requirements in relation to local utilities,

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proposed staffing levels and safety, regulatory and environmental compliance programs. Each Annual Operating Plan and Budget shall be prepared in good faith on the basis of written assumptions stated therein which the Borrower believes to be reasonable as to all factual and legal matters material to such estimates.

- (iii) Form of Annual Operating Plan and Budget. Unless otherwise consented to by the Administrative Agent, which consent shall not be unreasonably withheld, conditioned or delayed, each Annual Operating Plan and Budget from year to year

shall be based on the same format as the "Data Import" worksheet that is a part of the Closing Pro Forma and be maintained on the same basis and provide sufficient detail to permit a meaningful comparison to previous years.

- (iv) At least 45 (but no more than 90) days prior to the end of each Operating Year, the Borrower shall prepare and submit to the Administrative Agent a draft Annual Operating Plan and Budget for the upcoming Operating Year.
- (v) Effectiveness and Approval of Annual Operating Plans and Budgets. Subject to the following sentence, a draft Annual Operating Plan and Budget shall become effective on the first day of the relevant Operating Year. In relation to any draft Annual Operating Plan and Budget delivered pursuant to paragraph (iv) above in relation to a new Operating Year, if: (A) expenses for the Operating Year covered thereby for any Project exceed those set out for such Project in the then-current Annual Operating Plan and Budget by more than 10% on a consolidated basis; or (B) actual expenditures for any Project in respect of Operation and Maintenance Expenses in the then-current Operating Year met the conditions set out in paragraph (b)(i)(B) below, in each case: (I) the Borrower shall notify the Administrative Agent thereof when submitting the draft Annual Operating Plan and Budget pursuant to paragraph (a)(iv) above or (b) below; and (II) Majority Lender approval of such draft Annual Operating Plan and Budget shall be required, which approval shall not unreasonably be withheld, conditioned or delayed. If the Administrative Agent does not inform the Borrower of the Majority Lenders' disapproval of the submitted Annual Operating Plan and Budget within 30 days after submission thereof to the Administrative Agent, such Annual Operating Plan and Budget shall be deemed approved by the Majority Lenders. If the Majority Lenders do not approve an Annual Operating Plan and Budget, the Administrative Agent shall

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advise the Borrower of the items that are disapproved and the reason for such disapproval.

If all or any portion of an Annual Operating Plan and Budget is disapproved, the Borrower shall adhere to all approved aspects of such Annual Operating Plan and Budget. With respect to those aspects of any Annual Operating Plan and Budget that are not approved, the Annual Operating Plan and Budget for the preceding Operating Year (if applicable), adjusted (in relation to budgeted expenditures) for inflation in a manner mutually acceptable to the Borrower and the Administrative Agent (after Expert Consultation), shall be applicable thereto (and shall for all purposes hereof be deemed to be part of the approved Annual Operating Plan and Budget for such Operating Year) until such time as such aspects of the Annual Operating Plan and Budget therefor have been approved by the Majority Lenders.

- (vi) O&M Contract Consistency. The Borrower shall ensure that any budget or other applicable projection under the O&M Contract is consistent with the Annual Operating Plan and Budget hereunder (as modified from time to time hereunder).

(b) Operation and Maintenance Expenses.

- (i) The Borrower shall not at any time during any Operating Year make expenditures for any Project in respect of any Operation and Maintenance Expenses for such Project in excess of:
 - (A) in the case of any line item or category of the proposed Annual Operating Plan and Budget which is not approved by the Majority Lenders (and until such time as such amounts are so approved), the amounts applicable thereto pursuant to the second paragraph of paragraph (a)(v) above for the period from the beginning of such Operating Year to the end of the current month thereof;
 - (B) in respect of all other such Operation and Maintenance Expenses, any amount which would cause the aggregate amount of such other expenditures to exceed \$250,000; or
 - (C) solely in respect of the "Compromise Payment" under and as defined in the Energy Services Agreement, an aggregate amount exceeding \$724,000;

in the case of (A) and (B), without having first proposed an amendment to the then-current Annual Operating Plan and Budget and the Majority

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Lenders having approved such amendment in accordance with paragraph (ii) below; provided, however, that no such approval shall be required for the "Compromise Payment" referred to in the foregoing clause (C) or for Emergency Operating Costs up to \$1,000,000 per Project in any Operating Year (prorated on the basis of a 365-day year for any Operating Year which is less than a full calendar year).

- (ii) If at any time during any Operating Year: (A) Operation and Maintenance Expenses to be paid by the Borrower during the balance of such Operating Year exceed or could reasonably be expected to exceed the allowance provisions of paragraph (i) above; or (B) the Borrower believes such costs for the balance of such year will exceed such allowance provisions, in each case, the Borrower shall propose an amendment to the then-current Annual Operating Plan and Budget (with copies thereof delivered to the Administrative Agent and the Independent Engineer). Such amendment shall become effective on the date that such proposal is approved by the Majority Lenders. At the time the Borrower submits such proposal, the Borrower shall certify the purpose of such amendment and that such amendment is reasonably necessary or desirable for the operation and maintenance of the Projects. If the Majority Lenders do not approve a proposed amendment, the Administrative Agent shall advise the Borrower of the items that are disapproved and the reason for such disapproval. If all or any portion of a proposed amendment is disapproved, the Borrower shall adhere to the Operation and Maintenance Expenses included in the approved Annual Operating Plan and Budget (subject to the allowance provisions of paragraph (i) above).

- (c) O&M Contract Operating Reports. The Borrower shall furnish to the Administrative Agent a copy of each Quarterly Operations Reports received by it pursuant to the terms of the O&M Contract which include: (i) technical performance of the Projects, including production, (ii) an accident incident report, (iii) safety and environmental compliance status, (iv) equipment operational status, (v) a summary of all major maintenance performed in the preceding quarter and that planned for the coming quarter, including a summary of Major Corrective Maintenance Work (as defined in the O&M Contract) performed in the preceding quarter, (vi) any other known conditions which may adversely affect the technical or financial performance of the Projects, and (vii) the incurrence or payment of any "Extraordinary Operation Expenses" under and as defined in the O&M Contract.

8.24 SPECULATIVE ACTIVITIES.

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The Borrower shall not engage in any speculative activities. Nothing in this Section 8.24 shall prohibit the Borrower from entering into the Interest Rate Cap Agreements.

8.25 STATUS.

- (a) The Borrower shall take, or cause to be taken, all action required to maintain the status of each of the Projects as a QF.
- (b) The Borrower shall not take or permit any Affiliate to take, any action that would cause the Borrower: (i) to become regulated as a public utility under: (A) the FPA in a manner different than that contemplated by its Government Approvals set out on Schedule VI or any of its future Government Approvals regarding the rates of public utilities granted by FERC, such future Government Approvals not to be sought without the prior written consent of the Majority Lenders; or (B) any other material utility regulation under any Government Rule (excluding the FPA and the Government Rules promulgated thereunder), other than as set out on Schedule VI; or (ii) to become subject to any material utility regulation under any Government Rule, other than as set out on Schedule VI.
- (c) Neither the Borrower nor any of its Affiliates shall take, or permit to be taken, any action that would cause the Borrower to be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940.

8.26 UPDATED SURVEYS AND TITLE POLICY FOLLOWING UPGRADE PROJECT.

- (a) Surveys. The Administrative Agent shall have received, no later than 100 days following completion of the Upgrade Project, a survey of the Site certified to the Borrower, the relevant Title Company and the Administrative Agent, updated, with respect to all relevant requirements and information required for the Initial Surveys under Section 6.01(f)(ii), to within 60 days of the date of receipt by the Administrative Agent.
- (b) Title Policy. Promptly and in any event within 100 days after completion of the Upgrade Project, the Borrower shall cause the relevant Title Company to deliver to the Administrative Agent:
 - (i) an endorsement of the Title Policy issued in connection

with such Project deleting from the Title Policy: (A) any exception in connection with pending disbursements; (B) any exception with respect to unrecorded mechanics' and materialmen's liens; and (C) any exception with respect to survey matters; and

- (ii) an abstractor's certificate or other title evidence showing no Liens or other exceptions to the title of the Deed of Trust Estate, other

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than Permitted Liens and those previously approved in writing by the Administrative Agent.

- 8.27 ACCOUNTS. The Borrower shall not establish or maintain any account other than (a) the Accounts established and maintained pursuant to the Depositary Agreement and (b) any account that does not hold Project Revenues.
- 8.28 NO SUBSIDIARIES. The Borrower shall not form, establish, acquire or suffer to exist any Subsidiaries of the Borrower.
- 8.29 SCE CONSENT. The Borrower shall use commercially reasonable efforts to obtain and deliver to the Administrative Agent, on or prior to the date 60 days following the Closing Date, an agreement among the Borrower, SCE and the Collateral Agent providing for the consent by SCE to the collateral assignment by the Borrower to the Collateral Agent of the Borrower's rights under each PPA.

ARTICLE IX

EVENTS OF DEFAULT

- 9.01 EVENTS OF DEFAULT. Each of the following events shall be and constitute an "EVENT OF DEFAULT":
 - (a) The Borrower shall default in the payment when due hereunder of any principal of or interest on any Loan and such default shall continue unremedied for a period of three (3) Business Days after such amount first became due.
 - (b) The Borrower shall default in the payment when due of any amount payable by it hereunder or under any other Financing Document (other than amounts described in paragraph (a) above) and such default shall continue unremedied for a period of 30 days after such amount first became due.
 - (c) Any material representation, warranty or statement confirmed or made by the Borrower, the Sponsor or any other Major Project Party under any Financing Document or contained in any certificate, statement, notice or other document provided to any Financing Party under or pursuant to any Financing Document shall have been incorrect or misleading in any material respect when made or deemed to be made or (except if stated to have been made solely as of an earlier date) repeated.
 - (d) The Borrower shall default in the performance of any of its obligations under any of:

- (i) Section 8.02(a); (solely in relation to the maintenance of its existence); 8.03(a) (in relation to the first sentence thereof);

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8.03(b) (solely in relation to the first sentence thereof); 8.03(c); 8.04(a); 8.04(b); 8.04(c); 8.05(a); 8.05(b) (other than in relation to the provisions of the second sentence thereof); 8.05(d) (solely in relation to the provisions of the first and second sentences thereof); 8.07; 8.09; 8.12; 8.13 (and such default shall continue for a period of five (5) consecutive Business Days); 8.15 (and such default shall continue for a period of five (5) consecutive Business Days); 8.16; 8.17; 8.19; 8.22(b); 8.22(c); 8.22(d); 8.24; 8.25; 8.26; 8.27; or 8.28; or any other provision of any Financing Document and such continues for more than thirty (30) consecutive days after the Borrower should reasonably become aware of such default;

- (ii) Section 4.01(a), (b), (c) and (g); 4.02 (provided, that solely if the Borrower has no knowledge of the existence of any financing statement referred to therein, no Event of Default shall occur until the date 30 days after the filing of such financing statement); 4.04(a), 4.09, or 4.15 of the Borrower Security Agreement;

- (iii) Section 1.2, 1.3, 1.6, 1.7, 1.8, 1.9, 1.14 or 1.18 of the Deed of Trust; or

- (iv) Sections 3.1(a), 3.1(b) or 4.3 of the Depositary Agreement.

- (e) The Sponsor shall default in the performance of any of its obligations under Sections 4.01(a), 4.02, 4.03, 4.05, 4.06, 4.07, 4.09 or 4.10 of the Pledge Agreement; or any other provision of the Pledge Agreement and such continues for more than thirty (30) consecutive days after the Borrower should reasonably become aware of such default.

- (f) The Borrower or any other Major Project Party shall default in the performance of any material covenant or undertaking contained in any Project Document other than any obligation for the payment of money, which default continues beyond the shorter of the applicable period of grace specified therefor in such document or (i) ten (10) days, in the case of a payment default, or (ii) 30 days, in the case of any other default provided that, if such other default (x) is not capable of being remedied with diligent effort within such 30-day period, and (y) is reasonably capable of being remedied and the Borrower is diligently prosecuting or pursuing such remedy, such other default shall not give rise to an Event of Default unless such other default shall continue unremedied for a period of ninety (90) days after an Authorized Officer of the Borrower becomes aware or reasonably should have become aware of such other default.

- (g) The Borrower or the Sponsor shall: (i) admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; (ii) apply for or consent to the appointment of, or the taking of possession by, a receiver,

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custodian, trustee or liquidator of itself or of all or a substantial part of its Property; (iii) make a general assignment for the benefit of its creditors; (iv) commence a voluntary case under the Bankruptcy Code; (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts; (vi) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code; or (vii) take any corporate, limited liability company or partnership action for the purpose of effecting any of the foregoing.

- (h) (i) A proceeding or case shall be commenced against the Borrower or the Sponsor, in each case without the application or consent of such Person, in any court of competent jurisdiction, seeking: (A) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts; (B) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person or of all or any substantial part of its Property; or (C) similar relief in respect of such Person under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and, in each case, such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 or more days; or (ii) an order for relief against such Person shall be entered in an involuntary case under the Bankruptcy Code.
- (i) Prior to the completion of its duties under all Transaction Documents to which it is a party, any of SCE, the Operator or Imperial Irrigation District shall: (i) admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; (ii) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its Property; (iii) make a general assignment for the benefit of its creditors; (iv) commence a voluntary case under the Bankruptcy Code; (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts; (vi) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code; or (vii) take any corporate or partnership action for the purpose of effecting any of the foregoing.
- (j) (i) Prior to the completion of its duties under all Transaction Documents to which it is a party, a proceeding or case shall be commenced against any of SCE, the Operator or Imperial Irrigation District, without the application or consent of such Person, in any court of competent jurisdiction, seeking: (A) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts; (B) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person or of all or any substantial part of its Property; or (C) similar relief in respect of such Person under any law relating to bankruptcy, insolvency,

reorganization, winding-up, or composition or adjustment of debts, and, in each case, such proceeding or case shall continue

undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 or more days; or (ii) an order for relief against such Person shall be entered in an involuntary case under the Bankruptcy Code.

- (k) Any Person referred to in paragraph (g) or (h) above shall be terminated or dissolved (as a matter of Government Rule or otherwise), or proceedings shall be commenced by any Person seeking the termination or dissolution of any Person referred to in paragraph (g) or (h) above and such proceedings shall continue undismissed or unstayed for a period of 90 or more days (or such shorter period of time which such Person has pursuant to Government Rule to cause the dismissal of such proceeding or stay the effectiveness of any such order, judgment or decree).
- (l) A judgment or judgments for the payment of money is rendered by one or more Government Authorities against the Borrower in an aggregate amount (less any amount that applicable insurers have acknowledged liability for) exceeding \$500,000 in the aggregate, and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within 45 days from the date of entry thereof, and such Person shall not, within said period of 45 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, or any action shall be taken by a judgment creditor to attach or levy upon any assets of such Person to enforce any such judgment.
- (m) An ERISA Event shall have occurred that, in the opinion of the Administrative Agent, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect.
- (n) (i) Any Environmental Claim arising with respect to the Development of any Project shall have been asserted against such Project, the Borrower or the Operator or, in connection with its involvement with the Development of a Project, any other Environmental Party which, if adversely determined, could reasonably be expected to have a Material Adverse Effect; or (ii) any Release or Use of any Hazardous Materials at, on, under or from such Project shall have occurred which could reasonably be expected to have a Material Adverse Effect.
- (o) Any Indebtedness of the Borrower in excess of \$500,000 is not paid when due (after giving effect to any grace period applicable thereto), becomes due and payable by reason of any default or event of default with respect thereto (howsoever described), or could under the terms of the documentation evidencing such Indebtedness (after giving effect to any grace period applicable thereto)

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become due and payable by reason of any default or event of default with respect thereto (howsoever described).

- (p) (i) The Borrower, the Sponsor, SCE, the Operator or Imperial Irrigation District shall fail to obtain, renew, maintain or comply with all Government Approvals as shall now or hereafter be necessary or desirable; or (ii) any Government Approval related to any Project shall be Impaired or shall cease to be in full force and effect; or (iii) any action, suit, proceeding or investigation

shall be commenced by or before any Government Authority that could reasonably be expected to result in the Impairment of any such Government Approval and such action, suit, proceeding or investigation is not dismissed or terminated within 90 days and, in each such case, such failure, Impairment, cessation or commencement could reasonably be expected to have a Material Adverse Effect.

- (q) (i) Except as expressly contemplated pursuant to paragraph (u) below, any material provision of any Transaction Document shall at any time for any reason cease to be valid and binding or in full force and effect; or (ii) except as expressly contemplated pursuant to paragraph (u) below, any Transaction Document shall be Impaired in whole or part; or (iii) the validity or enforceability of any Transaction Document shall be contested by any party thereto (other than either Agent or the Lenders) or any Government Authority; or (iv) the Borrower, the Sponsor, SCE, the Operator or Imperial Irrigation District shall deny that it has any or further liability or obligation under any Transaction Document and, in each such case, such cessation, Impairment, contest or denial could reasonably be expected to have a Material Adverse Effect.
- (r) Any Security Document shall cease to be in full force and effect or to be effective to grant a perfected Lien to the Collateral Agent for the benefit of the Secured Parties, on any part of the Collateral described therein having value in excess of \$100,000 in the aggregate with the priority purported to be created thereby subject to the rules and regulations of the BLM.
- (s) Any Material Adverse Effect shall occur and be continuing.
- (t) One or more judgments or decrees is entered against the Borrower in the form of an injunction or other similar relief requiring suspension or abandonment of the Development of any Project (or a material portion thereof) for a continuous period of at least 90 days, and such judgment or decree is not vacated, discharged or stayed or bonded pending appeal within 90 days (or any shorter appeal period as is available under applicable Government Rules from the date of entry thereof).
- (u) The Borrower or the Operator ceases to carry on or suspends all or substantially all of its activities in connection with the Development of a Project or otherwise abandons or permits the abandonment of its Project, in each case for a period of 45 days or more, other than where the cessation or suspension is for bona fide

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operational reasons or due to an event of force majeure and the Borrower is using commercially reasonable efforts to commence or recommence such construction or operation.

- (v) The Tower Repairs fail to be substantially completed on or prior to July 1, 2003.

9.02 RIGHTS UPON AN EVENT OF DEFAULT. Upon the occurrence and during the continuation of an Event of Default:

- (a) the Administrative Agent may, and, upon request of the Majority Lenders, shall, by notice to the Borrower and the Collateral Agent, terminate the Commitments and/or declare the principal

amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 or 5.06) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower; and

- (b) in the case of the occurrence of an Event of Default referred to in paragraph (g) or (h) above with respect to the Borrower, the Commitments shall automatically be terminated and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including any amounts payable under Section 5.05 or 5.06) shall automatically become immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything else provided herein, upon the occurrence and during the continuance of an Event of Default, the Collateral Agent may exercise any and all remedies available to it under law or equity and any Lender may exercise any right of set-off available to it. Without limiting the foregoing, remedies under any Security Document may only be exercised by the Collateral Agent, although any Secured Party shall have the right (but not the obligation) to cure any default under a Security Document subject to the rules and regulations of the BLM.

ARTICLE X

THE AGENTS

- 10.01 APPOINTMENT, POWERS AND IMMUNITIES. Each Lender hereby appoints and authorizes each of the Administrative Agent and the Collateral Agent to act as its agent hereunder and under the other Financing Documents to which such Agent is or becomes a party with such powers as are specifically delegated to such Agent by the terms of this

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Agreement and of such other Financing Documents, together with such other powers as are reasonably incidental thereto. Each Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 shall include reference to its Affiliates and its own and its Affiliates' officers, directors, employees, representatives, attorneys and agents):

- (a) shall have no duties or responsibilities except those expressly set out in this Agreement and in the other Financing Documents to which such Agent is or becomes a party, and shall not by reason of this Agreement or any such other Financing Document be a trustee for any Lender or subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;
- (b) shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any other Financing Document, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other

Financing Document, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Financing Document or any other document referred to or provided for herein or therein, or for the validity or sufficiency of the security afforded hereby or thereby, or for any failure by the Borrower or any other Person to perform any of its obligations hereunder or thereunder;

- (c) shall not, except (in the case of the Collateral Agent) to the extent expressly instructed by the Majority Lenders with respect to collateral security under the Security Documents, be required to initiate or conduct any litigation or collection proceedings hereunder or with respect hereto or under, or with respect to, any other Financing Document;
- (d) shall not be liable or responsible for any action taken, suffered or omitted to be taken by it hereunder or under, or with respect to, any other Financing Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction; and
- (e) shall not be required to take any action which is contrary to the Financing Documents or applicable Government Rules.

Each Agent may employ agents, experts and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents, experts or attorneys-in-fact selected by it in good faith. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a notice of the assignment or transfer thereof shall have been filed with the Administrative

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Agent, together with the consent of the Borrower to such assignment or transfer (to the extent provided in Section 11.06(b)).

10.02 RELIANCE BY AGENTS. Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any certification, notice or other written communication (including any thereof by telex, telegram or cable) reasonably believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by such Agent. Each Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. As to any matters not expressly provided for by this Agreement or any other Financing Document to which an Agent is intended to be a party, such Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Majority Lenders or all of the Lenders as is required in such circumstance, and such instructions of such Lenders and any action taken, suffered or omitted or failure to act pursuant thereto shall be binding on all of the Lenders.

Without limiting the foregoing, each Agent shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but no Agent shall be answerable or responsible for the professional malpractice of any attorney-at-law or certified public accountant or for the acts or omissions of any other professional in

connection with the rendering of professional advice in accordance with the terms of this Agreement, if such attorney-at-law, certified public accountant or other professional was selected by such Agent with due care.

- 10.03 DEFAULTS. Each Agent shall be deemed not to have knowledge or notice of the occurrence of a Default (other than, in the case of the Administrative Agent, the non-payment of principal of or interest on Loans or of commitment fees payable to the Administrative Agent and, in the case of each Agent, fees payable to it under Financing Documents) unless such Agent has received notice from a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that any Agent receives such a notice of the occurrence of a Default, such Agent shall give prompt notice thereof to the Lenders (and, in the case of the Administrative Agent, shall give each Lender prompt notice of each such non-payment) and the other Agent. Each Agent shall (subject to Section 10.07) take such action with respect to such Default as shall be directed by the Majority Lenders or, if provided herein, all of the Lenders, as applicable; provided that, unless and until such Agent shall have received such directions, such Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not be taken, only with the consent or upon the authorization of the Majority Lenders or all of the Lenders, as applicable.

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- 10.04 RIGHTS AS A LENDER. With respect to its Commitments and the Loans made by it, United (and any successor acting as Administrative Agent or Collateral Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent or the Collateral Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include United in its individual capacity. United (and any successor acting as Administrative Agent or Collateral Agent, as applicable) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower (and any of its Affiliates) as if it were not acting as the Administrative Agent or the Collateral Agent, as applicable, and United (and any successor acting as Administrative Agent or Collateral Agent, as applicable) and its Affiliates may accept fees and other consideration from the Borrower (and any of its Affiliates) for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.
- 10.05 INDEMNIFICATION. The Lenders agree to indemnify each Agent (to the extent not reimbursed under Section 11.03, but without limiting the obligations of the Borrower under Section 11.03) ratably in accordance with the aggregate principal amount of the Loans held by the Lenders (or, if no Loans are at the time outstanding, ratably in accordance with their respective Commitments), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, fines, claims, demands, settlements, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent (including by any Lender) arising out of or by reason of any investigation or in any way relating to or arising out of this Agreement or any other Transaction Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses which the Borrower is obligated to pay under Section 11.03, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties

hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents; provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) of the party to be indemnified. The obligations of the Lenders under this Section 10.05 shall survive the termination of this Agreement, the repayment of the Loans or the earlier resignation or removal of either Agent.

- 10.06 NON-RELIANCE ON AGENTS AND OTHER LENDERS. Each Lender agrees that it has, independently and without reliance on either Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and its Affiliates and its own decision to enter into this Agreement and that it will, independently and without reliance upon either Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Transaction Document. No Agent shall be required to

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keep itself informed as to the performance or observance by the Borrower or any other Person of this Agreement or any other Transaction Document or any other document referred to or provided for herein or therein or to inspect the Properties or books of the Borrower or such other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by an Agent hereunder or under the Financing Documents, such Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any Affiliate thereof) which may come into the possession of such Agent or any of its Affiliates.

- 10.07 FAILURE TO ACT. Except for action expressly required of an Agent hereunder and under the other Financing Documents to which such Agent is or becomes a party, such Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 10.05 against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. No provision of this Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Each Agent shall be entitled to interest (calculated on a per annum basis) on all amounts advanced by it hereunder in its discretion at the Federal Funds Rate. Each Agent shall at any time be entitled to cease taking any action if it no longer deems any indemnity or undertaking from the Lenders to be sufficient.

- 10.08 RESIGNATION OR REMOVAL OF AGENTS. Subject to the appointment and acceptance of a successor Agent as provided below, an Agent may resign at any time by giving notice thereof to the Lenders and the Borrower, and an Agent may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint, with the consent of the Borrower (unless a Default or Event of Default has occurred and is continuing), such consent not to be unreasonably withheld or delayed, a successor Agent. If no

successor Agent shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent, at its discretion, may, on behalf of the Lenders, appoint a successor Agent, which shall be a bank which has an office in New York, New York with capital, surplus and undivided profits of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article X and Section 11.03 shall continue in effect for its benefit in respect of any actions taken,

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suffered or omitted to be taken by it while it was acting as such Agent. Each Agent agrees not to resign solely as a result of the occurrence and continuance of a Default or an Event of Default.

10.09 CONSENTS. Except as otherwise provided in Section 11.04, each Agent may, with the prior written consent of the Majority Lenders (but not otherwise), consent to any modification, supplement or waiver under any Transaction Document; provided that, without the prior written consent of each Lender, the Collateral Agent shall not (except as provided herein or in the Security Documents) release any Collateral or otherwise terminate any Lien under any Security Document, or agree to additional obligations being secured by the Collateral (unless the Lien for such additional obligations shall be junior to the Lien in favor of the other obligations secured by such Security Document and is otherwise permitted hereunder) or alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents with respect to any of the Collateral, except that no such consent shall be required, and the Collateral Agent is hereby authorized, to release any Lien covering the Borrower's Property that is the subject of a disposition of Property permitted under this Agreement or under the relevant Security Document or to which the Lenders have consented.

10.10 COLLATERAL AGENT. The Collateral Agent shall:

- (a) forward promptly after receipt thereof (and use its best efforts to forward within five Business Days of such receipt): (i) to each Secured Party a copy of each document furnished to such Agent for such Secured Party under this Agreement, and any other Financing Documents to which such Agent is a party; and (ii) to the Administrative Agent any notice delivered to the Collateral Agent pursuant to any Consent and Agreement;
- (b) have the right, but not the obligation, to: (i) refuse any item for credit to any Account except as required by the terms of the Financing Documents; (ii) refuse to honor any request for transfer in relation to any Account that is not consistent with the Financing Documents; (iii) charge to any Account all applicable charges; and (iv) pay fees, interest and other charges owing by the Borrower as provided herein and in the other Transaction Documents;
- (c) except as otherwise provided herein and in the Depositary Agreement (including by the provision of standing instructions therein), and subject to the provisions of Section 10.07, take all

actions and make all determinations with respect to the Collateral and the Security Documents, including as to the advisability of taking additional steps to perfect, or cause the perfection of, any security interest, as directed in writing by the Administrative Agent; and

- (d) have the right at any time to seek clarification and instructions concerning the administration of the Financing Documents from the Administrative Agent, legal

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counsel or any court of competent jurisdiction and shall be fully protected in relying upon such instructions.

ARTICLE XI

MISCELLANEOUS

- 11.01 WAIVER. No failure on the part of either Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement, any Note or any other Financing Document shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege under this Agreement, any Note or any other Financing Document shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.
- 11.02 NOTICES. All notices, requests and other communications provided for herein and under the Financing Documents (including any modifications of, or waivers or consents under, this Agreement) shall be given or made in writing (including by telecopy) delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier with confirmation of receipt received or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid; provided, however, that if such transmission or delivery does not occur by 4:00 p.m. recipient's time, then such transmission or delivery shall be deemed to occur on the next Business Day.
- 11.03 EXPENSES; ETC.
 - (a) Expenses. The Borrower shall pay or reimburse each of the Lenders and each Agent for paying:
 - (i) all reasonable out-of-pocket costs and expenses of the Agents (including the reasonable fees and expenses of: (A) Bingham McCutchen LLP, special counsel to the Lenders; (B) the Independent Engineer; (C) the Insurance Advisor; (D) such other counsel or experts engaged by the Administrative Agent at the request of the Majority Lenders (and, except during the occurrence and continuation of a Default, with the consent of the Borrower, such consent not to be unreasonably withheld or delayed) from time to time; and (E) counsel engaged by the Collateral Agent from time to time with (except during the occurrence and continuation of a Default) the consent of the Borrower, such

consent not to be unreasonably withheld or delayed), in each case in connection with: (I) the negotiation, preparation, execution and delivery of this Agreement and the other Transaction Documents and the extension of credit hereunder; or (II) any amendment, modification or waiver of any of the terms of this Agreement or any other Transaction Document;

- (ii) all reasonable costs and expenses of the Lenders and each Agent (including reasonable counsels' fees and expenses and reasonable experts' fees and expenses) in connection with: (A) any Default and any enforcement or collection proceedings resulting therefrom or in connection with the negotiation of any restructuring or "work-out" (whether or not consummated) of the obligations of the Borrower under this Agreement or the obligations of any Project Party under any other Transaction Document; and (B) the enforcement of this Section 11.03;
- (iii) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any Government Authority in respect of this Agreement or any other Transaction Document or any other document referred to herein or therein and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any Lien contemplated by this Agreement or any other Financing Document or any other document referred to herein or therein; and
- (iv) all costs, expenses and other charges in respect of title insurance procured with respect to the Liens created pursuant to the Deed of Trust.

In relation to payments referred to under clause (iii) above, within 30 days after paying such amount, the Borrower shall deliver to the Administrative Agent, evidence reasonably satisfactory to the Administrative Agent of such payment.

- (b) Indemnity. The Borrower shall indemnify each Agent, each Lender, their respective Affiliates and their respective shareholders, officers, directors, employees, representatives, attorneys and agents (each, an "INDEMNITEE") from, and shall hold each of them harmless against, any and all losses, liabilities, claims, damages, expenses, obligations, penalties, fines, demands, settlements, actions, judgments, suits, costs or disbursements of any kind or nature whatsoever (including the reasonable fees and expenses of counsel and consultants for each Indemnitee in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto, but excluding any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or

disbursements incurred solely by reason of the gross negligence or willful misconduct of such Indemnitee) that may at any time

(including at any time following the Termination Date) be imposed on, asserted against or incurred by any Indemnitee as a result of, or arising out of, or in any way related to or by reason of:

- (i) any of the transactions contemplated hereby or by any other Transaction Document or the execution, delivery or performance of this Agreement or any other Transaction Document;
 - (ii) the extensions of credit hereunder or the actual or proposed use by the Borrower of any of the extensions of credit hereunder or the grant to the Collateral Agent for the benefit of, or to any of, the Secured Parties of any Lien on the Collateral or on any other Property of the Borrower, the Sponsor or any ownership interest in the Borrower;
 - (iii) the exercise by the Collateral Agent or the other Secured Parties of their rights and remedies (including foreclosure) under any agreements creating any such Lien; and
 - (iv) any Environmental Law (including any Lien filed against any Project by or in favor of any Government Authority) as a result of the past, present or future operations of the Borrower, the Sponsor (as it relates to the Projects) or the Operator (or any predecessor in interest to any such person), or the past, present or future condition of any site or facility owned, operated or leased at any time by the Borrower, the Sponsor or the Operator (or any such predecessor in interest to any such person), or any Release or Use or threatened Release of any Hazardous Materials at any such site or facility, that is not otherwise in accordance with applicable Environmental Law, including any such Release or Use or threatened Release which shall occur during any period when such Indemnitee shall be in possession of any such site or facility following the exercise by either Agent or any other Secured Party of any of its rights and remedies hereunder or under any Financing Document or any other Transaction Document.
- (c) Records. Each relevant Financing Party shall maintain in accordance with its usual practice records evidencing the amounts payable by the Borrower under this Section 11.03; provided that the failure of any Financing Party to maintain such records shall not in any manner affect the obligation of the Borrower to make such payments.

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11.04 AMENDMENTS; ETC. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by each of the Borrower, the Administrative Agent, the Collateral Agent and the Majority Lenders, or by each of the Borrower and the Collateral Agent and the Administrative Agent acting with the consent of the Majority Lenders, and any provision of this Agreement may be waived by the Majority Lenders or by the Administrative Agent acting with the consent of the Majority Lenders; provided that:

- (a) no amendment, modification or waiver shall, unless by an instrument signed by all of the Lenders or by the Administrative Agent acting with the consent of all of the Lenders: (i) increase

or extend the term, or extend the time or waive any requirement for the reduction or termination, of the Commitments; (ii) extend the date fixed for the payment of principal of or interest on any Loan or any fee hereunder; (iii) reduce the amount of any such payment of principal; (iv) reduce the rate at which interest is payable thereon or any fee is payable hereunder; (v) alter the rights or obligations of the Borrower to prepay Loans; (vi) alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied among the Lenders or Types or Classes of Loans; (vii) alter the terms of this Section 11.04; (viii) amend the definition of the term "Majority Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof; (ix) waive any of the conditions precedent set out in Section 6.01; or (x) release all or any material portion of the Collateral; and

- (b) any amendment, modification, waiver or supplement of the rights or duties of either Agent hereunder shall require the consent of such Agent.

Anything in this Agreement to the contrary notwithstanding, if at any time when the conditions precedent set out in Article VI to any extension of credit hereunder are, in the opinion of the Majority Lenders, satisfied, any Lender shall fail to fulfill its obligations to make such extension of credit, then, for so long as such failure shall continue, such Lender shall (unless the Majority Lenders, determined as if such Lender were not a "Lender" hereunder, shall otherwise consent in writing) be deemed for all purposes relating to amendments, modifications, waivers or consents under this Agreement or any other Financing Document (including under this Section 11.04 and under Section 10.09) to have no Loans or Commitments, shall not be treated as a "Lender" hereunder when performing the computation of Majority Lenders, and shall have no rights under the preceding paragraph of this Section 11.04.

Anything in this Agreement to the contrary notwithstanding, no waiver or modification of any provision of this Agreement that has the effect (either immediately or at some later time) of enabling the Borrower to satisfy a condition precedent to the making of a Loan of any Class shall be effective against the Lenders making Loans of such Class for purposes of the Commitments of such Class unless the Majority Lenders making Loans of such Class shall have concurred with such waiver or modification, and no waiver or

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modification of any provision of this Agreement or any other Financing Document that could reasonably be expected to adversely affect the Lenders making Loans of any Class in a manner that does not affect all Classes equally shall be effective against the Lenders making Loans of such Class unless the Majority Lenders making Loans of such Class shall have concurred with such waiver or modification.

11.05 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.06 ASSIGNMENTS AND PARTICIPATIONS.

- (a) Borrower. The Borrower may not assign its rights or obligations hereunder or under the Notes without the prior consent of all of

the Lenders and the Administrative Agent.

- (b) Lenders. Subject to the terms of clause (g) below, each Lender may assign any of its Loans, its Notes and its Commitments (but only with the consent of, in the case of an outstanding Commitment, the Administrative Agent, not to be unreasonably withheld) to an Eligible Assignee; provided that: (i) no such consent by the Administrative Agent shall be required in the case of any assignment to another Lender or an Affiliate (or Approved Fund) of a Lender; (ii) except in the case of an assignment to a Lender or an Affiliate (or Approved Fund) of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitments, any such partial assignment shall be in an amount at least equal to \$5,000,000; and (iii) each assignment by a Lender of its Commitment, Loans or Note of a particular Class shall be made in such a manner so that the same portion of its Commitment, Loans and Note of such Class is assigned to the respective assignee.

Upon execution and delivery by the assignee to the Borrower and the Administrative Agent of an instrument in writing pursuant to which such assignee agrees to become a "Lender" hereunder (if not already a Lender) having the Commitments and Loans specified in such instrument, and upon consent thereto by the Administrative Agent, to the extent required above, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Administrative Agent, to the extent required above), the obligations, rights and benefits of a Lender hereunder holding the Commitments and Loans (or portions thereof) assigned to it (in addition to the Commitments and Loans, if any, theretofore held by such assignee) and the assigning Lender shall, to the extent of such assignment, be released from the Commitments (or portion thereof) so assigned. Upon each such assignment (other than such an assignment by United), the assigning Lender shall pay the Administrative Agent an assignment fee of \$3,000.

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In furtherance of the foregoing, on the date of any such assignment pursuant to this Section 11.06(b), the Borrower shall deliver to the assigning Lender and the assignee Lender, in exchange for the Notes theretofore delivered by the Borrower to the assigning Lender, appropriately completed Notes, dated the effective date of such assignment, payable to such assigning Lender and to such assignee, in an aggregate amount equal to their respective Commitments after giving effect to such assignment, and otherwise duly completed.

[Intentionally omitted.]

- (c) Participants. A Lender may sell or agree to sell to one or more other Persons a participation in all or any part of any Loan held by it, or in its Commitments (provided that partial participations shall be in an amount at least equal to \$5,000,000 or the entire remaining amount of the assigning Lender's Loans and Commitments, whichever is the lesser). Each purchaser of a participation (a "PARTICIPANT") shall be entitled to the rights and benefits of the provisions of Section 8.01(m) with respect to its participation in such Loans and Commitments as if (and the Borrower shall be directly obligated to such Participant under such provision as if) such Participant were a "Lender" for purposes of said Section, but, except as otherwise provided in Section 4.07(c), shall not have any other rights or benefits under this Agreement or any Note

or any other Financing Document (the Participant's rights against such Lender in respect of such participation to be those set out in the agreements executed by such Lender in favor of the Participant). All amounts payable by the Borrower to any Lender under Article V in respect of Loans and its Commitments, shall be determined as if such Lender had not sold or agreed to sell any participations in such Loans and Commitments, and as if such Lender were funding each of such Loans and Commitments in the same way that it is funding the portion of such Loans and Commitments in which no participations have been sold. In no event shall a Lender that sells a participation agree with the Participant to take or refrain from taking any action hereunder or under any other Financing Document, except that such Lender may agree with the Participant that it will not, without the consent of the Participant, agree to: (i) increase or extend the term, or extend the time or waive any requirement for the reduction or termination, of such Lender's Commitment; (ii) extend the date fixed for the payment of principal of or interest on the related Loans or any portion of any fee hereunder payable to the Participant; (iii) reduce the amount of any such payment of principal; (iv) reduce the rate at which interest is payable thereon, or any fee hereunder payable to the Participant, to a level below the rate at which the Participant is entitled to receive such interest or fee; (v) alter the rights or obligations of the Borrower to prepay the related Loans; or (vi) consent to any modification or waiver hereof or of any Financing Document to the extent that the same, under Section 10.09 or 11.04, requires the consent of each Lender.

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Notwithstanding anything else provided herein, no Person purchasing a participation in accordance with the terms hereof shall be considered a "Lender" for any purposes of the Financing Documents by reason of the purchase of such participation.

- (d) Assignment to Federal Reserve Bank. Anything in this Section 11.06 to the contrary notwithstanding, any Lender may (without notice to the Borrower, either Agent or any other Lender, and without payment of any fee) assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.
- (e) Information. A Lender may furnish any information concerning the Borrower in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 11.08.
- (f) Assignment to Borrower. Anything in this Section 11.06 to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan held by it hereunder to the Borrower or any of its Affiliates without the prior consent of each Lender.
- (g) United. Notwithstanding anything to the contrary in this Section 11.06, United shall not assign any interest in any Commitment or Loan such that at any time it shall cease to own less than 50.1% of the aggregate principal amount of the Loans from time to time

outstanding.

- 11.07 MARSHALLING; RECAPTURE. None of the Administrative Agent, the Collateral Agent, or any Lender shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Secured Obligations. To the extent either Agent or any Lender receives any payment by or on behalf of the Borrower, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to the Borrower or its estate, trustee, receiver, custodian or any other party under any bankruptcy or insolvency law, state or Federal law, common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof that has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the liabilities of the Borrower to such Agent or such Lender as of the date such initial payment, reduction or satisfaction occurred.
- 11.08 CONFIDENTIALITY. Each Lender and each Agent agrees (on behalf of itself and each of its Affiliates, directors, officers, employees and representatives) to keep confidential, any non-public information supplied to it by the Borrower pursuant to this Agreement that is

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identified by the Borrower as being confidential at the time the same is delivered to such Lender or such Agent; provided that nothing herein shall limit the disclosure of any such information: (i) to the extent required by any Government Rule or judicial process; provided that, unless prohibited by applicable Government Rules or not reasonably practicable: (A) notice shall be given to the Borrower of such request; and (B) such Lender or such Agent, as applicable, shall reasonably cooperate with the Borrower to the extent the Borrower may seek to challenge such requirement, so long as the Borrower pays all costs of such challenge and the disclosing party determines that such challenge would not adversely affect it; (ii) to counsel for any of the Lenders or either Agent; (iii) to banking, securities exchange or other regulatory or supervisory authorities, auditors or accountants; (iv) to either Agent or any other Lender; (v) in connection with the exercise of any remedies hereunder or under any of the Financing Documents or any suit, action or proceeding relating to this Agreement or any other Financing Document or the enforcement of rights hereunder or thereunder; (vi) to the Independent Engineer, the Insurance Advisor or to other experts engaged by either Agent or any Lender in connection with this Agreement and the transactions contemplated hereby; (vii) to the extent that such information is required to be disclosed to a Government Authority in connection with a tax audit or dispute; (viii) in connection with any Default and any enforcement or collection proceedings resulting therefrom or in connection with the negotiation of any restructuring or "work-out" (whether or not consummated) of the obligations of the Borrower under this Agreement or the obligations of the Borrower, the Sponsor, the Operator or other Project Party under any other Transaction Document; or (ix) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Lender and the Borrower a confidentiality agreement pursuant to which it agrees to comply with the requirements of this Section 11.08. Notwithstanding the foregoing provisions of this Section 11.08(b), the foregoing obligation of confidentiality shall not apply to any such information that: (A) was known to any Lender or either Agent prior to

the time it received such confidential information from the Borrower or its Affiliates pursuant to the Transaction Documents; or (B) becomes part of the public domain independently of any act of any Lender or either Agent not permitted hereunder (through publication or otherwise); or (C) is received by any Lender or either Agent, as applicable, without restriction as to its disclosure or use, from a Person other than the Borrower or its Affiliates; provided that such Lender or such Agent, as applicable has no actual knowledge that such source is disclosing such information to such Lender or such Agent, as applicable, in violation of a confidentiality agreement with respect to such information.

11.09 NON-RECOURSE. No recourse shall be had for the payment of any obligations under any Loan or upon any other obligation, covenant or agreement under this Agreement or any other Financing Document, against the Sponsor or any Affiliate thereof, any incorporator, direct or indirect stockholder, member, partner, officer, director, as such, whether past, present or future of the Sponsor or the Borrower or any Affiliate thereof or of any successor corporation thereto (either directly or through the Sponsor or the Borrower or a

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successor corporation) (each hereinafter, a "NON-RECOURSE PERSON"), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise. It is expressly agreed and understood that:

- (a) this Agreement and each other Financing Document are solely limited liability company obligations of the Borrower, and that no personal liability whatsoever shall attach to, or be incurred by, any Non-Recourse Person, either directly or indirectly through the Borrower or any successor Person, because of the indebtedness thereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Agreement or any of the Financing Documents or to be implied herefrom or therefrom; and
- (b) any claim of or relating to such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Agreement and each other Financing Document.

Notwithstanding the foregoing, nothing in this Section 11.09 shall impair or in any way limit any liabilities or obligations of: (i) the Sponsor under or pursuant to its obligations as set forth in the Borrower Equity Interest Pledge; or (ii) any Non-Recourse Party for fraud or willful misconduct.

11.10 SURVIVAL. The obligations of the Borrower under Sections 5.01, 5.05, 5.06 and 11.03, the obligations of the Lenders under Section 10.05 and the obligations of the Borrower and the Lenders under the penultimate sentence of Section 10.08 and under Section 11.08 shall survive after the Termination Date. In addition, each representation and warranty made, or deemed to be made by a notice of any Disbursement, herein or pursuant hereto shall survive the making of such representation and warranty, and no Lender shall be deemed to have waived, by reason of making any Disbursement hereunder, any Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that such Lender or either Agent may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time such Disbursement was made.

- 11.11 COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any party hereto may execute this Agreement by signing any such counterpart. This Agreement and the other Financing Documents constitute the entire agreement and understanding among the parties hereto with respect to matters covered by this Agreement and the other Financing Documents and supersede any and all prior agreements and understandings, written or oral, relating to the subject matter hereof. This Agreement shall become effective at such time as the Administrative Agent shall have received counterparts hereof signed by all of the intended parties hereto.
- 11.12 NO THIRD PARTY BENEFICIARIES IN RELATION TO DISBURSEMENTS. THE AGREEMENT OF THE LENDERS TO MAKE THE LOANS TO THE

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BORROWER, ON THE TERMS AND CONDITIONS SET OUT IN THIS AGREEMENT, ARE SOLELY FOR THE BENEFIT OF THE BORROWER, AND NO OTHER PERSON (INCLUDING ANY AFFILIATE OF THE BORROWER, OR ANY PROJECT PARTY, CONTRACTOR, SUBCONTRACTOR, SUPPLIER, WORKMAN, CARRIER, WAREHOUSEMAN OR MATERIALMAN FURNISHING LABOR, SUPPLIES, GOODS OR SERVICES TO OR FOR THE BENEFIT OF ANY PROJECT) SHALL HAVE ANY RIGHTS HEREUNDER OR UNDER ANY OTHER FINANCING DOCUMENT AS AGAINST EITHER AGENT OR ANY LENDER OR WITH RESPECT TO ANY EXTENSION OF CREDIT CONTEMPLATED HEREBY.

- 11.13 GOVERNING LAW; SUBMISSION TO JURISDICTION, ETC. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK COUNTY (INCLUDING ANY APPELLATE DIVISION THEREOF), AND OF ANY OTHER APPELLATE COURT IN THE STATE OF NEW YORK, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (OTHER THAN ENFORCEMENT OF THE DEED OF TRUST). EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.
- 11.14 WAIVER OF JURY TRIAL. EACH OF THE BORROWER, EACH AGENT AND EACH OF THE LENDERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
- 11.15 SPECIAL EXCULPATION. NO CLAIM MAY BE MADE BY THE BORROWER, ANY OF ITS AFFILIATES, ANY PARTY TO THIS AGREEMENT OR THE AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS OF ANY OF THEM AGAINST EITHER AGENT OR ANY LENDER OR THE AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE LOSS OR DAMAGES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR ANY ACT,

OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, AND THE BORROWER HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

- 11.16 SERVICE OF PROCESS. Each party hereto hereby irrevocably consents to the service of process in any suit, action or proceeding in such courts by the mailing thereof by any of the other parties hereto by registered or certified mail, postage prepaid, to the "Address for Notices" specified below its name on the signature pages hereof.
- 11.17 SERVICE OF PROCESS. Nothing herein shall in any way be deemed to limit the ability of any party hereto to serve any writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over any other party hereto in such jurisdiction, and in such manner, as may be permitted by applicable law.
- 11.18 SEVERABILITY. Any provision of this Agreement or the other Financing Documents that is prohibited or unenforceable in any particular jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions of this Agreement or the other Financing Documents, and any such prohibition or unenforceability in any particular jurisdiction shall not invalidate or render unenforceable that provision in any other jurisdiction.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER

ORMESA LLC

By: ORMAT FUNDING CORP.,
its Sole Member and Controlling Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Director, Chief Financial Officer
and Assistant Secretary

Address for Notices:

Ormesa LLC
980 Greg Street
Sparks, Nevada 89431
Telephone No.: (775) 356-9029
Facsimile No.: (775) 356-9039
Attention: President

Schedule I to the Credit Agreement

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LENDERS

UNITED CAPITAL,
a division of Hudson United Bank

By: /s/ Jerome P. Peters, Jr.

Name: Jerome P. Peters, Jr.
Title: Senior Vice President

Address for Notices:

United Capital, a division
of Hudson United Bank
87 Post Road East
Westport, Connecticut 06880

Telephone No.: (203) 291-6600
Facsimile No.: (203) 291-6652
Attention: Mr. Jerome P. Peters, Jr.

Schedule I to the Credit Agreement

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ADMINISTRATIVE AGENT

UNITED CAPITAL,
a division of Hudson United Bank,
not in its individual capacity but solely
as Administrative Agent

By: /s/ Jerome P. Peters, Jr.

Name: Jerome P. Peters, Jr.
Title: Senior Vice President

Address for Notices:

United Capital, a division
of Hudson United Bank

87 Post Road East
Westport, Connecticut 06880

Telephone No.: (203) 291-6600
Facsimile No.: (203) 291-6632
Attention: Mr. Jerome P. Peters, Jr.

Schedule I to the Credit Agreement

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COLLATERAL AGENT

UNITED CAPITAL,
a division of Hudson United Bank,
not in its individual capacity but solely
as Collateral Agent

By: /s/ Jerome P. Peters, Jr.

Name: Jerome P. Peters, Jr.
Title: Senior Vice President

Address for Notices:

United Capital, a division
of Hudson United Bank
87 Post Road East
Westport, Connecticut 06880
Telephone No.: (203) 291-6600
Facsimile No.: (203) 291-6632
Attention: Mr. Jerome P. Peters, Jr.

Schedule I to the Credit Agreement

Exhibit 10.1.5

This CREDIT AGREEMENT, dated as of December 18, 2003 (this "Agreement"), is entered into among ORCAL GEOTHERMAL INC., a corporation organized under the laws of the State of Delaware, as borrower ("Borrower"), THE FINANCIAL INSTITUTIONS LISTED ON EXHIBIT H OR WHO LATER BECOME A PARTY HERETO, as banks (the financial institutions party to this Agreement being collectively referred to as the "Banks") and BEAL BANK, S.S.B., as administrative agent for the Banks (in such capacity, "Administrative Agent").

RECITALS

A. Borrower intends to acquire directly or indirectly certain Persons which directly or indirectly own, lease, use and operate the Projects referred to herein, consisting of (a) an approximately 52 MW geothermal electric power project located in Heber, California and owned by HGC, (b) a geothermal fluid facility located in Heber, California and owned by HFC, (c) an approximately 40 MW geothermal electric power project (comprised of three geothermal plants) located near Mammoth Lakes, California and owned by Mammoth Lakes and (d) an approximately 48 MW geothermal electric power project located in Heber, California and leased by SIGC pursuant to the GE Lease, and, in connection therewith, Borrower has requested that the Banks provide a portion of the financing for the Acquisition; and

B. The Banks are willing to provide such financing upon the terms and subject to the conditions set forth herein and in the other Credit Documents.

AGREEMENT

NOW, THEREFORE, in consideration of the agreements herein and in the other Credit Documents and in reliance upon the representations and warranties set forth herein and therein, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 DEFINITIONS. Except as otherwise expressly provided, capitalized terms used in this Agreement (including its exhibits and schedules) shall have the meanings given to such terms in Exhibit A.

1.2 RULES OF INTERPRETATION. Except as otherwise expressly provided, the rules of interpretation set forth in Exhibit A shall apply to this Agreement and the other Credit Documents.

ARTICLE 2 THE CREDIT FACILITIES

2.1 LOAN FACILITIES.

2.1.1 Senior Credit Facility.

(a) Availability. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations and warranties of Borrower set forth herein, each Bank severally agrees to advance to Borrower on the Closing Date such loans as Borrower may request pursuant to this Section 2.1.1 (individually, a "Loan" and, collectively, the "Loans"), in an aggregate principal amount which does not exceed such Bank's Senior Loan Commitment. Nothing in this clause (a) shall in any respect impair Beal Bank, S.S.B.'s obligations under Section 9.12.

(b) Notice of Borrowing. Borrower shall request Loans by delivering to Administrative Agent a written notice in the form of Exhibit C-1, appropriately completed (a "Notice of Borrowing"), which contains or specifies, among other things:

(i) the portion of the requested Loan which shall bear interest as provided in (A) Section 2.1.1(c)(i) (individually, a "Base Rate Loan" and, collectively, the "Base Rate Loans") or (B) Section 2.1.1(c)(ii) (individually, a "LIBOR Loan" and, collectively, the "LIBOR Loans");

(ii) the aggregate principal amount of the requested Loan, which shall be in the minimum amount of \$1,000,000 or an integral multiple of \$100,000 in excess thereof;

(iii) the proposed date of the requested Loan (which shall be a Banking Day and the Closing Date);

(iv) in the case of any requested Loan to be made as a LIBOR Loan, the initial Interest Period requested therefor (which shall, subject to Section 2.1.2(a), be twelve months); and

(v) a certification by Borrower that, as of the date such requested Loan is proposed to be made, the Loan proposed to be made on such date does not exceed \$154,500,000.

Borrower shall give the Notice of Borrowing to Administrative Agent so as to provide not less than the Minimum Notice Period applicable to Loans of the Type requested. Any Notice of Borrowing may be modified or revoked by Borrower through the Banking Day immediately prior to the Closing Date, and shall thereafter be irrevocable.

Each Notice of Borrowing shall be delivered in any manner permitted by Section 10.1 to Administrative Agent at the office, to the facsimile number or to the electronic mail address and during the hours specified in Section 10.1.

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(c) Interest. Subject to Section 2.4.3, Borrower shall pay interest on the unpaid principal amount of each Loan from the date of Borrowing of such Loan until the maturity or prepayment thereof at the following rates per annum:

(i) With respect to the principal portion of such Loan which is, and during such periods as such Loan is, a Base Rate Loan, at a rate per annum equal to the Base Rate (such rate to change from time to time as the Base Rate shall change) plus 4.375%; provided that such 4.375% interest rate margin shall be increased by 0.50% on the eighth anniversary of the Closing Date.

(ii) With respect to the principal portion of such Loan which is, and during such periods as such Loan is, a LIBOR Loan, at a rate per annum, at all times during each Interest Period for such LIBOR Loan, equal to the greater of (A) the Adjusted LIBO Rate for such Interest Period and (B) 2.00%, in each case plus 5.125%; provided that such 5.125% interest rate margin shall be increased by 0.50% on the eighth anniversary of the Closing Date.

(d) Principal Payments. Borrower shall repay to Administrative Agent, for the account of each Bank, the aggregate unpaid principal amount of the Loan made by such Bank in installments payable on each Principal Repayment Date in accordance with the repayment schedule set forth on Exhibit I, with any remaining unpaid principal, interest, fees and costs due and payable on the Maturity Date. Borrower may not re-borrow the principal amount of any Loan so repaid.

2.1.2 Interest Provisions Relating to All Loans.

(a) Applicable Interest Rate. Subject to Section 2.4.3, the applicable basis for determining the rate of interest with respect to any Loan shall be selected by Borrower initially at the time a Notice of Borrowing is given pursuant to Section 2.1.1. The basis for determining the interest rate with respect to any Loan may be changed from time to time as specified in a Notice of Conversion of Loan Type delivered pursuant to Section 2.1.5. If on any day a Loan is outstanding with respect to which notice has not been delivered to Administrative Agent in accordance with the terms of this Agreement specifying the applicable basis for determining the rate of interest, then for that day such Loan shall bear interest determined by reference to the Base Rate. Upon the occurrence and during the continuation of any Event of Default, the Banks shall not be obligated to make any LIBOR Loans with an Interest Period greater than one month.

(b) Interest Payment Dates. Borrower shall pay accrued interest on the unpaid principal amount of each Loan (i) in the case of each Base Rate Loan, on the last Banking Day of each calendar quarter, (ii) in the case of each LIBOR Loan, on the last Banking Day of the calendar month in which the three-month anniversary of the first day of the applicable Interest Period in which such LIBOR Loan is outstanding occurs, and (iii) in all cases, upon repayment or prepayment (to the extent thereof and including any optional prepayments or Mandatory Prepayments), upon conversion from one Type of Loan to another Type of Loan and at maturity (whether by acceleration or otherwise); provided, however, that Borrower's first scheduled interest payment hereunder shall occur on March 31, 2004.

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(c) LIBOR Loan Interest Periods.

(i) Subject to Section 2.1.2(a), each Interest Period for LIBOR Loans shall be twelve months. Notwithstanding anything to the contrary in the preceding sentence, (A) any Interest Period which would otherwise end on a day which is not a Banking Day shall be extended to the next succeeding Banking Day unless such next Banking Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Banking Day; (B) any Interest Period which begins on the last Banking Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Banking Day of a calendar month; and (C) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date.

(ii) Borrower may contact Administrative Agent at any time prior to the end of an Interest Period for a quotation of Interest Rates in effect at such time for given Interest Periods and Administrative Agent shall promptly provide such quotation. Borrower may select an Interest Period telephonically or by electronic mail within the time periods specified in Section 2.1.5, which selection shall be irrevocable on and after commencement of the applicable Minimum Notice Period. Borrower shall confirm such telephonic or electronic mail notice to Administrative Agent by facsimile on the day such notice is given by delivery to Administrative Agent of a written notice in substantially the form of Exhibit C-2, appropriately completed (a "Confirmation of Interest Period Selection"). If Borrower fails to notify Administrative Agent of the next Interest Period for any LIBOR Loans in accordance with this Section 2.1.2(c)(ii) then, subject to Section 2.1.2(a), such Loans shall automatically be renewed as LIBOR Loans with an Interest Period of twelve months on the last day of the current Interest Period therefor. Administrative Agent shall as soon as practicable (and, in any case, within two Banking Days after delivery of the Confirmation of Interest Period Selection) notify Borrower of each determination of the Interest Rate applicable to each Loan.

(d) Interest Computations. All computations of interest on Base Rate Loans shall be based upon a year of 365 days or, in the case of a leap year, 366 days, shall be payable for the actual days elapsed (including the first day but excluding the last day), and shall be adjusted in accordance with any changes in the Base Rate to take effect on the beginning of the day of such change in the Base Rate. All computations of interest on LIBOR Loans shall be based upon a year of 360 days and shall be payable for the actual days elapsed (including the first day but excluding the last day). Borrower agrees that all computations by Administrative Agent of interest shall be conclusive and binding in the absence of manifest error.

2.1.3 Promissory Notes. The obligation of Borrower to repay the Loans made by a Bank and to pay interest thereon at the rates provided herein shall, upon the written request of such Bank, be evidenced by promissory notes in the form of Exhibit B-1 (individually, a "Note" and, collectively, the "Notes") payable to the order of such requesting Bank and in the principal amount of such

Bank's Senior Loan Commitment or outstanding Loan balance, as the case may be. Borrower authorizes each such requesting Bank to record on the schedule annexed to such Bank's Note or Notes, the date and amount of each Loan made by such requesting Bank, and each payment or prepayment of principal thereunder and agrees that all such notations shall

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constitute prima facie evidence of the matters noted; provided that in the event of any inconsistency between the records or books of Administrative Agent and any Bank's records or Notes, the records of Administrative Agent shall be conclusive and binding in the absence of manifest error. Borrower further authorizes each such requesting Bank to attach to and make a part of such requesting Bank's Note or Notes continuations of the schedule attached thereto as necessary. No failure to make any such notations, nor any errors in making any such notations, shall affect the validity of Borrower's obligations to repay the full unpaid principal amount of the Loans or the duties of Borrower hereunder or thereunder. Upon the payment in full in cash of the aggregate principal amount of, and all accrued and unpaid interest on, the Loans, and upon the request of Borrower, the Banks holding such Notes shall promptly mark the applicable Notes cancelled and return such cancelled Notes to Borrower.

2.1.4 Loan Funding.

(a) Notice. Each Notice of Borrowing and Notice of Conversion of Loan Type shall be delivered to Administrative Agent in accordance with Sections 2.1.1(b) and 2.1.5, respectively. Administrative Agent shall promptly notify each Bank of the contents of each Notice of Borrowing and Notice of Conversion of Loan Type.

(b) Pro Rata Loans. All Loans shall be made on a pro rata basis by the Banks in accordance with their respective Proportionate Shares of such Loans, with each Borrowing to consist of a Loan by each Bank equal to such Bank's Proportionate Share of such Loans.

(c) Bank Funding. Each Bank shall, before noon (12:00 p.m.) on the date of each Borrowing, make available to Administrative Agent by wire transfer of immediately available funds in Dollars to the account of Administrative Agent most recently designated by it for such purpose, such Bank's Proportionate Share of the Loan to be made on such date. The failure of any Bank to make the Loan to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation hereunder to make its Loan on the date of such Loan. Except as provided in Section 9.12, no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any Borrowing.

(d) Failure of Bank to Fund. Without limiting the obligations of Beal Bank, S.S.B. under Section 9.12, unless Administrative Agent shall have been notified by any Bank prior to the applicable date of a Borrowing that such Bank does not intend to make available to Administrative Agent the amount of such Bank's Proportionate Share of the Loan requested on such date, Administrative Agent may assume that such Bank has made such amount available to Administrative Agent on such date in accordance with the prior paragraph and Administrative Agent may, in its sole discretion and in reliance upon such assumption, make available to Borrower a corresponding amount on such date. If such amount is not in fact made available to Administrative Agent by such Bank, Administrative Agent shall be entitled to recover such amount on demand (and, in any event, within two Banking Days from the applicable date of such Borrowing) from such Bank together with interest thereon, for each day from the applicable date of such Borrowing until the date such amount is paid to Administrative Agent, at the Federal Funds Rate for the first two Banking Days after such date. If such Bank pays such amount to Administrative Agent, then such amount shall constitute such Bank's Proportionate Share of

such Loan included in such Loan. Nothing in this Section 2.1.4(d) shall be deemed to relieve any Bank from its obligation to fulfill its obligations hereunder or to prejudice any rights that Borrower may have against any Bank as a result of any default by such Bank hereunder.

(e) Funding Account. No later than noon (12:00 p.m.) on the date specified in the Notice of Borrowing, if the applicable conditions precedent listed in Section 3.1 have been satisfied or waived in accordance with the terms thereof and, subject to Section 2.1.4(d), to the extent Administrative Agent shall have received the appropriate funds from the Banks, Administrative Agent shall make available to Borrower the Loans requested in such Notice of Borrowing in Dollars and in immediately available funds, at Administrative Agent's New York Branch, and shall deposit or cause to be deposited the proceeds of such Loans into the Funding Account.

2.1.5 Conversion of Loans. Borrower may convert Loans (or portions thereof) from one Type of Loans to another Type of Loans; provided, however, that (i) any conversion of LIBOR Loans into Base Rate Loans shall be made on, and only on, the first day after the last day of an Interest Period for such LIBOR Loans and (ii) Loans shall be converted only in amounts of \$1,000,000 and increments of \$500,000 in excess thereof. Borrower shall request such a conversion by delivering to Administrative Agent a written notice in the form of Exhibit C-3, appropriately completed (a "Notice of Conversion of Loan Type"), which contains or specifies, among other things:

(a) the Loans, or portions thereof, which are to be converted;

(b) the Type of Loans into which such Loans, or portions thereof, are to be converted;

(c) if such Loans are to be converted into LIBOR Loans, the initial Interest Period selected by Borrower for such Loans (which Interest Period, subject to Section 2.1.2(a), shall be twelve months as provided in Section 2.1.2(c));

(d) the proposed date of the requested conversion (which shall be a Banking Day and otherwise in accordance with this Section 2.1.5); and

(e) a certification by Borrower that no Event of Default has occurred and is continuing.

Borrower shall so deliver each Notice of Conversion of Loan Type so as to provide at least the applicable Minimum Notice Period. Any Notice of Conversion of Loan Type may be modified or revoked by Borrower through the Banking Day immediately prior to the Minimum Notice Period, and shall thereafter be irrevocable. Each Notice of Conversion of Loan Type shall be delivered in any manner permitted by Section 10.1 to Administrative Agent at the office, to the facsimile number or to the electronic mail address and as otherwise specified in Section 10.1. Administrative Agent shall promptly notify each Bank of the contents of each Notice of Conversion of Loan Type.

2.1.6 Prepayments.

(a) Terms of All Prepayments.

(i) Upon the prepayment of any Loan (whether such prepayment is an optional prepayment under Section 2.1.6(b) or a Mandatory Prepayment), Borrower

shall pay to Administrative Agent for the account of the Bank which made such Loan, (A) all accrued interest to the date of such prepayment on the amount of such Loan prepaid, (B) all accrued fees to the date of such prepayment relating to the amount of such Loan being prepaid, (C) any applicable Make-Whole Premiums, and (D) if such prepayment is the prepayment of a LIBOR Loan on a day other than the last day of an Interest Period for such LIBOR Loan, all Liquidation Costs incurred by such Bank as a result of such prepayment (pursuant to the terms of Section 2.6).

(ii) Notwithstanding the foregoing, but only in respect of any Mandatory Prepayment, Borrower shall have the right, by giving five Banking Days' notice to Administrative Agent, in lieu of prepaying a LIBOR Loan on a day other than the last day of an Interest Period for such LIBOR Loan, to deposit or cause Administrative Agent to deposit into an account to be held by Depositary Agent (which account shall be subjected to the Lien of the Collateral Documents in a manner reasonably satisfactory to Administrative Agent) an amount equal to the LIBOR Loans to be prepaid. Such funds shall be held in such account until the expiration of the Interest Period applicable to the LIBOR Loan to be prepaid at which time the amount deposited in such account shall be used to prepay such LIBOR Loan and any interest accrued on such amount shall be deposited into the Revenue Account. The deposit of amounts into such account shall not constitute a prepayment of Loans and all Loans to be prepaid using the proceeds from such account shall continue to accrue interest at the then applicable interest rate for such Loans until actually prepaid. All amounts in such account shall only be invested in Permitted Investments as directed by and at the expense and risk of Borrower.

(iii) Except as otherwise specifically set forth herein, all prepayments of Loans shall be applied to reduce the remaining payments required under Section 2.1.1(d) in inverse order of maturity. Borrower may not re-borrow the principal amount of any Loan which is prepaid.

(b) Optional Prepayments.

(i) On or before the third anniversary of the Closing Date, Borrower may not prepay all or any part of the outstanding Loans.

(ii) After the third anniversary of the Closing Date, Borrower may prepay all or any part of the outstanding Loans, at any time, on giving at least 30-Banking Days' notice to Administrative Agent, provided that, (A) each such prepayment equals or exceeds \$1,000,000 or integral multiples of \$100,000 in excess thereof and, (B) each such prepayment shall be made at a prepayment premium (the "Make-Whole Premium") equal to (I) after the third anniversary of the Closing Date and on or prior to the fourth anniversary of the Closing Date, 103% of the amount of such outstanding Loans, (II) after the fourth anniversary of the Closing

Date and on or prior to the fifth anniversary of the Closing Date, 102.5% of the amount of such outstanding Loans, (III) after the fifth anniversary of the Closing Date and on or prior to the sixth anniversary of the Closing Date, 102% of the amount of such outstanding Loans, (IV) after the sixth anniversary of the Closing Date and on or prior to the seventh anniversary of the Closing Date, 101.5% of the amount of such outstanding Loans, (V) after the seventh anniversary of the Closing Date and on or prior to the eighth anniversary of the Closing Date, 101% of the amount of such outstanding Loans, (VI) after the eighth anniversary of the Closing Date and on or prior to the ninth anniversary of the Closing Date, 100.5% of the amount of such outstanding Loans, and (VII) thereafter, 100% of the amount of such outstanding Loans.

(iii) Notwithstanding the foregoing Sections 2.1.6(b)(i) and (ii), if the Banks do not provide the Lease Financing for reasons other than that

Borrower is not in full compliance with the provisions of Section 5 of the Fee Letter, then Borrower may prepay, without premium or penalty, all (but not part) of the outstanding Loans, at any time, on giving at least 30-Banking Days' notice to Administrative Agent (provided that if Borrower shall have delivered the Release Notice pursuant to Section 3.3, the Borrower shall not have any such right to prepay such Loans under this clause (iii)).

(c) Mandatory Prepayments. Borrower shall prepay (or cause to be prepaid) Loans (i) to the extent required by Sections 3.7.4(b) and (c) of the Depositary Agreement, Section 7.2 of this Agreement or any other provision of this Agreement or any other Credit Document which requires such prepayment or (ii) to the extent of (A) 100% of the cash proceeds of the issuance of any new equity securities of Borrower or any of its Subsidiaries (other than any equity securities issued by Borrower pursuant to Section 2.2 of the Sponsor Guaranty), (B) 100% of any debt (other than Permitted Debt) issued by Borrower or any of its Subsidiaries and (C) 100% of proceeds of asset sales of Borrower or any of its Subsidiaries (other than sales permitted by Section 6.3 and exclusive of sales of electrical energy and renewable energy credits in accordance with the terms of the Credit Documents) (any such prepayment pursuant to this Section 2.1.6(c), a "Mandatory Prepayment"). If the Loans are accelerated (whether voluntarily, involuntarily or by operation of law) upon the occurrence or during the continuation of any Event of Default occurring under Section 7.1.1, 7.1.2, 7.1.9 or 7.1.11 or otherwise as a result of a willful breach by Borrower of any of its obligations under Section 5.2, 5.17, 5.18, 6.1, 6.3 or 6.8 that results in an Event of Default, Borrower shall repay all of the outstanding Loans at a price equal to (I) on or before the third anniversary of the Closing Date, 105% of the amount of such outstanding Loans and (II) after the third anniversary of the Closing Date, the applicable Make-Whole Premium.

2.1.7 Register. Administrative Agent shall maintain, at its address referred to in Section 10.1, a register for the recordation of the names and addresses of the Banks and the Commitments and Loans of each Bank from time to time (the "Register"). The Register shall be available for inspection by Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice. Administrative Agent shall record in the Register (i) the Commitments and the Loans from time to time of each Bank, (ii) the interest rates applicable to all Loans and the effective dates of all changes thereto, (iii) the Interest Period for each LIBOR Loan, (iv) the date and amount of any principal or interest due and payable or to become due and

payable from Borrower to each Bank hereunder, (v) each repayment or prepayment in respect of the principal amount of the Loans of each Bank, (vi) the amount of any sum received by Administrative Agent hereunder for the account of the Banks and each Bank's share thereof, and (vii) such other information as Administrative Agent may determine is necessary or appropriate for the administering of the Loans and this Agreement. Any such recording shall be conclusive and binding in the absence of manifest error; provided that neither the failure to make any such recordation, nor any error in such recordation, shall affect any Bank's Commitment or Borrower's Obligations in respect of any applicable Loans or otherwise; and provided further that in the event of any inconsistency between the Register and any Bank's records, the Register shall govern absent manifest error.

2.2 TOTAL SENIOR LOAN COMMITMENTS. Notwithstanding anything that may be construed to the contrary in this Agreement, the aggregate principal amount of all Loans made by the Banks shall not exceed \$154,500,000 (such amount, the "Total Senior Loan Commitment").

2.3 FEES. Borrower shall pay to Administrative Agent solely for Administrative Agent's account the fees and other amounts described in the Fee Letter.

2.4 OTHER PAYMENT TERMS.

2.4.1 Place and Manner. Except as otherwise expressly provided in the Fee Letter or any other provision contained in any of the Credit Documents, Borrower shall make all payments due to any Bank or Administrative Agent hereunder to Administrative Agent, for the account of such Bank or Administrative Agent (as the case may be), to the account in the name of OrCal Geothermal Inc., Account No. 01-20016024, at Federal Home Loan Bank of Dallas, ABA No. 111040195, or such other account as Administrative Agent shall notify Borrower in writing from time to time, in Dollars and in immediately available funds not later than 12:00 noon on the date on which such payment is due. Any payment made after such time on any day shall be deemed received on the Banking Day immediately after the date such payment is received. Administrative Agent shall disburse to each Bank each such payment received by Administrative Agent for such Bank, such disbursement to occur on the day such payment is received if received by 12:00 noon or if otherwise reasonably possible, or otherwise on the next Banking Day.

2.4.2 Date. Whenever any payment due hereunder shall fall due on a day other than a Banking Day, such payment shall be made on the next succeeding Banking Day, and such extension of time shall be included in the computation of interest or fees, as the case may be, without duplication of any interest or fees so paid in the next subsequent calculation of interest or fees payable.

2.4.3 Default Interest. Notwithstanding anything to the contrary herein, upon the occurrence and during the continuation of any Event of Default under Section 7.1.1, the outstanding principal amount of all Loans and, to the extent permitted by applicable Legal Requirements, any accrued but unpaid interest payments thereon and any accrued but unpaid fees and other amounts hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under applicable Bankruptcy Laws) payable upon demand at a rate that is (a) 2% per annum in excess of the interest rate then otherwise payable under this Agreement with respect to the applicable Loans or (b) in the case of any such fees and other amounts, at a rate that is 2% per

annum in excess of the interest rate then otherwise payable under this Agreement for Base Rate Loans (the "Default Rate"); provided that, in the case of LIBOR Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective, such LIBOR Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate that is 2% per annum in excess of the interest rate then otherwise payable under this Agreement for Base Rate Loans.

2.4.4 Net of Taxes, Etc.

(a) Taxes. Subject to each Bank's compliance with Section 2.4.6, any and all payments to or for the benefit of Administrative Agent or any Bank by Borrower hereunder or under any other Credit Document shall be made free and clear of and without deduction, setoff or counterclaim of any kind whatsoever and in such amounts as may be necessary in order that all such payments, after deduction for or on account of any present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (excluding income and franchise taxes, which include taxes imposed on or measured by the net income, net profits or capital of Administrative Agent or such Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein as a result of a connection between such Bank and such jurisdiction or political subdivision, unless such connection results solely from such Bank's executing, delivering or performing its obligations or receiving a payment under, or enforcing, this Agreement or any Note) (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), shall be equal to the amounts otherwise specified to be paid under this Agreement and the other Credit

Documents. If Borrower shall be required by applicable Legal Requirements to withhold or deduct any Taxes from or in respect of any sum payable hereunder or under any other Credit Document to Administrative Agent or any Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.4.4), Administrative Agent or such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions and (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Legal Requirements. In addition, Borrower agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies (not including income or franchise taxes) that arise under the laws of the United States of America, the State of New York or the State of California from any payment made hereunder or under any other Credit Document or from the execution or delivery or otherwise with respect to this Agreement or any other Credit Document (hereinafter referred to as "Other Taxes").

(b) Tax Indemnity. Borrower shall indemnify each Bank for and hold it harmless against the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.4.4) paid by any Bank, or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided that

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Borrower shall not be obligated to indemnify any Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from such Bank's gross negligence or willful misconduct. Each Bank agrees to give written notice to Borrower of the assertion of any claim against such Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion, and in no event later than 90 days after the principal officer of such Bank responsible for administering this Agreement obtains knowledge thereof; provided that any Bank's failure to notify Borrower of such assertion within such 90 day period shall not relieve Borrower of its obligation under this Section 2.4.4 with respect to Taxes or Other Taxes, penalties, interest or expenses arising prior to the end of such period, but shall relieve Borrower of its obligations under this Section 2.4.4 with respect to Taxes or Other Taxes, penalties, interest or expenses between the end of such period and such time as Borrower receives notice from such Bank as provided herein. Payments by Borrower pursuant to this indemnification shall be made within 30 days from the date such Bank makes written demand therefor (submitted through Administrative Agent), which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof.

(c) Notice. Within 30 days after the date of any payment of Taxes by Borrower, Borrower shall furnish to Administrative Agent, at its address referred to in Section 10.1, the original or a certified copy of a receipt evidencing payment thereof or, if such receipt is not obtainable, other evidence of such payment by Borrower reasonably satisfactory to Administrative Agent. Borrower shall compensate each Bank for all reasonable losses and expenses sustained by such Bank as a result of any failure by Borrower to so furnish such copy of such receipt.

(d) Conduit Financing. Notwithstanding anything to the contrary contained in this Section 2.4.4, if a Bank is a conduit entity participating in a conduit financing arrangement (as defined in Section 7701(l) of the Code and the Treasury Regulations issued thereunder) with respect to any payments made by Borrower under this Agreement and under any Credit Document, Borrower shall not be obligated to pay additional amounts to such Bank pursuant to this Section 2.4.4 to the extent that the amount of taxes in the United States exceeds the amount that would have otherwise been payable were such Bank not a conduit entity participating in a conduit financing arrangement.

(e) Reimbursement by Banks. If any Bank receives an indemnification payment pursuant to Section 2.4.4(b) and if such Bank is able, in its sole opinion, to apply or otherwise take advantage of any refund or tax credit arising out of or in conjunction with any Taxes or Other Taxes which give rise to such indemnification, such Bank shall, to the extent that in its sole opinion it can do so without prejudice to the retention of the amount of such refund or credit and without any other adverse tax consequences for such Bank, reimburse to Borrower at such time as such tax refund or credit shall have actually been received or utilized by such Bank such amount as the Bank shall, in its sole opinion, have determined to be attributable to the relevant Taxes or Other Taxes and as will leave such Bank in no better or worse position than it would have been in if the payment of such Taxes or Other Taxes had not been required. Nothing in this Section 2.4.4(e) shall oblige any Bank to disclose to Borrower or any other person any information regarding its tax affairs or tax computations, or shall interfere with Bank's absolute

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discretion to arrange its tax affairs in whatever manner it thinks fit. In particular, no Bank shall be under any obligation to claim relief from its corporate profits or similar tax liability in credits or deductions available to it and, if it does claim, the extent, order and manner in which it does so shall be at its absolute discretion.

(f) Survival of Obligations. The obligations of Borrower under this Section 2.4.4 shall survive the termination of this Agreement and the repayment of the Obligations.

2.4.5 Application of Payments. Except as otherwise expressly provided herein or in the other Credit Documents, payments made under this Agreement or the other Credit Documents and other amounts received by Administrative Agent, Depositary Agent or the Banks under this Agreement or the other Credit Documents shall first be applied to any fees, costs, charges or expenses payable to Administrative Agent, Depositary Agent or the Banks, next to any accrued but unpaid interest then due and owing, and then to outstanding principal then due and owing or otherwise to be prepaid, in each case hereunder or under the other Credit Documents (in each case, such application to be made on a pro rata basis among such applicable Persons).

2.4.6 Withholding Exemption Certificates. Each Bank upon becoming a Bank and each Person to which any Bank grants a participation (or otherwise transfers its interest in this Agreement) upon the granting of such participation (or the occurrence of such other transfer) will deliver to Administrative Agent and Borrower either (a) if such Bank or Person is a corporation established under the laws of the United States or any political subdivision thereof, an executed copy of a United States Internal Revenue Service Form W-9, or (b) if such Bank or Person is not a corporation established under the laws of the United States or any political subdivision thereof, a duly completed and executed non-bank certificate in the form of Exhibit J hereto, if applicable, and two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be (certifying therein an entitlement to a reduction in, or an exemption from, United States withholding taxes). Each Bank or Person which delivers to Borrower and Administrative Agent a Form W-8BEN or W-8ECI pursuant to the preceding sentence shall deliver to Borrower and Administrative Agent two copies of each Form W-8BEN or W-8ECI, or successor applicable forms, or other manner of certification or procedure, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms previously delivered by it to Borrower, and such extensions or renewals thereof as may reasonably be requested by Borrower, certifying in the case of a Form W-8BEN or W-8ECI that such Bank is entitled to receive payments under this Agreement without deduction or withholding (or at a reduced rate of withholding under any applicable tax

treaty) of any United States federal income taxes, unless in any such cases an event (including any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent a Bank from duly completing and delivering any such form with respect to it and such Bank advises Borrower that it is not capable of receiving payments without any deduction or withholding (or at a reduced rate of withholding) of United States federal income tax, and in the case of Form W-8BEN or W-

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8ECI, establishing an exemption from United States backup withholding tax. Borrower shall not be obligated, however, to pay any additional amounts in respect of United States federal income tax pursuant to Section 2.4.4 (or make an indemnification payment pursuant to Section 2.4.4) to any Bank (including any entity to which any Bank sells, assigns, grants a participation in, or otherwise transfers its rights under this Agreement, any Note or any other Credit Document) if the obligation to pay such additional amounts (or such indemnification) would not have arisen but for a failure of such Bank to comply with its obligations under this Section 2.4.6.

2.5 PRO RATA TREATMENT.

2.5.1 Borrowings, Etc. Except as otherwise provided herein, (a) each Borrowing consisting of Loans shall be made or allocated among the Banks pro rata according to their respective Proportionate Shares of such Loans and (b) each payment of principal of and interest on Loans shall be made or shared among the Banks holding such Loans pro rata according to the respective unpaid principal amounts of such Loans held by such Banks.

2.5.2 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of Loans owed to it, in excess of its Proportionate Share of payments on account of such Loans obtained by all Banks entitled to such payments, such Bank shall forthwith purchase from the other Banks such participation in the Loans, as the case may be, as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from such Bank shall be rescinded and each other Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such other Bank's Proportionate Share (according to the proportion of (a) the amount of such other Bank's required repayment to (b) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.5.2 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of Borrower in the amount of such participation.

2.6 CHANGE OF CIRCUMSTANCES.

2.6.1 Inability to Determine Rates. If, on or before the first day of any Interest Period for any LIBOR Loans, (a) Administrative Agent determines that the Adjusted LIBO Rate for such Interest Period cannot be adequately and reasonably determined due to the unavailability of funds in or other circumstances affecting the London interbank market, or (b) Banks holding aggregate Proportionate Shares of 33-1/3% or more of the Loans shall advise Administrative Agent that (i) the rates of interest for such LIBOR Loans do not adequately and fairly reflect the cost to such Banks of making or maintaining such Loans or (ii) deposits in Dollars in the London interbank market are not available to such Banks (as conclusively certified by each such Bank in good faith in writing to Administrative Agent and to Borrower) in the ordinary course

of business in sufficient amounts to make and/or maintain their LIBOR Loans, then Administrative Agent shall immediately give notice of such condition to Borrower. After

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the giving of any such notice and until Administrative Agent shall otherwise notify Borrower that the circumstances giving rise to such condition no longer exist (which Administrative Agent shall deliver to Borrower promptly, and in any event within 2 Banking Days, after the cessation of such circumstances), Borrower's right to request from the applicable affected Banks the making of or conversion to, and the applicable affected Banks' obligations to make or convert to, LIBOR Loans shall be suspended; provided, however, that Borrower shall have the right in such event to request the making of or conversion to, and the applicable affected Banks shall be obligated to make or convert to, LIBOR Loans with an Interest Period that is 1, 3, 6 or 9 months (as selected by such Banks) if the circumstances giving rise to the conditions described in this Section 2.6.1 are not applicable to LIBOR Loans with such shorter Interest Period. Any LIBOR Loans outstanding at the commencement of any such suspension shall be converted at the end of the then current Interest Period for such Loans into Base Rate Loans unless such suspension has then ended.

2.6.2 Illegality. If, after the date of this Agreement, the adoption of any Governmental Rule, any change in any Governmental Rule or the application or requirements thereof (whether such change occurs in accordance with the terms of such Governmental Rule as enacted, as a result of amendment, or otherwise), any change in the interpretation or administration of any Governmental Rule by any Governmental Instrumentality, or compliance by any Bank or Borrower with any request or directive (whether or not having the force of law, but if not having the force of law, being of a type with which a Bank customarily complies) of any Governmental Instrumentality (a "Change of Law") shall make it unlawful or impossible for any Bank to make or maintain any LIBOR Loan, then such Bank shall immediately notify Administrative Agent and Borrower of such Change of Law. Upon receipt of such notice, (a) Borrower's right to request the making of or conversion to, and such Bank's obligations to make or convert to, LIBOR Loans shall be suspended for so long as such condition shall exist, and (b) Borrower shall, at the request of such Bank, at Borrower's option either (i) pursuant to Section 2.1.5, convert any then outstanding LIBOR Loans into Base Rate Loans at the end of the current Interest Periods for such Loans, or (ii) immediately repay pursuant to Section 2.1.6 or convert LIBOR Loans of the affected Type into Base Rate Loans if such Bank shall notify Borrower that such Bank may not lawfully continue to fund and maintain such Loans. Any conversion or prepayment of LIBOR Loans made pursuant to the preceding sentence prior to the last day of an Interest Period for such Loans shall be deemed a prepayment thereof for purposes of Section 2.7 (but not for purposes of Section 2.1.6(b)).

2.6.3 Increased Costs. If, after the date of this Agreement, any Change of Law:

(a) shall subject any Bank to any tax, duty or other charge with respect to any LIBOR Loan or Commitment in respect thereof, or shall change the basis of taxation of payments by Borrower to any Bank on such a Loan or with respect to any such Commitment (except for Taxes, Other Taxes or changes in the rate of taxation on the overall net income of any Bank); or

(b) shall impose, modify or hold applicable any reserve, special deposit or similar requirement (without duplication of any reserve requirement included within the applicable Interest Rate through the definition of "Reserve Requirement") against assets held by,

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deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by any Bank for any LIBOR Loan; or

(c) shall impose on any Bank any other condition directly related to any LIBOR Loan or Commitment in respect thereof;

and the effect of any of the foregoing is to increase the cost to such Bank of making, issuing, creating, renewing, participating in (subject to the limitations in Section 9.13) or maintaining any such LIBOR Loan or Commitment in respect thereof or to reduce any amount receivable by such Bank hereunder, then Borrower shall from time to time, within thirty days after demand by such Bank, pay to such Bank additional amounts sufficient to reimburse such Bank for such increased costs or to compensate such Bank for such reduced amounts. A certificate setting forth in reasonable detail the amount of such increased costs or reduced amounts and the basis for determination of such amount, submitted by such Bank to Borrower, shall, in the absence of manifest error, be conclusive and binding on Borrower for purposes of this Agreement.

2.6.4 Capital Requirements. If any Bank determines that (a) any Change of Law after the date of this Agreement increases the amount of capital required or expected to be maintained by such Bank, or the Lending Office of such Bank or any Person controlling such Bank (a "Capital Adequacy Requirement"), and (b) the amount of capital maintained by such Bank or such Person which is attributable to or based upon the Loans, the Commitments or this Agreement must be increased as a result of such Capital Adequacy Requirement (taking into account such Bank's or such Person's policies with respect to capital adequacy), then Borrower shall pay to such Bank or such Person, within thirty days after delivery of demand by such Bank or such Person, such amounts as such Bank or such Person shall reasonably determine are necessary to compensate such Bank or such Person for the increased costs to such Bank or such Person of such increased capital. A certificate of such Bank or such Person, setting forth in reasonable detail the computation of any such increased costs, delivered to Borrower by such Bank or such Person shall, in the absence of manifest error, be conclusive and binding on Borrower for purposes of this Agreement.

2.6.5 Notice; Participating Banks' Rights. Each Bank shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Bank to compensation pursuant to this Section 2.6, as promptly as practicable, and in no event later than 90 days after the principal officer of such Bank responsible for administering this Agreement obtains knowledge thereof; provided that any Bank's failure to notify Borrower within such 90 day period shall not relieve Borrower of its obligation under this Section 2.6 with respect to claims arising prior to the end of such period, but shall relieve Borrower of its obligations under this Section 2.6 with respect to the time between the end of such period and such time as Borrower receives notice from the indemnitee as provided herein. No Person purchasing from a Bank a participation in any Loan (as opposed to an assignment) shall be entitled to any payment from or on behalf of Borrower pursuant to Section 2.4.4, Section 2.6.3 or Section 2.6.4 which would be in excess of the applicable proportionate amount (based on the portion of the Loan in which such Person is participating) which would then be payable to such Bank if such Bank had not sold a participation in that portion of the Loan.

2.7 FUNDING LOSSES. If Borrower shall (a) repay or prepay any LIBOR Loans on any day other than the last day of an Interest Period for such Loans (whether an optional prepayment or a Mandatory Prepayment), (b) fail to borrow any LIBOR Loans in accordance with a Notice of Borrowing delivered to Administrative Agent (whether as a result of the failure to satisfy any applicable conditions or otherwise) after such Notice of Loan Borrowing has become irrevocable, (c) fail to convert any Loans into LIBOR Loans in accordance with a Notice of Conversion of Loan Type delivered to Administrative Agent

(whether as a result of the failure to satisfy any applicable conditions or otherwise) after such Notice of Conversion of Loan Type has become irrevocable, (d) fail to continue a LIBOR Loan in accordance with a Confirmation of Interest Period Selection delivered to Administrative Agent, or (e) fail to make any prepayment in accordance with any notice of prepayment delivered to Administrative Agent, then Borrower shall, within ten Banking Days after demand by any Bank, reimburse such Bank for all reasonable costs and losses incurred by such Bank as a result of such repayment, prepayment or failure ("Liquidation Costs"). Borrower understands that such costs and losses may include losses incurred by a Bank as a result of funding and other contracts entered into by such Bank to fund LIBOR Loans (other than non-receipt of the margin applicable to such LIBOR Loans). Each Bank demanding payment under this Section 2.7 shall deliver to Borrower a certificate setting forth in reasonable detail the basis for and the amount of costs and losses for which demand is made. Such a certificate so delivered to Borrower shall, in the absence of manifest error, be conclusive and binding as to the amount of such loss for purposes of this Agreement.

2.8 ALTERNATE OFFICE.

2.8.1 To the extent reasonably possible, each Bank shall designate an alternative Lending Office with respect to its LIBOR Loans and otherwise take any reasonable actions to reduce any liability of Borrower to any Bank under Section 2.4.4, 2.6.3, 2.6.4 or 2.7, or to avoid the unavailability of any Type of Loans under Section 2.6.1 or 2.6.2 so long as (in the case of the designation of an alternative Lending Office) such Bank, in its sole discretion, determines that (a) such designation is not disadvantageous to such Bank and (b) such actions would eliminate or reduce liability to such Bank. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or actions within ten Banking Days of demand thereof to Borrower.

2.8.2 Upon written notice to Administrative Agent, any Bank may designate a Lending Office other than the Lending Office most recently designated to Administrative Agent and may assign all of its interests under the Credit Documents and its Notes (if any) to such Lending Office; provided that such designation and assignment do not at the time of such designation and assignment increase the reasonably foreseeable liability of Borrower under Section 2.4.4, 2.6.3 or 2.6.4 or make an Interest Rate option unavailable pursuant to Section 2.6.1 or 2.6.2.

2.9 REPLACEMENT OF BANK IN RESPECT OF INCREASED COSTS.

2.9.1 Within fifteen days after receipt by Borrower of (a) written notice and demand from any Bank (an "Affected Bank") for payment of additional amounts or increased costs as provided in Section 2.4.4, 2.6.3 or 2.6.4, (b) notice that such Bank is suspending its

obligation to make or convert to LIBOR Loans with an Interest Period of twelve months as provided in Section 2.6.1, or (c) notice that it is unlawful for such Bank to make LIBOR Loans as provided in Section 2.6.2, Borrower may, at its option, notify Administrative Agent and such Affected Bank of its intention to replace the Affected Bank. So long as no Event of Default shall have occurred and be continuing, Borrower may obtain, at Borrower's expense, one or more replacement Banks (each, a "Replacement Bank") for the Affected Bank, which Replacement Banks shall be reasonably satisfactory to Administrative Agent. If Borrower obtains a Replacement Bank within 90 days following notice of its intention to do so, the Affected Bank must sell and assign its Loans to such Replacement Banks for an aggregate amount equal to the principal balance of all Loans held by the Affected Bank and all accrued interest and fees with respect thereto through the date of such sale; provided, however, that Borrower shall have reimbursed such Affected Bank for the additional amounts, increased costs,

and any other amounts that it is entitled to receive under this Agreement through the date of such sale and assignment.

2.9.2 Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Bank if the Affected Bank rescinds its demand for increased costs or additional amounts within fifteen days following its receipt of Borrower's notice of intention to replace such Affected Bank. If Borrower gives a notice of intention to replace and does not so replace such Affected Bank within 90 days thereafter, Borrower's rights relating to any previously incurred increased costs or additional amounts under this Section 2.9 shall terminate and Borrower shall promptly pay all increased costs or additional amounts previously demanded by such Affected Bank pursuant to Sections 2.4.4, 2.6.1, 2.6.3 or 2.6.4.

ARTICLE 3 CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT TO THE CLOSING DATE. The obligation of each Bank to make the Loans under this Agreement is subject to the prior satisfaction of each of the following conditions (unless waived in writing by Administrative Agent with the consent of the Banks) on or before December 31, 2003 (the date such conditions precedent are so satisfied or waived being referred to as the "Closing Date"):

3.1.1 Resolutions. Delivery to Administrative Agent of a copy of one or more resolutions or other authorizations, in form and substance reasonably satisfactory to Administrative Agent, of Ormat Technologies, Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth certified by a Responsible Officer of each such Loan Party as being in full force and effect on the Closing Date, authorizing, as applicable and among other things, the Loans, the granting of the Liens under the Collateral Documents, the contribution (in the case of Sponsor) of Equity Funds and/or Subordinated Loans to Borrower, and the execution, delivery and performance (in the case of OrHeber 1 and OrMammoth) of the Acquisition Agreement and (in the case of all such Loan Parties) the relevant Credit Documents to which each such Loan Party is a party.

3.1.2 Incumbency. Delivery to Administrative Agent of a certificate from Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth signed by the appropriate authorized

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officer of such Loan Party and dated as of the Closing Date, as to the incumbency of the natural Persons authorized to execute and deliver the Credit Documents to which such Loan Party is a party.

3.1.3 Formation Documents. Delivery to Administrative Agent of (a) copies of the certificate of incorporation of Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI and OrMammoth, certified by the Secretary of State of Delaware, and (b) copies of the bylaws of each such Loan Party, certified by an officer of such Loan Party as being true, correct and complete on the Closing Date.

3.1.4 Good Standing Certificates. Delivery to Administrative Agent of certificates issued by (a) the Secretary of State of Delaware, for each of Ormat Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI and OrMammoth, and (b) the Secretary of the State of California, for Borrower, in each case (i) dated no more than ten days prior to the Closing Date and (ii) certifying that the applicable party is in good standing and is qualified to do business in, and has paid all franchise taxes or similar taxes due to, such states.

3.1.5 Third Party and Bankruptcy Court Approvals. Administrative Agent shall have received copies of any approval or consents required from (a) any

Person under Section 7 of the Acquisition Agreement and (b) GECC in connection with the acquisition by Borrower, OrHeber 1, ORNI, OrHeber 2 and OrHeber 3 of their respective ownership interests in SIGC, HGC and HFC as such ownership interests are set forth in Section 4.2.2, rather than as set forth in the Acquisition Agreement, the Confirmation Plan or the Seller Plan of Reorganization. The Bankruptcy Court shall have entered the Confirmation Order, the Confirmation Order shall not have been amended, modified, vacated or stayed in any manner and shall have become final and non-appealable. All of the conditions precedent to the occurrence of the effective date under the Seller Plan of Reorganization shall have occurred (provided that no condition to the occurrence of such effective date shall have been waived without the consent of the Banks), other than any condition related to the consummation of the Acquisition.

3.1.6 Credit Documents. Delivery to Administrative Agent of executed originals of this Agreement, the Notes, the Depositary Agreement, the Security Agreements referred to in clauses (a), (d) and (e) of the definition thereof, the Pledge Agreements referred to in clauses (a), (b) (c) and (e) of the definition thereof, the Escrow Agreement, the Fee Letter, the Subordination Agreements, the Sponsor Guaranty, the Subsidiary Guaranties referred to in clauses (c) and (d) of the definition thereof and the Ormat Industries Letter, all of which shall have been duly authorized, executed and delivered by the parties thereto.

3.1.7 Certificates of Sponsor and Borrower. Delivery to Administrative Agent of (a) a certificate, dated as of the Closing Date, duly executed by a Responsible Officer of Borrower, in substantially the form of Exhibit F-1, which certificate shall state that (i) all conditions precedent to the occurrence of the Closing Date shall have been satisfied, (ii) all conditions (other than the payment of the purchase price) to the consummation of the Acquisition in accordance with the terms and provisions of the Acquisition Agreement have been satisfied without waiver or amendment (unless agreed to by the Banks), (iii) Borrower has complied with all of the terms and provisions of, and representations and warranties contained in, the

Commitment Letter, (iv) immediately prior to and after the Closing Date and the consummation of the Acquisition, Borrower, OrHeber 1 and OrMammoth is and will be Solvent, and (v) the Projections, the Initial Operating Budget and the Initial Capital Expenditures Budget were prepared in good faith based on reasonable assumptions and (b) a certificate, dated as of the Closing Date, duly executed by a Responsible Officer of Sponsor, in substantially the form of Exhibit F-2, which certificate shall state that all of the representations and warranties set forth in the Sponsor Guaranty are true and correct.

3.1.8 Legal Opinions. Delivery to Administrative Agent of opinions of counsel to Ormat Technologies, Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth, in each case in form and substance reasonably satisfactory to the Banks.

3.1.9 Insurance. Insurance complying with terms and conditions set forth in Exhibit K shall be in full force and effect and Administrative Agent shall have received (a) a certificate from Borrower's insurance broker(s), dated as of a date which is no earlier than three days prior to the Closing Date, (i) identifying underwriters, type of insurance, insurance limits and policy terms, in each case substantially in the manner typically described in certificates of this nature, (ii) describing the insurance obtained and (iii) stating that such insurance is in full force and effect and that all premiums then due thereon have been paid and that, in the opinion of such broker(s), such insurance complies with the terms and conditions set forth in the Credit Documents, and (b) certified copies of all policies evidencing such insurance (or a binder, commitment or certificates signed by the insurer or a broker authorized to bind the insurer), each in form and substance reasonably satisfactory to Administrative Agent.

3.1.10 Conditions under Acquisition Agreement. The transactions described in the Acquisition Agreement (other than the payment of the purchase price) which are to occur on or prior to the Closing Date shall have been consummated without amendment or waiver (that have not been agreed to by the Banks) in accordance with the terms and provisions of the Acquisition Agreement.

3.1.11 Funding of Equity; Funds Flow. Sponsor shall have contributed \$27,425,603.92 in Equity Funds and/or Subordinated Loans to Borrower, and Sponsor and Borrower shall have caused such contributions to be deposited in the Funding Account. Administrative Agent, Sponsor and Borrower shall have entered into the Funds Flow Memorandum, which shall provide, among other things, that Administrative Agent will disburse all amounts on deposit in the Funding Account (including such Equity Funds and/or Subordinated Loans and the Loan proceeds), other than agreed-upon amounts reserved for the payment of certain fees and expenses and working capital purposes, to the Sellers under the Acquisition Agreement upon (a) the satisfaction of each of the conditions precedent set forth in this Article 3 and (b) the consent of the Banks and Borrower.

3.1.12 Permits. Each of the material discretionary Permits necessary for the performance of Borrower's, OrHeber 1's, OrHeber 2's, OrHeber 3's, ORNI's and OrMammoth's obligations under the Acquisition Agreement and the Credit Documents as of the Closing Date (a) shall have been duly obtained, except for such renewals, transfers, reissuance, or modifications of existing permits that can reasonably be obtained in the normal course, (b) shall

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be in full force and effect, (c) shall not be subject to any current legal proceeding, and (d) shall not be subject to any Unsatisfied Condition that could reasonably be expected to result in material modification or revocation of such Permit, and all applicable appeal periods with respect to such Permit shall have expired. Each such Permit shall not be subject to any restriction, condition, limitation or other provision which could reasonably be expected to have a Material Adverse Effect or result in any of the Projects being operated in a manner substantially inconsistent with the assumptions underlying the Projections.

3.1.13 Absence of Litigation. No action, suit, proceeding or investigation shall have been instituted or threatened in writing against any Loan Party (other than those described in Schedule 4.18 to the Acquisition Agreement and actions, suits, proceedings or investigations against Ormat Technologies) that (a) contests the Acquisition or any of the transactions under the Credit Documents or (b) could reasonably be expected to have a Material Adverse Effect. No action, suit, proceeding or investigation shall have been instituted or threatened in writing against any other Major Project Participant that could reasonably be expected to have a Material Adverse Effect.

3.1.14 Payment of Fees. All taxes, fees and other costs payable in connection with the execution, delivery, recordation and filing of the Credit Documents shall have been paid in full or, as approved by Administrative Agent, provided for. Administrative Agent shall have deducted out of the proceeds of the Loans all outstanding amounts due, as of the Closing Date, and owing to (a) the Banks or Administrative Agent under any fee letter or other agreement or pursuant to Section 2.3, (b) the Banks' attorneys and consultants and the Title Insurer for all services rendered and billed prior to the Closing Date and (c) the Depositary Agent under the Depositary Agreement.

3.1.15 UCC Reports. Delivery to Administrative Agent of a UCC report of a date no less recent than five Banking Days before the Closing Date for each of the jurisdictions in which the UCC-1 financing statements and the fixture filings are intended to be filed in respect of the Collateral, showing that upon due filing or recordation (assuming such filing or recordation occurred on the date of such respective reports), as the case may be, and after giving effect to

the Acquisition, the Liens created under the Collateral Documents will be prior to all other Liens on the Collateral (except for the GECC Liens, the mechanics' liens referred to in item No. 7 to Schedule 4.10 of the Acquisition Agreement and any Liens on the Uninsured Real Property Interests or the real property that is subject thereto) which are perfected by filing or recording.

3.1.16 No Material Adverse Change. Since November 14, 2003, no Material Adverse Effect (under and as defined in the Acquisition Agreement) has occurred and is continuing.

3.1.17 Perfection of Liens. All actions necessary or desirable to perfect the Liens of the Collateral Documents to which Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth are a party as of the Closing Date shall have been taken (including (a) the delivery of certificated securities of Borrower, OrHeber 1 and OrMammoth, together with executed,

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undated transfer documents and (b) the filing of UCC-1 financing statements naming the applicable Loan Party as the debtor and Administrative Agent as the secured party).

3.1.18 Establishment of Accounts. The Operating Accounts and the Accounts required to be established as of the Closing Date under the Depositary Agreement shall have been established to the satisfaction of the Banks.

3.1.19 Representations and Warranties. Each representation and warranty of Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth under the Credit Documents shall be true and correct as of the Closing Date.

3.1.20 No Default. No Event of Default or Potential Event of Default shall have occurred and be continuing as of the Closing Date, or will result from the Acquisition and the consummation of the transactions contemplated by Section 3.2.

3.1.21 BLM Notice. Delivery to Administrative Agent of a copy of one or more notices from Borrower to the United States Bureau of Land Management and any other applicable Persons with respect to the change in ownership of the Project Companies and Borrower's intention to replace certain bonds described in Schedule 4.10 to the Acquisition Agreement.

3.1.22 Notice of Borrowing. Delivery to Administrative Agent of a properly completed Notice of Borrowing.

3.1.23 Process Agents. Delivery to Administrative Agent of evidence that each of Sponsor, Borrower, OrHeber 1, ORNI and OrMammoth has appointed CT Corporation System as its respective agent for service of process in the State of New York.

3.1.24 Escrow. Execution and delivery to Administrative Agent of an Escrow Agreement (the "Escrow Agreement"), in substantially the form of Exhibit C-4, among Sponsor, Borrower, Administrative Agent and Chicago Title Company.

3.2 TRANSACTIONS TO OCCUR AT CLOSING. No later than 5:00 p.m. (New York City time) on the Closing Date, Borrower shall cause each of the following to occur (the satisfaction of each of the following being referred to as the "Close of Escrow"):

3.2.1 Acquisition. Consummation of the Acquisition in accordance with the terms of (and without any waivers or amendments unless agreed to by the Banks to) the Acquisition Agreement.

3.2.2 Resolutions. Delivery to Administrative Agent of a copy of one or more resolutions or other authorizations of each Loan Party (other than Ormat

Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI, OrMammoth, Mammoth Lakes and SIGC) certified by an officer of each such Loan Party as being in full force and effect on the Closing Date, authorizing, as applicable and among other things, the granting of the Liens under the

Collateral Documents and the execution, delivery and performance of the Credit Documents to which such Loan Party is a party.

3.2.3 Incumbency. Delivery to Administrative Agent of a certificate from each Loan Party (other than Ormat Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI, OrMammoth, Mammoth Lakes and SIGC) signed by the appropriate authorized officer of each such Loan Party and dated as of the Closing Date, as to the incumbency of the natural Persons authorized to execute and deliver the Credit Documents to which such Loan Party is a party.

3.2.4 Formation Documents. Delivery to Administrative Agent of the Governing Documents of each Loan Party (other than Ormat Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI and OrMammoth), certified by an officer of such Loan Party as being true, correct and complete on the Closing Date.

3.2.5 Good Standing Certificates. Delivery to Administrative Agent of certificates issued by the secretary of state of the state in which each Loan Party (other than Ormat Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI and OrMammoth) is formed or incorporated, as applicable, (a) dated no more than ten days prior to the Closing Date and (b) certifying that such Loan Party is in good standing and is qualified to do business in, and has paid all franchise taxes or similar taxes due to, such states.

3.2.6 Credit Documents and Major Project Documents. Delivery to Administrative Agent of (a) executed originals of each Credit Document to be executed by any Loan Party on the Closing Date, other than (i) those Credit Documents delivered under Section 3.1.6 above and (ii) Consents, and (b) a certified list of, and true, correct and complete copies of, each Major Project Document in effect as of the Closing Date, and, in each case, all of which shall have been duly authorized, executed and delivered by the parties thereto.

3.2.7 Certificate of Officer. Delivery to Administrative Agent of a certificate, dated as of the Closing Date and in substantially the form of Exhibit F-3, duly executed by a Responsible Officer of each Loan Party (other than Ormat Technologies, Sponsor, Mammoth Lakes, OrHeber 2, OrHeber 3, ORNI and SIGC) which certificate shall, among other things, state that (a) neither such Loan Party nor, to such Loan Party's knowledge, any other party to any Major Project Document is or, but for the passage of time or giving of notice or both will be, in breach of any material obligation thereunder, (b) all conditions precedent to the performance of such Loan Party, and, to such Loan Party's knowledge, all conditions precedent to the performance of the other parties under the Major Project Documents then required to have been performed shall have been satisfied, (c) immediately prior to and at the Close of Escrow, each of the Guarantors is Solvent and (d) all conditions precedent set forth in this Section shall have been satisfied.

3.2.8 Legal Opinions. Delivery to Administrative Agent of opinions of counsel to the Loan Parties and Affiliates thereof (if any) (other than Ormat Technologies, Sponsor and Borrower) which are parties to any Major Project Document, in each case in form and substance reasonably satisfactory to the Banks.

3.2.9 Utilities. All potable water, sewer, telephone, electric and all other utility services necessary for the leasing, ownership and operation of the Projects shall have been contracted for.

3.2.10 Permits. Each of the material discretionary Permits necessary for the performance of the applicable Loan Party's (other than Ormat Technologies') or the applicable Major Project Participant's obligations under the Credit Documents or the Major Project Documents as of the Closing Date (a) shall have been duly obtained, except for such renewals, transfers, reissuance, or modifications of existing permits that can reasonably be obtained in the normal course, (b) shall be in full force and effect, (c) shall not be subject to any current legal proceeding, and (d) shall not be subject to any Unsatisfied Condition that could reasonably be expected to result in material modification or revocation of such Permit, and all applicable appeal periods with respect to such Permit shall have expired. Each such Permit shall not be subject to any restriction, condition, limitation or other provision which could reasonably be expected to have a Material Adverse Effect or result in any of the Projects being operated in a manner substantially inconsistent with the assumptions underlying the Projections.

3.2.11 Perfection of Liens. All actions necessary or desirable to perfect the Liens of the Collateral Documents to which OrHeber 1, OrMammoth, HFC and HGC are a party as of the Closing Date shall have been taken (including the filing of UCC-1 financing statements naming HFC and HGC (as the case may be) as the debtor and Administrative Agent as the secured party).

3.2.12 ALTA Title Policy.

(a) Subject to clause (c) of this Section 3.2.12, delivery to Administrative Agent of a lender's ALTA extended coverage policy of title insurance, together with such endorsements thereto as are reasonably required by the Banks (which shall include, but not be limited to, a tie-in endorsement for all such policies), or the commitment of Title Insurer to issue such a policy, dated as of the Closing Date, in the amount of \$125,000,000, issued by Title Insurer in form and substance substantially similar to the owner's ALTA policy of title insurance provided to Borrower under the Acquisition Agreement, insuring (or agreeing to insure) that:

(i) each of HFC and HGC has a good, marketable and insurable leasehold, easement and/or fee interest in the material real property interests comprising the applicable Project, in each case free and clear of Liens, encumbrances or other exceptions to title, other than the Title Exceptions; and

(ii) each Deed of Trust creates (or will create when recorded) a valid first-priority Lien on HFC's or HGC's (as the case may be) interest in the applicable Mortgaged Property, free and clear of all Liens, encumbrances and exceptions to title whatsoever, other than the Title Exceptions.

(b) The Banks shall have determined that each title policy or title commitment referred to in clause (a) above shall be in all material respects the same as the title policies referred to in Schedule 7.9 to the Acquisition Agreement; provided, however, that any additional

exceptions to title contained in such Bank's policy or commitment shall be permitted only if they do not violate the Real Property Standard.

(c) The ALTA policy of title insurance set forth in Section 3.2.12(a) shall (i) not provide coverage to Administrative Agent for any real property interests located in Mono County, California, (ii) not contain an exception for mechanics' or materialmen's liens, except for (A) the mechanic's liens described in item No. 7 to Schedule 4.10 of the Acquisition Agreement, (B) any other mechanics' and materialmen's liens that do not violate the Real Property

Standard and (C) the mechanics' and materialmen's lien exceptions and exclusions set forth in the policy jacket and (iii) be permitted to contain one or more exceptions for matters that would be shown by an ALTA survey.

3.2.13 Real Estate Rights. Each Project Company shall have obtained and shall hold all leasehold or other possessory rights in real estate, together with necessary real property Permits and access rights necessary for (a) performance in full of each such Project Company's obligations under the Credit Documents and Major Project Documents to which such Project Company is a party, and (b) the leasing, ownership and operation of the Projects in accordance with the Projections; in each case except to the extent that any such missing leases, possessory rights, real property Permits or access rights do not violate the Real Property Standard.

3.2.14 Request for Notice. Requests for Notice shall have been recorded in favor of Administrative Agent with respect to any Major Project Documents that are subject to recorded underlying Liens.

3.2.15 Regulatory Status. (a) Each Project is, and has been since it commenced commercial operation, (i) a QF, and (ii) exempt from all provisions of the FPA except Sections 1-18, 202(c), 210-214, 305(c) and such provisions of Part III of the FPA as may be necessary for FERC actions to enforce the foregoing; and (b) each Project's FERC Form 556 most recently filed with FERC contains current and accurate ownership and operating characteristics of the Project.

3.2.16 Representations and Warranties. Each representation and warranty of each Loan Party under the Credit Documents shall be true and correct.

3.2.17 No Default. No Event of Default or Potential Event of Default shall have occurred and be continuing, or will result from the Acquisition and the consummation of the transactions contemplated by this Section 3.2.

3.2.18 Process Agents. Delivery to Administrative Agent of evidence that each Loan Party (other than Ormat Technologies, Sponsor, Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI, OrMammoth, SIGC and Mammoth Lakes) has appointed CT Corporation System as its respective agent for service of process in the State of New York in respect of each Credit Document to which such Person is a party which is governed by the laws of the State of New York.

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3.2.19 Close of Escrow. Concurrently with the payment of the purchase price with respect to the condition precedent set forth in Section 3.2.1, the termination of the escrow under the Escrow Agreement shall occur and all documents and closing deliverables contained in such escrow shall be released from such escrow.

3.3 MAMMOTH COLLATERAL RELEASE

3.3.1 Upon the written request of Borrower, Administrative Agent, on the behalf of Secured Parties, (a) shall return to Borrower all Pledged Equity Interests (as defined in the Pledge Agreements described in clause (c) of the definition thereof) of OrMammoth free and clear of the Liens imposed by the applicable Pledge Agreements, (b) shall execute and deliver to Borrower and OrMammoth such documents and instruments (including UCC-3 termination statements), in each case as may be reasonably necessary to release the Liens granted to Administrative Agent, for the benefit of Secured Parties, in respect of the Collateral directly relating to OrMammoth and the Mammoth Project, and (c) shall execute and deliver to Borrower and OrMammoth such documents and instruments as may be reasonably necessary to release OrMammoth from its obligations under the applicable Subsidiary Guaranty, the Depositary Agreement and the other Credit Documents to which such Loan Party is a party, provided that either the Mammoth Prepayment Conditions or the GE Buyout Conditions are

satisfied (the satisfaction of either the Mammoth Prepayment Conditions or the GE Buyout Conditions and the related release of Collateral described in this Section 3.3.1 being referred to as the "Mammoth Collateral Release").

3.3.2 Upon the satisfaction of the Mammoth Prepayment Conditions, then (a) Administrative Agent shall undertake each of the actions specified in Section 3.3.1, and (b) the amounts on deposit in the Funding Account shall be held in the Funding Account until the earlier to occur of (i) the satisfaction of the GE Buyout Conditions and (ii) the date Borrower delivers a notice (the "Release Notice") to Administrative Agent requesting that the funds on deposit in the Funding Account be applied to the prepayment of the Loans pursuant to this Section and Section 2.1.6(a)(i) (other than clauses (C) and (D) thereof) (it being acknowledged and agreed that, from and after the date of the delivery of the Release Notice (the "Release Date"), Beal Bank, S.S.B. shall be released from all of its obligations under the Credit Documents (including the Fee Letter) to provide any financing relating to the Lease Buyout or any other Lease Solution). Subject to Section 3.3.3, if the satisfaction of the GE Buyout Conditions occurs on or before the Release Date, then the amounts on deposit in the Funding Account shall be transferred to Sponsor free and clear of the Liens imposed by the Collateral Documents. Subject to Section 3.3.3, if the satisfaction of the GE Buyout Conditions does not occur on or before the Release Date, then the amounts on deposit in the Funding Account shall be transferred to Administrative Agent and applied to the prepayment of the Loans pursuant to Section 2.1.6(a)(i) (other than clauses (C) and (D) thereof).

3.3.3 Each of the parties hereto acknowledges and agrees that (a) the deposit of amounts into the Funding Account pursuant to Section 3.3.2 and otherwise in connection with the Mammoth Collateral Release shall not constitute a prepayment of Loans until such time (if ever) such amounts are transferred to Administrative Agent and applied to the prepayment of the Loans pursuant to Section 2.1.6(a)(i) (other than clauses (C) and (D) thereof), and (b) all Loans

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to be prepaid or transferred to Sponsor using amounts from the Funding Account shall continue to accrue interest at the then-applicable interest rate for such Loans until actually prepaid. Without limiting the foregoing, if such amounts are transferred to Sponsor, then (i) the corresponding amount of Loans (i.e., \$28,900,000) shall at all times (including during such times as such amounts are on deposit in the Funding Account) be deemed to be outstanding under the Credit Agreement and (ii) interest on such amounts shall be due and payable in accordance with the provisions of Section 2.1.2.

3.3.4 Each of the parties hereto acknowledges and agrees that, upon the release of OrMammoth from its obligations under the applicable Subsidiary Guaranty, the Depositary Agreement and the other Credit Documents to which such Loan Party is a party and the release of the Collateral directly relating to OrMammoth and the Mammoth Project pursuant to this Section 3.3 and notwithstanding anything to the contrary contained in any of the Credit Documents, (a) OrMammoth shall be deemed not to be a "Loan Party", "Non-Guarantor" or "Guarantor", (b) the Mammoth Project shall be deemed not to be a "Project", (c) each of OrMammoth and Mammoth Lakes shall be deemed to be a "Nonrecourse Person", (d) Mammoth Lakes shall be deemed not to be a "Project Company", (e) "Project Revenues" shall be deemed not to include any income, cash, receipts or proceeds generated by OrMammoth, Mammoth Lakes or the Mammoth Project, (f) each Project Document solely related to the Mammoth Project shall be deemed not to be a "Project Document" or "Major Project Document", (g) each of the Loan Parties shall be released from all of their respective obligations under the Credit Documents with respect to OrMammoth, Mammoth Lakes and the Mammoth Project (including any covenants or defaults directly related to OrMammoth, Mammoth Lakes, the Mammoth Project or the Collateral being released as part of the Mammoth Collateral Release), other than the Loan Parties' (excluding OrMammoth) obligations under Sections 5.24, 7.1.5, 7.1.13 and 10.4 of the Credit Agreement, and (h) on or before the second Banking Day following the

Mammoth Collateral Release, Borrower shall take all actions necessary to cause OrMammoth and Mammoth Lakes not to be direct or indirect subsidiaries of Borrower, any Guarantor or any Non-Guarantor.

3.3.5 Concurrent with and as a condition to the Mammoth Collateral Release, OrMammoth shall execute and deliver to Administrative Agent a release (in form and substance reasonably satisfactory to Administrative Agent), pursuant to which OrMammoth shall release each Secured Party from any and all claims which OrMammoth may have against any of the Secured Parties arising from the Operative Documents and the transactions contemplated thereby.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to and in favor of Administrative Agent and the Banks (a) to the extent they relate to any Loan Party (other than Ormat Technologies, the Non-Guarantors (other than ORNI) and the Project Companies), as of the Closing Date (unless such representation and warranty expressly relates solely to another time) both prior to and immediately after the consummation of the Acquisition and (b) to the extent they relate to any of each Non-Guarantor (other than ORNI) and each Project Company,

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as of the Closing Date (unless such representation and warranty expressly relates solely to another time) but immediately after giving effect to the consummation of the Acquisition, all of which shall survive the Closing Date, the Close of Escrow and the making of the Loans:

4.1 EXISTENCE. Borrower, each Guarantor and each Non-Guarantor are organized or formed and validly existing under the laws of the jurisdiction of its incorporation or formation (as applicable) and are qualified to do business in such jurisdiction and in each other jurisdiction in which the conduct of their business requires such qualification (including, with respect to Borrower, the State of California).

4.2 OWNERSHIP OF THE LOAN PARTIES.

4.2.1 The equity interests in Borrower, each Guarantor and each Non-Guarantor are duly authorized, validly issued and fully paid and nonassessable and, as of the Closing Date, none of such equity interests consists of margin stock.

4.2.2 The capital structure of the Loan Parties (other than Ormat Technologies) is accurately set forth on Exhibit L, and each of the following is true and correct:

(a) Sponsor directly owns all of the equity interests in Borrower.

(b) Borrower directly owns all of the equity interests in OrHeber 1, all of the equity interests in OrMammoth, a 50% general partnership interest in HFC and a 50% general partnership interest in HGC.

(c) OrHeber 1 directly owns a 50% general partnership interest in HFC, a 50% general partnership interest in HGC and all of the membership interests in ORNI.

(d) ORNI directly owns all of the equity interests in OrHeber 2 and all of the equity interests in OrHeber 3.

(e) OrHeber 2 directly owns a 99.998% general partnership interest in SIGC.

(f) OrHeber 3 directly owns a 0.002% limited partnership interest in SIGC.

(g) OrMammoth directly owns a 1% limited partnership interest in Mammoth Lakes and a 49% general partnership interest in Mammoth Lakes.

(h) There no options, warrants, convertible securities or other rights to acquire any equity interests in Borrower, any Guarantor or any Non-Guarantor.

(i) Borrower does not have any direct or indirect Subsidiaries, other than the Guarantors and Non-Guarantors.

4.3 POWER AND AUTHORIZATION. Each of Borrower, each Guarantor and each Non-Guarantor has full power and authority to conduct its business as contemplated by the Operative Documents. The Credit Documents and the Project Documents to which Borrower, each

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Guarantor and each Non-Guarantor is a party have been duly authorized, executed and delivered by each such Loan Party.

4.4 NO CONFLICT. The execution, delivery and performance by each of Borrower, each Guarantor and each Non-Guarantor of the Credit Documents and Major Project Documents to which it is a party and the consummation of the transactions contemplated by the Credit Documents and the Major Project Documents do not and will not (a) violate any provision of (i) any Legal Requirement applicable to Borrower, any of the Guarantors or any of the Non-Guarantors, as the case may be, (ii) the Governing Documents of Borrower, any of the Guarantors or any of the Non-Guarantors, as the case may be, or (iii) any order, judgment or decree of any court or agency or Governmental Instrumentality binding on Borrower, any of the Guarantors or any of the Non-Guarantors, (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of Borrower, any of the Guarantors or any of the Non-Guarantors, (c) result in or require the creation or imposition of any Lien upon any of the properties or assets of Borrower, any of the Guarantors or any of the Non-Guarantors (other than any Liens created under any of the Credit Documents in favor of Administrative Agent on behalf of the Secured Parties), or (d) require any approval of any Person, except for such approvals or consents which will be obtained on or before the Closing Date and disclosed in writing to the Banks.

4.5 ENFORCEABLE OBLIGATIONS. Each Credit Document and Major Project Document to which Borrower, any of the Guarantors or any of the Non-Guarantors is a party constitutes a legal, valid and binding obligation of such Loan Party, as the case may be, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights or by the effect of general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.6 COMPLIANCE WITH LAW. None of Borrower, any of the Guarantors or any of the Non-Guarantors (a) is in violation of any applicable Legal Requirements in any material respect or (b) is subject to or in default in any material respect with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

4.7 CONDUCT OF BUSINESS. The only business conducted by Borrower, OrHeber 1, OrHeber 2, OrHeber 3, ORNI and OrMammoth is the ownership of those Loan Parties

which they directly own, as described in Section 4.2.2. To the knowledge of Borrower, the only business conducted by any of the Guarantors or Non-Guarantors is the business of directly or indirectly owning, operating, leasing, maintaining and using the Projects. Neither Borrower nor any Project Company is a party to or bound by any material contract other than the Credit Documents and the Major Project Documents to which it is a party. The Guarantors and Non-Guarantors (other than the Project Companies) are parties only to those agreements set forth on Exhibit G-5.

4.8 INVESTMENT COMPANY ACT. None of Borrower, any of the Guarantors or any of the Non-Guarantors is an "investment company" or a "company controlled by an investment company", within the meaning of the Investment Company Act of 1940, as amended.

4.9 ERISA. There are no ERISA Plans for any Loan Party (other than Ormat Technologies) or any ERISA Affiliate.

4.10 HAZARDOUS SUBSTANCES.

4.10.1 Except as set forth in Exhibit G-4: (a) with respect to each Site, none of Borrower, any of the Guarantors or any of the Non-Guarantors is or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, has in the past been in violation of any Hazardous Substance Law which violation could reasonably be expected to result in a material liability to such Loan Party or its properties and assets or in an inability of such Loan Party to perform its obligations under the Operative Documents; (b) none of Borrower, any of the Guarantors, or any of the Non-Guarantors nor, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, any other Person has used, Released, generated, manufactured, produced or stored in, on, under, or about any Site, or Released or arranged for the disposal at any other location of any Hazardous Substances in any form, circumstance or condition that could reasonably be expected to subject any Secured Party to liability, or Borrower, any of the Guarantors, or any of the Non-Guarantors to material liability, under any Hazardous Substance Law; (c) to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, there are no underground tanks, whether operative or temporarily or permanently closed, located on any Site that could reasonably be expected to subject any Secured Party to liability, or Borrower, any of the Guarantors, or any of the Non-Guarantors to material liability, under any Hazardous Substance Law; (d) there are no Hazardous Substances used, stored or present at or on any Site except in material compliance with Hazardous Substance Laws and other Legal Requirements or as disclosed in the Environmental Reports; (e) to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, there are no Hazardous Substances that could reasonably be expected to migrate onto any Site that could reasonably be expected to impose on Borrower, any of the Guarantors, or any of the Non-Guarantors a material liability, except as disclosed in the Environmental Reports; and (f) to Borrower's, each Guarantor's and each Non-Guarantor's knowledge there neither is nor has been any condition, circumstance, action, activity or event that could reasonably be expected to be, or result in, a material violation by Borrower of any Hazardous Substance Law, or to result in liability of any Secured Party or material liability of Borrower, any of the Guarantors, or any of the Non-Guarantors under any Hazardous Substance Law.

4.10.2 Except as set forth on Exhibit G-4, (a) as of the Closing Date, there is no pending or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, threatened in writing, judicial or administrative action or proceeding seeking to impose material liability against Borrower or any Guarantor or Non-Guarantor by any Governmental Instrumentality (including the California Public Utilities Commission, U.S. Army Corps of Engineers and U.S. Environmental Protection Agency) or any other Person which is not a Governmental Instrumentality with respect to the presence or Release of Hazardous Substances in, on, from or to any Site and, (b) thereafter, there is no pending or, to

Non-Guarantor's knowledge, threatened in writing, judicial or administrative action or proceeding by any Governmental Instrumentality (including the California Public Utilities Commission, U.S. Army Corps of Engineers and U.S. Environmental Protection Agency) or any non-governmental third party with respect to the presence or Release of Hazardous Substances in, on, from or to any Site which could reasonably be expected to have a Material Adverse Effect.

4.10.3 Except as set forth on Exhibit G-4 or in the Environmental Reports, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, there are no past violations that have not been finally resolved or existing violations of any Hazardous Substances Laws with respect to any Site, which violations could reasonably be expected to result in a material liability of Borrower, any of the Guarantors, or any of the Non-Guarantors.

4.11 LITIGATION.

4.11.1 No action, suit, proceeding or investigation has been instituted or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, threatened in writing against any Loan Party (other than Ormat Technologies), other than (i) those described in Schedule 4.18 to the Acquisition Agreement or (ii) those that could not reasonably be expected to have a Material Adverse Effect.

4.11.2 None of Borrower, any Guarantor or any Non-Guarantor has any knowledge of (a) any action, suit, proceeding or investigation that has been instituted or threatened in writing against any Major Project Participant, or by which any of them or their properties are bound, which could reasonably be expected to have a Material Adverse Effect, (b) any proceeding or investigation that has been instituted by the FERC which could reasonably be expected to result in the revocation of any Project's QF status or any other determination that one or more of the Projects has failed to comply with FERC's regulations relating to QFs, or (c) any order, judgment or decree has been issued or proposed to be issued by any Governmental Instrumentality that, as a result of the leasing, ownership or operation of any of the Projects, the sale of electricity therefrom or the entering into of any Credit Document or Project Document or any transaction contemplated thereby, could reasonably be expected to cause or deem the Banks, Administrative Agent, Borrower or any Affiliate of any of them to be subject to, or not exempted from, regulation under PUHCA or the FPA, or subject to laws or regulations of the State of California respecting the rates or the financial or organizational regulation of electric utilities.

4.11.3 No action, suit or proceeding before or by any court, arbitrator or other Governmental Instrumentality is pending to which any Loan Party is a party or to which its business, assets or property is subject and, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, no such action, suit or proceeding is threatened to which any such Loan Party or its business, assets or property would be subject that, in either case, questions the validity of any of the Credit Documents.

4.12 LABOR DISPUTES AND ACTS OF GOD. Neither the business nor the properties of any of the Project Companies or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, any Major Project Participant are currently affected by any fire, explosion, accident,

strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not

covered by insurance), which could reasonably be expected to have a Material Adverse Effect.

4.13 DISCLOSURE. No information or documentation furnished by any of the Loan Parties to Administrative Agent or the Banks or to any consultant submitting a report to Administrative Agent or the Banks contained (at the time of delivery thereof) any untrue statement of a material fact or omitted (at the time of delivery thereof) to state a material fact necessary in order to make the statements contained herein or therein not misleading under the circumstances in which they were made at the time such statements were made (other than (a) the Projections, (b) the Operating Budget, (c) the Capital Expenditures Budget, (d) any information that was corrected or updated in writing by Borrower to the Banks prior to the Closing Date, and (e) any information which was provided by Borrower to any of the Banks' consultants prior to the Closing Date and which contains "forward looking statements"). To the knowledge of Borrower, no information which was provided by Borrower to any of the Banks' consultants prior to the Closing Date and which contains "forward looking statements" contained (at the time of delivery thereof) any untrue statement of a material fact or omitted (at the time of delivery thereof) to state a material fact necessary in order to make the statements contained herein or therein not misleading under the circumstances in which they were made at the time such statements were made. There is no fact known to Borrower, any Guarantor or any Non-Guarantor which has had or could reasonably be expected to have a Material Adverse Effect which has not been disclosed in writing to Administrative Agent and the Banks by or on behalf of Borrower on or prior to the Closing Date in connection with the transactions contemplated hereby.

4.14 TAXES.

4.14.1 Each of Borrower, each Guarantor and each Non-Guarantor has timely filed all federal, state and local tax returns and reports that it is required to file, and has paid all taxes, material assessments, utility charges, fees and other governmental charges it is required to pay to the extent due (other than those taxes that it is contesting in good faith and by appropriate proceedings). None of Borrower, any Guarantor's or any Non-Guarantor has received any written notice proposing tax assessment against any such Loan Party which could reasonably be expected to have a Material Adverse Effect. To the extent any taxes, assessments, charges and fees are being contested, the applicable Loan Party (other than Ormat Technologies) has established reserves that are adequate for the payment thereof in conformity with GAAP.

4.14.2 To Borrower's, each Guarantor's and each Non-Guarantor's knowledge, (a) at all times since its formation, each Project Company has been an entity that is disregarded as separate from its owner for federal income tax purposes and (b) no IRS Form 8832 has ever been filed with respect to any Project Company to treat such Project Company as other than a disregarded entity.

4.14.3 None of Borrower, any Guarantor and any Non-Guarantor has any liability for the taxes of any Person (other than itself) (i) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), (ii) as a transferee or

successor, (iii) by contract, or (iv) otherwise, other than those liabilities which are being assumed by (through indemnification of OrHeber 1, OrHeber 2, OrHeber 3 and OrMammoth or otherwise) Covanta under the Acquisition Agreement.

4.14.4 Borrower does not intend to treat the Loans (including the incurrence thereof) as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4).

4.15 OWNERSHIP OF PROPERTY; LIENS; MATERIAL REAL PROPERTY INTERESTS.

Borrower, each Guarantor and each Non-Guarantor have, as applicable, (a) good, marketable and insurable easement, fee and/or leasehold interest in each of the Material Real Property Interests, free and clear of all Liens (other than the Title Exceptions) and (b) good, marketable and valid title to all other Collateral, free and clear of all Liens (other than Permitted Liens). With respect to each Project, the Title Exceptions do not, in the aggregate, materially and adversely affect the value, operations or use of such Project. Exhibit G-6 contains an accurate and complete list of all of the Project Companies' material real property interests (including fee, leasehold and easement interests).

4.16 GOVERNMENTAL REGULATION. None of the Loan Parties, Administrative Agent, or any Bank, nor any Affiliate of any of them will (solely as a result of the ownership, leasing or operation of the Projects, the sale of electricity, capacity or ancillary services therefrom or the entering into any Credit Document or Project Document or any transaction contemplated thereby) be subject to, or not exempt from, regulation under the FPA or PUHCA or under state laws and regulations respecting the rates or the financial or organizational regulation of electric utilities, except that each Project Company will be subject to Sections 1-18, 21-30, 202(c), 210-214 and 305(c) of the FPA and such provisions of Part III of the FPA as may be necessary for FERC actions to enforce the foregoing. Except to the extent provided in the preceding clause, none of Borrower, any Guarantor or any Non-Guarantor will be deemed by any Governmental Instrumentality to be subject to financial, organizational or rate regulation as an "electric utility", "electric corporation", "electrical company", "public utility", or "public utility holding company" or any similar Person under any applicable Governmental Rule.

4.17 MARGIN STOCK. None of Borrower, any Guarantor or any Non-Guarantor is engaged principally, or as one of its principal activities, in the business of extending credit for the purpose of "buying", "carrying" or "purchasing" margin stock (each as defined in Regulations T, U or X of the Federal Reserve Board), and no part of the proceeds of the Loans will be used by any Loan Party for the purpose of "buying", "carrying" or "purchasing" any such margin stock or for any other purpose which violates the provisions of the regulations of the Federal Reserve Board.

4.18 BUDGETS; PROJECTIONS. Borrower has prepared the Capital Expenditures Budget, the Operating Budget and the Projections and is responsible for developing the assumptions on which such Capital Expenditures Budget, Operating Budget and the Projections are based; and such Capital Expenditures Budget, Operating Budget and the Projections (a) are based on reasonable assumptions (including as to all legal and factual matters material to the estimates set forth therein) and (b) are consistent in all material respects with the provisions of

the Major Project Documents in effect as of the Closing Date.

4.19 FINANCIAL STATEMENTS. In the case of each financial statement of (a) Ormat Technologies for the calendar year ending on December 31, 2002, (b) Sponsor for the quarterly period ending on March 31, 2003 and (c) Sponsor for the quarterly period ending on September 30, 2003, each such financial statement and information has been prepared in conformity with GAAP and fairly presents, in all material respects, the financial position (on a consolidated and, where applicable, consolidating basis) of such Loan Party, described in such financial statements as at the respective dates thereof and the results of operations and cash flows (on a consolidated and, where applicable, consolidating basis) of such Loan Party, described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure.

4.20 NO DEFAULT. None of Borrower, any Guarantor or any Non-Guarantor is in default under any Major Project Document as of the Closing Date, except with respect to defaults that may be claimed by any landowner set forth on Exhibit N who (a) has submitted claims to the Bankruptcy Court relating to the SIGC Project, the HFC Project or the HGC Project, and (b) has not entered into a settlement agreement with respect to such claims (each such landowner, an "Outstanding Non-Royalty Claimant"). No Potential Event of Default or Event of Default has occurred and is continuing.

4.21 ORGANIZATION ID NUMBER. The organizational identification numbers of the Loan Parties (other than Ormat Technologies) set forth on Exhibit M are true and correct.

4.22 INTELLECTUAL PROPERTY. Borrower, each Guarantor and each Non-Guarantor own or possess all Permits, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are necessary for the operation of its business, without known conflict with the rights of others.

4.23 CERTAIN FEES. No broker's or finder's fee or commission will be payable with respect to the transactions contemplated by the Credit Documents, other than (a) fees payable to Administrative Agent, the Banks or any of their respective Affiliates and (b) fees payable by Sponsor to Marathon Capital, LLC.

4.24 COLLATERAL. The Liens granted to Administrative Agent (for the benefit of the Secured Parties) pursuant to the Collateral Documents (a) constitute as to personal property included in the Collateral a valid lien, subject, with respect to any proceeds, to the limitations set forth in Section 9-315 of the UCC and (b) constitute as to the Mortgaged Property included in the Collateral a valid Lien on the Mortgaged Property; provided, however, that the Non-Material Real Property Interests shall be subject to the Real Property Standard for purposes of this Section 4.24(b). The security interest granted to Administrative Agent (for the benefit of the Secured Parties) pursuant to the Collateral Documents in the Collateral consisting of personal property (other than the Operating Accounts and all amounts deposited therein or credited thereto) will be perfected (i) with respect to any property that can be perfected solely by filing, to the extent Article 9 of the UCC applies thereto, upon the filing of financing statements in the filing offices identified in Exhibit D-6, (ii) with respect to any property that can be perfected by

control (subject to Section 6.14), upon execution of the Depositary Agreement, and (iii) with respect to any property (if any) that can be perfected by possession, upon Administrative Agent receiving possession thereof, and in each case such security interest will be, as to Collateral perfected under the UCC or otherwise as aforesaid, superior and prior to the rights of all third Persons now existing or hereafter arising whether by way of mortgage, Lien, security interests, encumbrance, assignment or otherwise, except (A) with respect to the Collateral described in clause (i) of this Section 4.24, the Permitted Liens described in clauses (a) and (e) of the definition of "Permitted Liens" and, to the extent required by Governmental Rule, those matters described in clauses (b), (c) and (g) of the definition of "Permitted Liens" and (B) with respect to the Collateral described in clauses (ii) and (iii) of this Section 4.24, the Permitted Liens described in clause (a) of the definition of "Permitted Liens" and, to the extent required by Governmental Rule, those matters described in clause (b) of the definition of "Permitted Liens". Except to the extent possession of portions of the Collateral is required for perfection, all such action as is necessary has been taken to establish and perfect Administrative Agent's rights in and to the Collateral in existence on the Closing Date to the extent Administrative Agent's security interest can be perfected by filing, including any recording, filing, registration, giving of notice or other similar action; provided, however, that the Non-Material Real Property Interests shall be subject to the Real Property Standard for purposes of this sentence. Subject to the requirements contained in the UCC with respect to the filing of

continuation statements, no filing, recordation, re-filing or re-recording other than those listed on Exhibit D-6 hereto is necessary to perfect and maintain the perfection of the interest, title or Liens of the Collateral Documents, and on the Closing Date all such filings or recordings will have been made to the extent Administrative Agent's security interest can be perfected by filing. Borrower has properly delivered or caused to be delivered, or provided control, to Administrative Agent or Depositary Agent all Collateral that permits perfection of the Lien and security interest described above by possession or control.

4.25 SUFFICIENCY OF PROJECT DOCUMENTS. Other than those that can be reasonably expected to be commercially available when and as required, the services to be performed, the materials to be supplied and the real property interests, the easements and other rights granted, or to be granted, pursuant to the Major Project Documents in effect as of the Closing Date comprise all of the material services, materials and property interests required to lease, own and operate the Projects in accordance with the terms of the Credit Documents and the Major Project Documents.

4.26 UTILITY SERVICES. All utility services necessary for operation of each Project for its intended purposes are available at such Project.

4.27 REAL PROPERTY RIGHTS. Each Project Company possesses all necessary easements, rights of way, licenses, agreements and other rights for (a) the contiguous interconnection and utilization of all interconnection facilities (including geothermal resource production and injection pipelines) and (b) the operation of the Projects in accordance with the Projections.

4.28 PROPER SUBDIVISION. Each Material Real Property Interest has been subdivided or entitled to exception therefrom, and for all purposes each Material Real Property Interest may

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be mortgaged, conveyed and otherwise dealt with as separate legal lots or parcels.

4.29 FLOOD ZONE DISCLOSURE. No material portion of the Collateral includes improvements that are located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood or mudslide hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, as amended.

4.30 QF STATUS. Each Project is, and has been since it commenced commercial operation, (a) a QF, and (b) exempt from all provisions of the FPA. Each Project's FERC Form 556 most recently filed with FERC contains current and accurate ownership and operating characteristics of such Project, except for updated information that is to be included in the filings contemplated by Section 5.19.1.

4.31 ACQUISITION AGREEMENT. The representations and warranties of each applicable Loan Party contained in the Acquisition Agreement are true and correct in all material respects.

4.32 SOLVENCY. (a) Borrower, each Guarantor and each Non-Guarantor is Solvent.

4.33 GEOTHERMAL RESOURCES. To the knowledge of Borrower, the geothermal resources available to the Project Companies under the applicable Project Documents are sufficient to operate each Project in accordance with the terms of the Power Purchase Agreements and the Credit Documents and in a manner consistent with the Projections.

4.34 OPERATOR EXPERIENCE. Sponsor has substantial experience in the operation and maintenance of comparable geothermal electric generating facilities and geothermal fields (including associated equipment) and is fully qualified to operate and maintain the Projects in accordance with the terms of the Power Purchase Agreements and the Credit Documents and in a manner consistent with the Projections.

ARTICLE 5 AFFIRMATIVE COVENANTS

Borrower covenants and agrees that until the repayment in full in cash of all Obligations (other than those contingent Obligations that are intended to survive the termination of this Agreement or the other applicable Credit Documents), Borrower shall, and shall cause each of the Guarantors and the Non-Guarantors, as applicable, to:

5.1 USE OF PROCEEDS. Use the proceeds of the Loans only (a) to fund the Acquisition and (b) to pay related fees and expenses of Borrower, in each case as provided in the Funds Flow Memorandum.

5.2 PAYMENT OF OBLIGATIONS. Pay all of Borrower's, each Guarantor's and each Non-Guarantor's respective obligations due under the Project Documents as and when due and payable, except (a) such as may be contested in good faith or as to which a bona fide dispute may exist (provided that adequate reserves have been established in conformity with GAAP), and

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(b) Borrower's and the Project Companies' trade payables which shall be paid in the ordinary course of business.

5.3 WARRANTY OF TITLE. Maintain (a) good, marketable and insurable fee, easement and/or leasehold interests in each Material Real Property Interest, as applicable, and (b) good, legal and valid title to all of its other respective material properties and assets (other than properties and assets disposed of in the ordinary course of business or otherwise disposed of in accordance with Section 6.3), in each case free and clear of all Liens (other than Permitted Liens). Borrower, the Guarantors and the Non-Guarantors shall warrant and defend, as applicable, title to and right of possession and use of each Project, and the validity and priority of the Liens of the Secured Parties on the Collateral.

5.4 NOTICES; REPORTS. Promptly, upon acquiring notice or giving notice (except as otherwise specified below), as the case may be, or obtaining knowledge thereof, give written notice (with copies of any underlying notices, papers, files or related documentation) to Administrative Agent of:

5.4.1 any litigation pending or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, threatened in writing against Borrower, any Guarantor or any Non-Guarantor involving claims against such Loan Party or a Project in excess of \$500,000 individually or \$1,000,000 in the aggregate per calendar year or involving any injunctive, declaratory or other equitable relief, such notice to include, if requested in writing by Administrative Agent, copies of all papers filed in such litigation and to be given monthly if any such papers have been filed since the last notice given;

5.4.2 any dispute or disputes for which written notice has been received by Borrower, any Guarantor or any Non-Guarantor which may exist between such Loan Party and any Governmental Instrumentality and which involve (a) claims against Borrower, any Guarantor or any Non-Guarantor which exceed \$500,000 individually or \$1,000,000 in the aggregate per calendar year, (b) injunctive or declaratory relief, or (c) revocation, modification, failure to renew or the like of any material discretionary Permits necessary for the performance of any Loan Party's (other than Ormat Technologies') or Major

Project Participant's obligations under the Credit Documents or the Major Project Documents;

5.4.3 any Event of Default or Potential Event of Default;

5.4.4 any casualty, damage or loss, whether or not insured, through fire, theft, other hazard or casualty, or any act or omission of (a) Borrower, any Guarantor, any Non-Guarantor, or any of their employees, agents, contractors, consultants or representatives in excess of \$500,000 for any one casualty or loss or \$1,000,000 in the aggregate in any calendar year, or (b) to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, any other Person if such casualty, damage or loss could reasonably be expected to have a Material Adverse Effect;

5.4.5 any cancellation, suspension or material change in the terms, coverage or amounts of any insurance described in Exhibit K;

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5.4.6 any contractual obligations incurred by Borrower, any Guarantor or any Non-Guarantor exceeding \$500,000 per year in the aggregate for a Project, not including any obligations incurred pursuant to the Operative Documents or any obligation contemplated in the then-current Capital Expenditures Budget or the then-current Operating Budget;

5.4.7 any intentional withholding of compensation to, or any right to withhold compensation claimed by, any Major Project Participant, other than retention provided by the express terms of any such contracts;

5.4.8 any (a) termination (other than expiration in accordance with its terms and any applicable Consent) or material default of which Borrower, any Guarantor or any Non-Guarantor has knowledge or written notice thereof under any Major Project Document and (b) material Project Document Modification (with copies of all such Project Document Modifications whether or not requiring approval of Administrative Agent or the Required Banks pursuant to Section 6.12);

5.4.9 any written claim of events of force majeure (including claims therefor regardless of whether Borrower believes such claim has merit) and, to the extent requested in writing by Administrative Agent, copies of invoices or statements which are reasonably available to Borrower, any Guarantor or any Non-Guarantor under any Major Project Document, certified by an authorized representative of Borrower, together with a copy of any supporting documentation, schedule, data or affidavit delivered under such Major Project Document;

5.4.10 any (a) material noncompliance with any Hazardous Substance Law or any material Release of Hazardous Substances on or from each Site that has resulted or could reasonably be expected to result in personal injury or material property damage or to have a Material Adverse Effect, (b) pending or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, threatened in writing, Environmental Claim against Borrower or, to Borrower's, each Guarantor's and each Non-Guarantor's knowledge, any of its Affiliates, contractors, lessees or any other Persons, arising in connection with their occupying or conducting operations on or at any Project or any Site which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, or (c) underground tank, whether operative or temporarily or permanently closed, located on any Site;

5.4.11 promptly, but in no event later than 10 Banking Days prior to any Lease Solution, notice thereof, which notice shall describe, in reasonable detail, the nature of such Lease Solution;

5.4.12 promptly, but in no event later than 10 Banking Days prior to

any change in or transfer of ownership interests in Borrower, any Guarantor, any Non-Guarantor or any Project (including a Mammoth Ownership Event), notice thereof, which notice shall identify any transferee of such ownership interest and the nature of such transferee's interest or shall describe, in reasonable detail, such other change or transfer; provided that Borrower shall not be obligated to notify Administrative Agent of any change in the Constellation Entities' interest in Mammoth Lakes or a transfer by the Constellation Entities of any of their ownership interest in Mammoth

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Lakes if such changes or transfer was to an Affiliate of the Constellation Entities, in each case until 30 days after it has knowledge of the occurrence of such change or transfer.

5.4.13 initiation of any condemnation proceedings involving any Project, any Site or any material portion thereof;

5.4.14 promptly, but in no event later than fifteen Banking Days after Borrower has knowledge of the execution and delivery thereof, a copy of each Additional Project Document;

5.4.15 promptly, but in no event later than 30 days after the receipt thereof by Borrower, copies of (a) any material discretionary Permits necessary for the performance of the any Loan Party's (other than Ormat Technologies') obligations under the Credit Documents or the Major Project Documents obtained by such Loan Party after the Closing Date, (b) any amendment, supplement or other modification to any material discretionary Permits necessary for the performance of the any Loan Party's (other than Ormat Technologies') or Major Project Participant's obligations under the Credit Documents or the Major Project Documents after the Closing Date and (c) all material notices relating to any Project received by Borrower, any Guarantor or any Non-Guarantor from, or delivered by any such Loan Party to, any Governmental Instrumentality;

5.4.16 promptly, but in no event later than five days after occurrence thereof, notice of (a) the scheduling of any outage with an anticipated duration in excess of ten days, (b) any outage (scheduled or otherwise) with a duration in excess of ten days, and (c) any de-rating or change in the rating of any Project; and

5.4.17 (a) within ten days after the occurrence of a Reportable Event with respect to any ERISA Plan; (b) promptly, but in no event later than fifteen days, after the withdrawal of any Loan Party (other than Ormat Technologies) or any ERISA Affiliate from a Multiemployer Plan; (c) promptly, but in no event later than five days, after the PBGC institutes any proceedings to terminate any ERISA Plan or takes action to appoint a trustee of any ERISA Plan under Section 4042 of ERISA; (d) promptly, but in no event later than ten days, after the occurrence of any event which could give rise to a Lien in favor of the IRS or the PBGC under any ERISA Plan; (e) promptly, but in no event later than 30 days, after any Loan Party (other than Ormat Technologist) or any ERISA Affiliate has knowledge that any ERISA Plan that is a Multiemployer Plan is in reorganization, is insolvent or intends to terminate under Section 4041A of ERISA and (f) promptly, but in no event later than ten days after, the date any Loan Party (other than Ormat Technologies) or any ERISA Affiliate shall apply for a minimum funding waiver under Section 412 of the Code with respect to an ERISA Plan, a description thereof and copies of documents and materials related thereto.

5.5 FINANCIAL STATEMENTS.

5.5.1 Deliver or cause to be delivered to Administrative Agent, in form and detail reasonably satisfactory to Administrative Agent (except where GAAP is specifically required):

(a) as soon as practicable and in any event within 60 days after the end of (i) each quarterly accounting period of each Guarantor's and each Non-Guarantor's fiscal year and (ii) each of the first three quarterly accounting periods of Borrower's fiscal year (in each case commencing with the fiscal quarter ending March 31, 2004), unaudited quarterly financial statements of Borrower, the Guarantors and the Non-Guarantors as of the last day of such quarterly period and the related statements of income, cash flow, and shareholders' or members' equity (as applicable) for such quarterly period and (in the case of second and third quarterly periods) for the portion of the fiscal year ending with the last day of such quarterly period, setting forth in each case (but only with respect to periods occurring during or after the 2005 fiscal year) in comparative form corresponding unaudited figures from the preceding fiscal year (it being acknowledged that such requirement may be satisfied by the delivery of the appropriate report or Form 10-Q filed with the United States Securities Exchange Commission), all prepared in accordance with GAAP (subject to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure); and

(b) as soon as practicable and in any event within 120 days after the close of each applicable fiscal year, audited consolidated financial statements of Borrower (it being acknowledged that such requirement may be satisfied by the delivery of the appropriate report or Form 10-K filed with the United States Securities Exchange Commission). Such financial statements shall include a balance sheet as of the close of such year, an income and expense statement, reconciliation of capital accounts (where applicable) and a statement of cash flow (it being acknowledged that such requirement may be satisfied by the delivery of the appropriate report or Form 10-K filed with the United States Securities Exchange Commission), all prepared in accordance with GAAP and certified by an independent certified public accountant selected by the Person whose financial statements are being prepared. Such certificate shall not be qualified or limited because of restricted or limited examination by such accountant of any material portion of the records of Borrower.

5.5.2 Cause to be delivered, along with such financial statements of Borrower, the Guarantors and the Non-Guarantors that are required to be provided pursuant to Section 5.5.1, a certificate signed by a Responsible Officer of such Loan Party certifying that (a) such Responsible Officer has made or caused to be made a review of the transactions and financial condition of such Loan Party during the relevant fiscal period and that such review has not, to such Responsible Officer's knowledge, disclosed the existence of any event or condition which constitutes an Event of Default or Potential Event of Default, or if any such event or condition existed or exists, the nature thereof and the corrective actions that such Loan Party has taken or proposes to take with respect thereto, (b) such Loan Party is in compliance with all applicable material provisions of each Credit Document to which such Loan Party is a party or, if such is not the case, stating the nature of such non-compliance and the corrective actions which such Loan Party has taken or proposes to take with respect thereto, and (c) such financial statements are true and correct in all material respects and that no material adverse change in the consolidated assets, liabilities, operations, or financial condition of such Loan Party has occurred since the date of the immediately preceding financial statements provided to Administrative Agent or, if a material adverse change has occurred, the nature of such change.

5.6 BOOKS, RECORDS, ACCESS.

5.6.1 Maintain, or cause to be maintained, adequate books, accounts and records with respect to Borrower and the Projects.

5.6.2 Subject to requirements of Governmental Rules, safety requirements and existing confidentiality restrictions imposed upon any Loan Party (other than Ormat Technologies) by any other Person, permit employees or agents of Administrative Agent and Independent Engineer at any reasonable times and upon reasonable prior notice to inspect all of their respective properties, to examine or audit all of their respective books, accounts and records and make copies and memoranda thereof, and to communicate with their auditors outside their presence (it being acknowledged that Administrative Agent shall endeavor to notify Borrower of any such communications with auditors prior to such communications).

5.7 COMPLIANCE WITH LAW. Promptly comply, or cause compliance, in all material respects with all Legal Requirements (including Legal Requirements and applicable Permits relating to pollution control, environmental protection, equal employment opportunity or employee benefit plans, ERISA Plans and employee safety, with respect to any Project Company or any Project), and make such alterations to the Projects and the Sites as may be required for such compliance; provided, however, that nothing in this Section 5.7 shall prohibit Borrower from challenging or defending any claim or proceeding asserting that such noncompliance may exist.

5.8 EXISTENCE; CONDUCT OF BUSINESS. Except as otherwise expressly permitted under this Agreement, (a) maintain and preserve its existence and all material rights, privileges and franchises necessary in the normal conduct of its business, (b) subject to Section 5.2, perform (to the extent not excused by force majeure events or the nonperformance of the other party and not subject to a good faith dispute) all of its material contractual obligations under the Major Project Documents to which it is party or by which it is bound, (c) maintain all of its Permits and use reasonable efforts to cause all Major Project Participants to maintain all of their respective Permits related to the Projects, except to the extent that any such failure to maintain could not reasonably be expected to have a Material Adverse Effect, and (d) obtain all Permits necessary for the operation of the Projects in accordance with the Power Purchase Agreements and the Credit Documents and in a manner consistent with the Projections.

5.9 EXEMPTION FROM REGULATION. Take or cause to be taken all necessary or appropriate actions so that (a) each Project will be a QF and (b) each Loan Party (other than Ormat Technologies) and each Project shall not be subject to, or shall be exempt from, financial or organizational regulation as a "public utility company" or "public utility holding company" under PUHCA, the FPA or financial, organizational or rate regulation as a public utility under the laws of the State of California.

5.10 OPERATION OF THE PROJECTS.

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5.10.1 Cause the Project Companies to keep each Project in good operating condition consistent with the standard of care set forth in the Major Project Documents and all applicable Permits, and make all repairs necessary to keep each such Project in such condition.

5.10.2 Cause the Project Companies to operate each Project in a manner consistent with Prudent Utility Practices and in compliance with the terms of the Power Purchase Agreements.

5.10.3 At any time after June 30, 2004, if the Lease Buyout shall not have occurred, at the request of Administrative Agent, (a) cause Sponsor to assign the SIGC O&M Agreement to a wholly-owned Subsidiary of Borrower and an Affiliate of OrHeber 1, (b) transfer or cause to be transferred all of the employees of Sponsor who operate, administer and maintain the SIGC Project to such newly formed wholly-owned Subsidiary of Borrower, (c) grant or cause to be granted to Administrative Agent (for the benefit of the Secured Parties) a first-priority

perfected Lien on the ownership interests and assets of such newly formed wholly-owned Subsidiary of Borrower, and (d) provide or cause to be provided to Administrative Agent with respect to such transactions and such newly formed wholly-owned Subsidiary of Borrower, to the satisfaction of Administrative Agent, (i) assignment and transfer documents, (ii) Consents as described in Section 5.13.2, (iii) each of the documents described in Sections 3.1.1, 3.1.3 and 3.1.4 and (iv) opinions of counsel as described in Section 3.1.8.

5.11 BUDGETS.

5.11.1 On or before 90 days prior to the beginning of each calendar year (other than 2004), adopt an operating plan and a budget, detailed by month, of anticipated Project Revenues, such budget to include scheduled debt service, proposed dividend distributions, proposed Major Maintenance, proposed reserves and all anticipated O&M Costs (including reasonable allowance for contingencies) applicable to each Project for the ensuing calendar year (each such annual operating plan and budget, including the Initial Operating Budget, an "Operating Budget"). There shall be one Operating Budget for the Mammoth Project and, at the election of Borrower, there shall be one or more Operating Budgets for the SIGC Project, the HGC Project and the HFC Project. Each Operating Budget shall be subject to the approval of Administrative Agent only if (a) the aggregate amount of anticipated O&M Costs exceeds by 15% or is less by 20% of the amount proposed to be expended by the applicable Loan Parties (other than Ormat Technologies) for all such items during the applicable calendar year (as set forth in the Projections), or (b) the aggregate amount of actual O&M Costs (i) for the prior three-years (or, if applicable, partial years) exceeds by 10% or (ii) for the prior three-years (or, if applicable, partial years) is less than 85%, in each case of the amount proposed (as set forth in the Projections) to be expended by the applicable Loan Parties (other than Ormat Technologies) for all such items during such prior years. Each Project Company shall operate and maintain each Project within amounts for (A) any line-item set forth in the Operating Budget not to exceed 120% (on a year-to-date basis) and (B) all line-items set forth in the Operating Budget not to exceed (I) during the first six months of the applicable calendar year, 115% (on a year-to-date basis) and (II) during the last six months of the applicable calendar year, 110% (on a year-to-date basis).

5.11.2 On or before 90 days prior to the beginning of each calendar year (other than 2004), adopt a capital expenditures plan and a budget, detailed by quarter, of anticipated capital expenditures (including reasonable allowance for contingencies) applicable to each Project for the ensuing calendar year (each such annual capital expenditures, including the Initial Capital Expenditures Budget, a "Capital Expenditures Budget"). There shall be one Capital Expenditures Budget for the Mammoth Project and, at the election of Borrower, there shall be one or more Capital Expenditures Budgets for the SIGC Project, the HGC Project and the HFC Project. Each Capital Expenditures Budget shall be subject to the approval of Administrative Agent only if (a) the aggregate amount of anticipated capital expenditures exceeds by 15% or is less by 20% of the amount proposed to be expended by the applicable Loan Parties (other than Ormat Technologies) for all such items during the applicable calendar year (as set forth in the Projections), or (b) the aggregate amount of actual capital expenditures (i) for the prior three-years (or, if applicable, partial years) exceeds by 10% or (ii) for the prior three-years (or, if applicable, partial years) is less than 85%, in each case of the amount proposed (as set forth in the Projections) to be expended by the applicable Loan Parties (other than Ormat Technologies) for all such items during such prior years. Each Project Company shall perform capital expenditures for each Project within amounts for (A) any line-item set forth in the Capital Expenditures Budget not to exceed 120% (on a year-to-date basis) and (B) all line-items set forth in the Capital Expenditures Budget not to exceed (I) during the first six months of the applicable calendar year, 115% (on a year-to-date basis) and (II) during the last six months of the applicable calendar year, 110% (on a year-to-date basis).

5.12 PRESERVATION OF RIGHTS; FURTHER ASSURANCES.

5.12.1 Maintain in full force and effect, perform (subject to Section 5.2) the obligations of Borrower, each Guarantor and each Non-Guarantor under, preserve, protect and defend the material rights of Borrower, each Guarantor and each Non-Guarantor under and take all reasonable action necessary to prevent termination (except by expiration in accordance with its terms) of each and every Major Project Document, including (where Borrower, a Guarantor or a Non-Guarantor, as applicable, in the exercise of its business judgment deems it proper) prosecution of suits to enforce any material right of such Loan Party thereunder and enforcement of any material claims with respect thereto; provided, however, that upon the occurrence and during the continuance of an Event of Default if Administrative Agent requests that certain actions be taken and the applicable Loan Party (other than Ormat Technologies) fails to take the requested actions within five Banking Days, Administrative Agent may enforce in its own name or in such Loan Party's name, such rights of such Loan Party in the manner and to the extent provided in the Security Agreements and the other Credit Documents.

5.12.2 From time to time, execute, acknowledge, record, register, deliver and/or file all such notices, statements, instruments and other documents (including any memorandum of lease or other agreement, financing statement, continuation statement, certificate of title or estoppel certificate), relating to the Loans stating the interest and charges then due and any known Events of Default or Potential Events of Default, and take such other steps as may be necessary or advisable to render fully valid and enforceable under all applicable laws the rights, liens and priorities of the Secured Parties with respect to all Collateral and other security from

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time to time furnished under this Agreement and the other Credit Documents or intended to be so furnished, in each case in such form and at such times as shall be reasonably requested by Administrative Agent, and pay all reasonable fees and expenses (including reasonable attorneys' fees) incident to compliance with this Section 5.12.2.

5.12.3 If Borrower, any Guarantor or any Non-Guarantor that previously has executed and delivered a Deed of Trust shall at any time acquire any real property or leasehold or other interest in real property not covered by any such Deed of Trust, then promptly upon such acquisition, execute, deliver and record a supplement to the applicable Deed of Trust, reasonably satisfactory in form and substance to Administrative Agent, subjecting the real property or leasehold or other interests to the Lien created by such Deed of Trust. If reasonably requested by Administrative Agent, Borrower shall obtain an appropriate title insurance policy endorsement or supplement, as applicable, insuring the Lien of the Secured Parties in such additional property, subject only to Permitted Liens and other exceptions to title approved by Administrative Agent.

5.12.4 Upon the request of Administrative Agent, execute and deliver all documents as shall be necessary or that Administrative Agent shall reasonably request in connection with the rights and remedies of Administrative Agent and the Banks under the Operative Documents, and perform, such other reasonable acts as may be necessary to carry out the intent of this Agreement and the other Credit Documents.

5.12.5 Take such action, including the execution and filing of all such documents and instruments, as may be necessary to effect and continue the appointment of CT Corporation System as its agent for service of process in full force and effect, or if necessary by reason of any fact or condition relating to such agent, to replace such agent (but only after having given notice and evidence thereof to Administrative Agent).

5.13 POST-CLOSING CONSENTS.

5.13.1 On or before the date which is 60 days after the Closing Date or, in respect of Major Project Documents related to the SIGC Project, on or before March 31, 2004, cause each applicable Project Company and each applicable Major Project Participant in respect of the Major Project Documents described in Exhibit E-2, respectively, to enter into (a) a Consent in substantially the form of Exhibit E-1 or (b) in the case of the Major Project Documents to which Edison or IID is a counterparty, a Consent substantially in the form customarily provided by such Persons in substantially similar circumstances.

5.13.2 With respect to any Additional Project Document entered into by HGC, HFC, Mammoth Lakes (at any time after a Mammoth Ownership Event) or SIGC (at any time after a Lease Buyout), cause the applicable counterparty to execute and deliver to Administrative Agent (a) a Consent in substantially the form of Exhibit E-1 or (b) in the case of any Additional Project Document to which Edison or IID is a counterparty, a Consent substantially in the form customarily provided by such Persons in substantially similar circumstances.

5.14 INSURANCE. Maintain in effect at all times the types of insurance set forth on Exhibit K, in the amounts and on the terms and conditions specified therein, with insurance companies

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rated "A-" or better, with a minimum size rating of "IX", by Best's Insurance Guide and Key Ratings (or an equivalent rating by another nationally recognized insurance rating agency of similar standing if Best's Insurance Guide and Key Ratings shall no longer be published).

5.15 TAXES. Timely file all federal, state and local tax returns and reports that it is required to file, and pay all taxes, material assessments, utility charges, fees and other governmental charges it is required to pay to the extent due. The applicable Loan Party may contest in good faith any such taxes, assessments and other charges and, in such event, may permit the taxes, assessments or other charges so contested to remain unpaid during any period, including appeals, when such Loan Party is in good faith contesting the same, so long as (a) reserves to the extent required by GAAP have been established in an amount sufficient to pay any such taxes, assessments or other charges, accrued interest thereon and potential penalties or other costs relating thereto, or other adequate provision for the payment thereof shall have been made and maintained at all times during such contest, (b) enforcement of the contested tax, assessment or other charge is effectively stayed for the entire duration of such contest, and (c) any tax, assessment or other charge determined to be due, together with any interest or penalties thereon, is promptly paid after resolution of such contest.

5.16 EMINENT DOMAIN. If an event of eminent domain shall occur, (a) diligently pursue all its rights to compensation against the relevant Governmental Instrumentality, (b) not, without the written consent of the Required Banks, compromise or settle any claim against such Governmental Instrumentality, and (c) pay or apply all eminent domain proceeds in accordance with the Depositary Agreement. Borrower, the Guarantors and the Non-Guarantors consent to, and agree not to object to or otherwise impede or impair, the participation of Administrative Agent in any eminent domain proceedings, and such Loan Party shall from time to time deliver to Administrative Agent all documents and instruments requested by it to permit such participation.

5.17 GE LEASE SOLUTION. Use its best efforts to (a) extend the term of the GE Lease until a date no earlier than the Maturity Date on terms and conditions satisfactory to the Required Banks, in their respective reasonable business judgment (it being acknowledged and agreed that the Required Banks may not approve any such extension or terms if the annual rent or lease payment under the GE Lease is an amount in excess of (i) 0.50 multiplied by (ii) the

difference between (A) the projected Project Revenues generated by SIGC and (B) the projected amount of SIGC's O&M Costs (excluding any such rent or lease payments); or (b) purchase the SIGC Project from GECC (a "Lease Buyout") on terms and conditions reasonably acceptable to the Required Banks (it being acknowledged and agreed that the Required Banks may not approve any such purchase if the purchase price is to be paid by Borrower, any Guarantor or any Non-Guarantor, unless the funds used to pay such purchase price are Equity Funds and/or Subordinated Loans and are supplied to Borrower, the applicable Guarantor or the applicable Non-Guarantor by Sponsor or are raised by the Loan Parties in a financing contemplated by Section 5 of the Fee Letter). Upon any such Lease Buyout, the Loan Parties (other than Ormat Technologies and Sponsor) shall concurrently take all actions necessary to (i) grant Administrative Agent, for the benefit of the Secured Parties, a first-priority perfected Lien on the

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assets of SIGC, ORNI, OrHeber 2 and OrHeber 3 (subject to any Permitted Liens), pursuant to (A) a Deed of Trust, in substantially the form of Exhibit D-1 (with respect to SIGC only) and (B) a Security Agreement, in substantially the form of Exhibit D-2; (ii) pledge all of the ownership interests in SIGC, OrHeber 2 and OrHeber 3 to Administrative Agent, for the benefit of the Secured Parties, pursuant to a Pledge Agreement in substantially the form of Exhibit D-3, (iii) provide a guaranty by SIGC, ORNI, OrHeber 2 and OrHeber 3 of the Obligations of the other Loan Parties (other than Ormat Technologies and Sponsor) under the Credit Documents, in substantially the form of Exhibit D-5, and (iv) provide to Administrative Agent the following documents related to such Lease Buyout: (A) executed copies of the purchase documents, (B) Consents as described in Section 5.13.2, (C) each of the documents described in Section 3.1.1 relevant to the Lease Buyout, (D) opinions of counsel as described in Section 3.1.8 and (E) title insurance policies (with a survey exception) and surveys (which surveys shall be completed within the Applicable Post-Closing Period) substantially similar to those described in Section 5.20. The successful consummation of a transaction described in clause (a) or (b) above shall be referred to herein as the "Lease Solution". If the Lease Solution is not implemented, then SIGC shall properly exercise its initial three-year renewal option under the GE Lease on or before September 30, 2004. No Loan Party shall exercise any other renewal option or purchase option under the GE Lease. Administrative Agent, the Banks and Borrower hereby acknowledge that the purchase of the SIGC Project from Owner Participant pursuant to the terms of the Purchase Agreement, dated as of November 14, 2003, by and between Ormat Technologies and Owner Participant (without giving effect to any amendments or waivers thereto which have not been approved in writing by Administrative Agent) shall be deemed to be, upon the successful consummation of the acquisition contemplated thereby, a Lease Buyout and a Lease Solution.

5.18 MAMMOTH LAKES SECURITY. Upon any Mammoth Ownership Event, concurrently take all actions necessary to (a) grant Administrative Agent, for the benefit of the Secured Parties, a first-priority perfected Lien on the assets of Mammoth Lakes (subject to any Permitted Liens), pursuant to (i) a Deed of Trust, in substantially the form of Exhibit D-1 and (ii) a Security Agreement, in substantially the form of Exhibit D-2, (b) pledge all of the ownership interests in Mammoth Lakes to Administrative Agent, for the benefit of the Secured Parties, pursuant to a Pledge Agreement in substantially the form of Exhibit D-3, (c) provide a guaranty by Mammoth Lakes of the obligations of the other Loan Parties (other than Ormat Technologies and Sponsor) under the Credit Documents, in substantially the form of Exhibit D-5 and (d) provide to Administrative Agent the following documents related to such Mammoth Ownership Event: (A) executed copies of the purchase or transfer documents, (B) Consents as described in Section 5.13.2, (C) each of the documents described in Sections 3.1.1 and 3.1.3 (including the partnership agreement of Mammoth Lakes), (D) opinions of counsel as described in Section 3.1.8 and (E) title insurance policies (with a survey exception) and surveys (which surveys shall be completed within the Applicable Post-Closing Period) substantially similar to those described in Section 5.20.

5.19 FERC MATTERS.

5.19.1 Cause each applicable Project Company to prepare and file with FERC, within 20 Banking Days of the Closing Date, a self-certification using FERC Form 556 updating

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the Project's prior certification or self-certification, as applicable, to include any changes that have occurred as a result of the Acquisition. Each such self-certification shall comply with all applicable FERC rules and regulations.

5.19.2 Cause each applicable Project Company to receive all necessary approvals under the law (including applicable FERC rules and regulations) before selling any electrical energy to any Person other than Edison.

5.20 POST-CLOSING REAL ESTATE MATTERS. Within the Applicable Post-Closing Period, provide to Administrative Agent updated ALTA surveys and updated ALTA lender's title insurance policies (reflecting such updated surveys) that cover all of the real property interests held by the Project Companies (based on each Project as it exists as of the Closing Date) (such provision by Borrower, the "Post-Closing Title Work"); provided, that (a) no such surveys or title insurance policies shall be provided with respect to those interests (and the real property associated therewith) that Administrative Agent determines do not require surveying and (b) no lender's title insurance policies shall be provided for any real property interests located in Mono County, California. Such updated surveys and title insurance policies shall demonstrate that the Project Companies have all material real property interests necessary to operate the Projects in accordance with the Projections, and shall not show any material title exceptions or Liens that could reasonably be expected to have a Material Adverse Effect (other than the Title Exceptions and the Liens created under the Collateral Documents) which were not disclosed on the surveys delivered prior to November 14, 2003 or the title policies or commitments delivered as of the Closing Date.

5.21 MINIMUM MWH. If any of the Projects fails to generate in any year 97% or more of the anticipated megawatt-hours (determined by reference to the Projections), at Borrower's cost, promptly deliver to Administrative Agent an updated GeothermEx Report.

5.22 CAPITAL EXPENDITURES. With respect to the capital expenditures anticipated to be made during the 2004 and 2005 calendar years (as set forth in the GeothermEx Report, the Independent Engineer's Report and the Projections), cause each applicable Project Company to make all such capital expenditures and in all material respects complete such capital expenditure projects in the manner and in the time provided for in the GeothermEx Report, the Independent Engineer's Report and the Projections; provided, however, that with respect to the Mammoth Project, Mammoth Lakes shall not be obligated to undertake such capital expenditures unless and to the extent that the Constellation Entities shall have approved such capital expenditures as and to the extent required under the Governing Documents of Mammoth Lakes. Borrower, OrMammoth and Mammoth Lakes shall use their respective commercially reasonable efforts to cause the Constellation Entities to grant all approvals necessary under the Governing Documents of Mammoth Lakes to undertake and complete such capital expenditures.

5.23 CALCULATIONS. In no event later than fifteen Banking Days after each Principal Repayment Date, calculate and deliver to Administrative Agent (a) the Average Debt Service Coverage Ratio for the twelve-month period immediately preceding such Principal Repayment Date and, for each Principal Repayment Date on or before December 31, 2004, the Blended Debt Service Coverage Ratio for such Principal Repayment Date, (b) Borrower's then-current forecast

of cash flow and (c) each Project's actual megawatt-hours for the applicable prior quarter or year. The calculations hereunder shall be used in determining (i) the application and distribution of funds pursuant to Section 6.19 of this Agreement and Sections 3.1.2(b) and 3.6.2 of the Depositary Agreement and (ii) compliance with Sections 5.21 and 7.1.17 of this Agreement.

5.24 INDEMNIFICATION.

5.24.1 Indemnify, defend and hold harmless Administrative Agent and each Bank, and in their capacities as such, their respective officers, directors, shareholders, controlling Persons, employees and agents (collectively, the "Indemnitees") from and against and reimburse the Indemnitees for:

(a) any and all claims, obligations, liabilities, losses, damages, injuries (to Person, property, or natural resources), penalties, actions, suits, judgments, costs and expenses (including reasonable attorney's fees) of whatever kind or nature, whether or not well founded, meritorious or unmeritorious, demanded, asserted or claimed against any such Indemnatee (collectively, "Subject Claims") in any way relating to, or arising out of or in connection with this Agreement or the other Operative Documents to which it is a party, except for claims by a Loan Party against an Indemnatee that are in whole or in part successful;

(b) any and all Subject Claims arising in connection with the Release or presence of any Hazardous Substances at any Project, whether foreseeable or unforeseeable, including all costs of removal, investigation, remediation and disposal of such Hazardous Substances, all reasonable costs required to be incurred in (i) determining whether any Project is in compliance and (ii) causing any Project to be in compliance, with all applicable Legal Requirements, all reasonable costs associated with claims for damages to Persons or property, and reasonable attorneys' and consultants' fees and court costs; and

(c) any and all Subject Claims in any way relating to, or arising out of or in connection with any claims, suits or liabilities against any Loan Party to the extent related to any of the Projects or the transactions contemplated by the Operative Documents.

5.24.2 The foregoing indemnities shall not apply with respect to an Indemnatee to the extent arising as a result of the gross negligence or willful misconduct of such Indemnatee, but shall continue to apply to other Indemnitees.

5.24.3 The provisions of this Section 5.24 shall survive foreclosure of the Collateral Documents and satisfaction or discharge of the Obligations, and shall be in addition to any other rights and remedies of Administrative Agent and any Bank.

5.24.4 In case any action, suit or proceeding shall be brought against any Indemnatee, such Indemnatee shall notify Borrower of the commencement thereof, and Borrower shall be entitled, at Sponsor's expense, acting through counsel reasonably acceptable to such Indemnatee, to participate in the defense thereof.

5.24.5 Any Indemnatee shall be entitled to compromise or settle such Subject Claim.

5.24.6 Upon payment of any Subject Claim by Borrower pursuant to this Section 5.24 or other similar indemnity provisions contained herein to or on behalf of an Indemnatee, Borrower, without any further action, shall be subrogated to any and all claims that such Indemnatee may have relating thereto,

and such Indemnatee shall cooperate with Borrower and Borrower's insurance carrier and give such further assurances as are necessary or advisable to enable Borrower vigorously to pursue such claims.

5.24.7 Any amounts payable by Borrower pursuant to this Section 5.24 shall be regularly payable within 10 Banking Days after Borrower receives an invoice for such amounts from any applicable Indemnatee, and if not paid within such 10 Banking Day period shall bear interest at the lesser of (a) the Default Rate and (b) the maximum rate payable under applicable Legal Requirements. The obligations of Borrower under this Section 5.24 shall be deemed to be part of the Obligations.

5.24.8 Notwithstanding anything to the contrary set forth herein, Borrower shall not, in connection with any one legal proceeding or claim, or separate but related proceedings or claims arising out of the same general allegations or circumstances, in which the interests of the Indemnitees do not materially differ, be liable to the Indemnitees (or any of them) under any of the provisions set forth in this Section 5.24 for the fees and expenses of more than one separate firm of attorneys (which firm shall be selected by the affected Indemnitees, or upon failure to so select, by Administrative Agent).

5.24.9 If, for any reason whatsoever, the indemnification provided under this Section 5.24 is unavailable to any Indemnatee or is insufficient to hold it harmless to the extent provided in this Section 5.24, then provided such payment is not prohibited by or contrary to any applicable Legal Requirement or public policy, Borrower shall contribute to the amount paid or payable by such Indemnatee as a result of the Subject Claim in such proportion as is appropriate to reflect the relative economic interests of Borrower and its Affiliates on the one hand, and such Indemnatee on the other hand, in the matters contemplated by this Agreement as well as the relative fault of Borrower (and its Affiliates) and such Indemnatee with respect to such Subject Claim, and any other relevant equitable considerations.

5.24.10 Nothing in this Section 5.24 shall constitute a release by Borrower of any claims that it has as a result of a breach or a default by any of the Secured Parties of their respective obligations under this Agreement or any other Credit Document.

ARTICLE 6 NEGATIVE COVENANTS

Borrower covenants and agrees that until the repayment in full in cash of all Obligations (other than those contingent Obligations that are intended to survive the termination of this Agreement and the other applicable Credit Documents) Borrower shall not, and shall cause each Guarantor and Non-Guarantor, as applicable, not to:

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6.1 INDEBTEDNESS. Create, incur or suffer to exist any Debt of Borrower, the Guarantors and the Non-Guarantors, other than Permitted Debt in an aggregate amount (other than the Loans) not to exceed at any time 8% of the aggregate of (a) the amount of the Total Senior Loan Commitment and (b) if applicable, the Lease Financing.

6.2 LIENS. Create, assume or suffer to exist any Lien, securing a charge or obligation on any Project or on any of the Collateral or of any Loan Party (other than Sponsor and Ormat Technologies), real or personal, whether now owned or hereafter acquired, except Permitted Liens.

6.3 SALE OR LEASE OF ASSETS. Sell, lease, assign, transfer or otherwise dispose of assets, whether now owned or hereafter acquired, except (a) in the ordinary course of its business and as contemplated by the Project Documents, (b) to the extent that such asset is unnecessary, worn out or no longer useful

or usable in connection with the operation or maintenance of the applicable Project, (c) any asset with a fair market value not in excess of \$100,000, or, in any one calendar year, assets with an aggregate fair market value not in excess of \$500,000, and, in each case, at fair market value; provided that, in the case of clause (a), (b) or (c), no such sale, lease, assignment, transfer or other disposition shall be permitted if such sale, lease, assignment, transfer or other disposition could reasonably be expected to have a Material Adverse Effect. Upon any such sale, lease, assignment, transfer or other disposition of any such assets, all Liens in favor of any Secured Party, including the Liens created pursuant to the Collateral Documents, relating to such asset shall be released.

6.4 CHANGE IN BUSINESS. Change the nature of its business or expand its business beyond the business contemplated by the Operative Documents and the Lease Financing. Borrower shall conduct no business, hold no assets and have no liabilities, other than (a) its ownership interests in OrHeber 1, OrHeber 2, OrHeber 3, ORNI, OrMammoth, SIGC, HGC and HFC and (b) its rights, liabilities and obligations under its Governing Documents, the Lease Financing and the Credit Documents to which it is a party. Each of OrHeber 1 OrHeber 2, OrHeber 3, ORNI and OrMammoth shall conduct no business, hold no assets and have no liabilities, other than (i) its ownership interests in the applicable Guarantor or Non-Guarantor and (ii) its liabilities under its Governing Documents, the Acquisition Agreement, the agreements set forth on Exhibit G-5, and the Credit Documents to which it is a party. Each Project Company shall conduct no business, hold no assets and have no liabilities, other than in connection with the business of operating and using its applicable Project.

6.5 CHANGE OF NAME. Change its name, principal place of business, organizational identification number or jurisdiction of incorporation or formation, as applicable, without giving Administrative Agent at least 45 days' prior written notice.

6.6 INVESTMENTS. Make any investments (whether by purchase of stocks, bonds, notes or other securities, loan, extension of credit, advance or otherwise) other than (a) Permitted Investments, (b) the Lease Buyout and (c) the Mammoth Ownership Event; provided that, for purposes of this Section 6.6, capital expenditures provided for in the then-current Capital Expenditures Budget shall not constitute investments.

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6.7 FORMATION OF SUBSIDIARIES. Create any new Subsidiary or become a joint venturer in any joint venture.

6.8 FUNDAMENTAL CHANGES. Enter into any merger, consolidation or amalgamation, or liquidate, dissolve or wind up or terminate itself (other than a Permitted Reorganization).

6.9 TRANSACTIONS WITH AFFILIATES.

6.9.1 Enter into any transaction or series of transactions relating to any Project with or for the benefit of an Affiliate without the prior written approval of the Required Banks, other than (a) the Project Documents in effect on the Closing Date, and the transactions permitted thereby, (b) any employment, noncompetition or confidentiality agreement entered into by such Loan Party with any of its employees, officers or directors in the ordinary course of business, (c) the Project Documents entered into by any Project Company and any such Affiliate for the purpose of providing the applicable Project with electrical energy to service its internal power requirements (provided that (i) the IID is obligated to provide such power requirements in the event that such Affiliate cannot serve such power requirements and (ii) such Project Document is materially more favorable to such Project Company than any Project Document which would be obtainable for a comparable transaction with the IID), (d) transactions with a fair market value not in excess of \$500,000 in any one

calendar year which are no less favorable to such Project Company than would be obtainable for a comparable transaction in arms-length dealings with an unrelated third party, and (e) as otherwise expressly permitted or contemplated by the Credit Documents. Notwithstanding anything to the contrary contained in this Section 6.9.1, the applicable Project Company may enter into any Project Document with respect to the capital expenditures to be performed during the 2004 or 2005 calendar year in the manner described in the GeothermEx Report or the Independent Engineer's Report without the consent of Administrative Agent or any of the other Banks.

6.9.2 Enter into any operation and maintenance agreements (including any O&M Agreement) or engineering, procurement or construction contracts relating to any Project pursuant to which such Project Company is obligated to pay such Affiliate (including any Operator) any profits or bonuses.

6.10 CERTAIN RESTRICTIONS ON CHANGES TO GOVERNING DOCUMENTS. Amend, supplement, give any consent under or otherwise modify its Governing Documents in a manner which is inconsistent with or violates the terms of, or could reasonably be expected to prevent compliance with any of the terms of, any Credit Document or any Major Project Document or could reasonably be expected to result in a Material Adverse Effect.

6.11 REGULATIONS. Directly or indirectly apply any part of the proceeds of any Loan, any Equity Funds, and any Subordinated Loans received by Borrower or other funds or revenues received by any Subsidiary thereof to the "buying", "carrying" or "purchasing" of any margin stock within the meaning of Regulations T, U or X of the Federal Reserve Board, or any regulations, interpretations or rulings thereunder.

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6.12 AMENDMENT OF PROJECT DOCUMENTS.

6.12.1 Terminate (other than in accordance with its terms), amend, supplement or otherwise modify (except for any amendments to the Material Real Property Documents, to the extent that such amendments are in the form attached as Exhibit B to that certain Settlement Agreement dated October 6, 2003, among HGC, HFC, SIGC, Covanta and each of the other parties thereto), or grant any waivers or consents under, or agree to any contract variation or discretionary or other change that requires the consent or agreement of such Loan Party (each, a "Project Document Modification") under any Major Project Documents, including the GE Lease and the Power Purchase Agreements.

6.12.2 Agree to any Project Document Modification under any Project Document other than a Major Project Document unless such Project Document Modification (a) could not reasonably be expected to have a Material Adverse Effect, (b) is not reasonably likely to materially impair or reduce the maximum capacity, value, efficiency, utility, output, performance, reliability, durability or availability of the applicable Project, or materially increase O&M Costs, or materially decrease Project Revenues, and (c) is not otherwise prohibited under the Credit Documents.

6.13 ASSIGNMENT.

6.13.1 Assign its rights under any of the Credit Documents or under any Major Project Document to any Person (other than in connection with a Permitted Reorganization).

6.13.2 Consent to the assignment of any obligations under any Major Project Document by any counterparty thereto (other than any assignment made (a) by GECC to SIGC in connection with the Lease Buyout, (b) by Sponsor of the SIGC O&M Agreement pursuant to Section 5.10.3 or (c) by any counterparty to a Material Real Property Document).

6.14 ACCOUNTS. Maintain, establish or use any account other than the Accounts; provided that (a) SIGC may maintain each account which it is required to maintain under the GE Lease (provided, further, that, upon the termination of the GE Lease, all amounts on deposit in the accounts maintained under the GE Lease and which are released to SIGC shall be transferred to the Revenue Account), (b) Mammoth Lakes may maintain each account which it is required to maintain under its Governing Documents or that is existing on the Closing Date (provided, further, that, upon any Mammoth Ownership Event, all amounts on deposit in such accounts shall be transferred to the Revenue Account), and (c) each of OrHeber, OrMammoth and Borrower may maintain a checking account (an "Operating Account") with a maximum aggregate balance not to exceed \$60,000.

6.15 HAZARDOUS MATERIALS. Release into the environment any Hazardous Substances in violation of any Hazardous Substance Laws, Legal Requirements or the Project's Permits, except for (a) temporary unplanned exceedences not allowed under any Project's Permits, which temporary unplanned exceedences could not reasonably be expected to have a Material Adverse Effect and which a Loan Party is diligently and in good faith attempting to correct and (b) unintentional violations with respect to which (i) the Release is not continuing or

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reasonably likely to re-occur and is not reasonably susceptible to prevention or cure, (ii) there are no unsatisfied reporting and/or remediation requirements under applicable Hazardous Substance Laws, Legal Requirements or applicable Permits, (iii) no non-monetary penalties or sanctions have been imposed or are reasonably likely to be imposed (except for the remediation of such violation) under applicable Hazardous Substance Laws, Legal Requirements or applicable Permits, and (iv) the Release could not reasonably be expected to materially impair the value of any Site or any other Collateral, and could not otherwise reasonably be expected to have a Material Adverse Effect.

6.16 ADDITIONAL PROJECT DOCUMENTS. Enter into, or become a party to, any Additional Project Document without the consent of Administrative Agent, which consent shall not unreasonably be withheld, conditioned or delayed. Notwithstanding anything to the contrary contained in this Section 6.16, the applicable Project Company may enter into any Project Document with respect to the capital expenditures to be performed during the 2004 or 2005 calendar year in the manner described in the GeothermEx Report or the Independent Engineer's Report without the consent of Administrative Agent or any of the other Banks.

6.17 REAL PROPERTY ACQUISITIONS. Acquire or lease any real property or other interest in real property (excluding the acquisition (but not the exercise) of any options to acquire any such interests in real property) other than the real property interests acquired prior to the Closing Date, unless Borrower shall have delivered to Administrative Agent a "Phase I" environmental report with respect to such real property and, if a "Phase II" environmental review is warranted (as reasonably determined by Administrative Agent upon its review of such "Phase I" environmental report), a "Phase II" environmental report, in each case, along with a corresponding reliance letter from the consultant issuing such report(s), confirming, in form and substance reasonably satisfactory to Administrative Agent, either that no Hazardous Substances were found in, on or under such real property of a nature or in concentrations that could reasonably be expected to impose on the Loan Parties a material environmental liability (other than Ormat Technologies or Sponsor).

6.18 ERISA. Maintain, contribute to, or become obligated to contribute to, or become subject to any liability under or relating to any ERISA Plan.

6.19 DIVIDENDS. Declare or make any distribution or dividend, unless the following conditions have been satisfied (the "Restricted Payments Conditions"):

(a) such dividend or distribution is on a date occurring within 45 days

after the immediately preceding Principal Repayment Date;

(b) no Event of Default or Potential Event of Default has occurred and is continuing as of the date of such applicable dividend or distribution, and such dividend or distribution would not cause an Event of Default or Potential Event of Default;

(c) with respect to each such dividend or distribution which is on a date occurring prior to December 31, 2004, (i) the Blended Debt Service Coverage Ratio is greater than or equal to 1.25 to 1, and (ii) the Average Debt Service Coverage Ratio for each quarterly

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period immediately preceding or ending on the applicable Principal Repayment Date (but after the Closing Date) is greater than or equal to the projected Average Debt Service Coverage Ratio for each such quarterly period (as set forth in the Projections);

(d) with respect to each such dividend or distribution which is on a date occurring on or after December 31, 2004, the Average Debt Service Coverage Ratio for the four-quarter period immediately preceding the applicable Principal Repayment Date is greater than or equal to 1.25 to 1; and

(e) Borrower's forecast of cash flow, delivered to Administrative Agent pursuant to Section 5.23 and approved by Administrative Agent in its sole discretion, does not indicate an inability to amortize the Loans (due to technical reasons and/or contractual issues).

Notwithstanding the foregoing, nothing in this Section 6.19 shall prohibit (i) distributions or dividends by the Guarantors or Non-Guarantors to Borrower or (ii) distributions or dividends by Borrower to Sponsor pursuant to Section 2.2 of the Sponsor Guaranty.

6.20 POWER SALES.

6.20.1 With respect to Borrower, any Guarantor or any Non-Guarantor (other than the Project Companies), sell any electrical energy, capacity or ancillary services to any Person other than sales of renewable energy credits.

6.20.2 With respect to any Project Company, sell any electrical energy, capacity or ancillary services to any Person, other than to Edison under the Power Purchase Agreements and sales of renewable energy credits.

6.21 CAPITAL EXPENDITURES; GEOTHERMAL RESOURCE DEVELOPMENT. Without the prior written consent of the Required Banks (which consent may be withheld in their respective sole discretion), cause any Loan Party to take any action (including the making of capital expenditures) for the purpose of (a) expanding any of the geothermal fields which currently service any of the Projects, (b) developing new geothermal resources at or contiguous to any of the Sites (including the Mammoth Lakes and HFC geothermal fields) or (c) drilling new wells of any type at any of the Sites (including the Mammoth Lakes and HFC geothermal fields); provided that no such consent shall be required for any such actions related to the Projects which are to be performed during the 2004 or 2005 calendar year in the manner described in the GeothermEx Report and the Independent Engineer's Report. The parties hereby acknowledge that no such consent shall be required for geothermal field maintenance (including pumps, well-workovers, replacement wells and make-up wells) unless such maintenance could reasonably be expected to have a Material Adverse Effect.

6.22 INTEREST RATE AGREEMENTS. Secure any of its obligations under any Interest Rate Agreement with any portion of the Collateral.

7.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an event of default (each, an "Event of Default") hereunder:

7.1.1 Failure to Make Payments. Any Loan Party shall fail to perform in accordance with the terms of this Agreement or any other Credit Document its obligation (if any) to pay (a) any principal on any Loan on the date that such sum is due, (b) any interest on any Loan within three days after the date such sum is due, (c) any scheduled fee, cost, charge, Make-Whole Premium, or sum due hereunder or under any other Credit Documents within three days of the date that such sum is due, or (d) any other fee, cost, charge or other sum due under this Agreement or the other Credit Documents within five days after written notice that such sum is due.

7.1.2 Bankruptcy; Insolvency. Any Loan Party (other than Ormat Technologies) or any other Major Project Participant (so long as such Major Project Participant shall have outstanding or unperformed obligations (other than warranty obligations) under the Operative Document to which it is a party) shall become subject to a Bankruptcy Event; provided that, solely with respect to a Bankruptcy Event with respect to a Major Project Participant other than any Loan Party (other than Ormat Technologies), no Event of Default shall occur as a result of such Bankruptcy Event if Borrower is attempting to obtain a Replacement Obligor for the affected party and does so within 30 days thereof.

7.1.3 Defaults Under Other Indebtedness. Borrower, any Guarantor, any Non-Guarantor or, prior to the termination of the Sponsor Guaranty pursuant to the terms hereof and thereof, Sponsor shall default for a period beyond any applicable grace period (a) in the payment of any principal, interest or other amount due under any agreement involving Debt and the outstanding principal amount or amounts payable under any such agreement equals or exceeds (i) in the case of Borrower or any Project Company, \$1,000,000 in the aggregate, (ii) in the case of any Guarantor or Non-Guarantor that is not a Project Company, \$100,000 in the aggregate and (iii) in the case of Sponsor, \$5,000,000 in the aggregate, or (b) in the performance of any obligation due under any agreement involving Debt if in the case of this clause (b), pursuant to such default, the holder of the obligation concerned has the right to accelerate the maturity of any Debt evidenced thereby which equals or exceeds (i) in the case of Borrower or any Project Company, \$1,000,000 in the aggregate, (ii) in the case of any Guarantor or Non-Guarantor that is not a Project Company, \$100,000 in the aggregate and (iii) in the case of Sponsor, \$5,000,000 in the aggregate.

7.1.4 Judgments.

(a) A final judgment or judgments shall be entered against (i) Sponsor, at any time prior to the termination of the Sponsor Guaranty pursuant to the terms hereof and thereof, in the amount of \$5,000,000 or more individually or (ii) Borrower, any Guarantor or any Non-Guarantor in the amount of \$1,000,000 or more individually or in the aggregate or involving injunctive relief requiring suspension or abandonment of the operation of a Project (other than, in each case, (A) a judgment which is fully covered by insurance, discharged, bonded pending appeal or satisfied within 60 days after its entry, or (B) a judgment, the execution of which is

effectively stayed within 60 days after its entry but only for 60 days after the date on which such stay is terminated or expires).

(b) Any order, judgment or decree shall be entered against any Loan

Party (other than Ormat Technologies) decreeing the dissolution or split up of such Person and such order shall remain undischarged or unstayed for a period in excess of 30 days.

7.1.5 ERISA. If any Loan Party (other than Ormat Technologies) or any ERISA Affiliate should establish, maintain, contribute to or become obligated to contribute to any ERISA Plan and (a) a Reportable Event shall have occurred with respect to any ERISA Plan and, within 30 days after the reporting of such Reportable Event to Administrative Agent by Borrower (or Administrative Agent otherwise obtaining knowledge of such event) and the furnishing of such information as Administrative Agent may reasonably request with respect thereto, Administrative Agent shall have notified Borrower in writing that (i) Administrative Agent or Majority Banks has made a determination that, on the basis of such Reportable Event, there are reasonable grounds for the termination of such ERISA Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such ERISA Plan and (ii) as a result thereof, an Event of Default exists hereunder; or (b) a trustee shall be appointed by a United States District Court to administer any ERISA Plan; or (c) the PBGC shall institute proceedings to terminate any ERISA Plan; or (d) a complete or partial withdrawal by any Loan Party (other than Ormat Technologies) or any ERISA Affiliate from any Multiemployer Plan shall have occurred and, within 30 days after the reporting of any such occurrence to Administrative Agent by Borrower (or Administrative Agent otherwise obtaining knowledge of such event) and the furnishing of such information as Administrative Agent or Majority Banks may reasonably request with respect thereto, Administrative Agent shall have notified Borrower in writing that Administrative Agent has made a determination that, on the basis of such occurrence, an Event of Default exists hereunder; provided that before any event shall constitute an Event of Default under this Section 7.1.5, the events described in this Section 7.1.5 must, individually or together, result in total liability to Borrower, any applicable Loan Party (other than Ormat Technologies) and all ERISA Affiliates in excess of \$5,000,000.

7.1.6 Breach of Terms of Agreement.

(a) Defaults Without Cure Periods. (i) Any Loan Party shall fail to perform or observe any of the covenants set forth in Section 5.1, 5.8(a), 5.12.2, 5.14, 5.17 or 5.18 or Article 6 of this Agreement; or (ii) Sponsor shall fail to perform or observe any of the covenants set forth in Article 2 or Section 4.1 or 4.6 of the Sponsor Guaranty.

(b) Defaults With Fifteen Day Cure Periods. Borrower shall fail to perform or observe any of the covenants set forth in Section 5.6.2 of this Agreement or Sponsor shall fail to perform or observe any of the covenants set forth in Section 4.7 or 4.8 of the Sponsor Guaranty, and such failure shall continue unremedied for a period of fifteen days after such Loan Party becomes aware thereof or receives written notice thereof from Administrative Agent.

(c) Other Defaults. Any Loan Party shall fail to perform or observe any of the covenants set forth hereunder or any other Credit Document not otherwise specifically provided

for in Section 7.1.6(a), Section 7.1.6(b) or elsewhere in this Article 7, and such failure shall otherwise continue unremedied for a period of 30 days after such Loan Party becomes aware thereof or receives written notice thereof from Administrative Agent; provided, however, that, if (i) such failure cannot be cured within such 30 day period, (ii) such failure is capable of being cured, (iii) such Loan Party is proceeding with diligence and in good faith to cure such failure, (iv) the existence of such failure has not had and could not, after considering the nature of the cure, be reasonably expected to have a Material Adverse Effect, and (v) Administrative Agent shall have received an officer's certificate signed by a Responsible Officer to the effect of clauses

(i), (ii), (iii) and (iv) above and stating what action such Loan Party is taking to cure such failure, then such 30 day cure period shall be extended to such date, not to exceed a total of 90 days, as shall be necessary for such Loan Party diligently to cure such failure.

7.1.7 Loss of Collateral. Any substantial portion of the Collateral is damaged, seized or appropriated without appropriate insurance proceeds (subject to the underlying deductible) or without fair value being paid therefor so as to allow replacement of such Collateral and/or prepayment of Loans and to allow the Loan Parties (other than Ormat Technologies) to continue satisfying their respective obligations hereunder and under the other Operative Documents.

7.1.8 Regulatory Status.

(a) Any Loan Party (other than Ormat Technologies) shall suffer an Adverse PUHCA Event or shall otherwise become subject to, or not exempt from financial, organizational or rate regulation as a "holding company" or a "subsidiary company" of a "holding company" under PUHCA, as a "public utility" or "electric utility" under the FPA, or as a public utility under the laws of the State of California.

(b) Any of the Projects shall cease to be a QF.

7.1.9 Abandonment. Any Project shall be abandoned or operation thereof shall be suspended for a period of more than 30 consecutive days for any reason (other than force majeure); provided that a forced outage or scheduled outage of a Project shall not constitute abandonment or suspension of the Project, so long as the applicable Project Company is diligently attempting to end such outage and such outage does not result in a default under any Major Project Document.

7.1.10 Unenforceability of Credit Documents.

(a) Any material provision of any Credit Document shall cease to be in full force and effect (other than by reason of a release of Collateral thereunder in accordance with the terms of the Credit Documents, the satisfaction in full of the obligations of the Loan Parties under the Credit Documents or any other termination of a Credit Document in accordance with the terms thereof) or any Credit Document shall be declared null and void by a Governmental Instrumentality.

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(b) Subject to Section 3.3, Administrative Agent shall not have a valid and perfected Lien in the Collateral. Subject to Section 3.3, Administrative Agent shall not have a valid and perfected first priority Lien in the Collateral (subject to (i) with respect to the Collateral described in Section 4.24(i), the Permitted Liens described in clauses (a) and (e) of the definition of "Permitted Liens" and, to the extent required by Governmental Rule, those matters described in clauses (b), (c) and (g) of the definition of "Permitted Liens", (ii) with respect to the Collateral described in Sections 4.24(ii) and 4.24(iii), the Permitted Liens described in clause (a) of the definition of "Permitted Liens" and, to the extent required by Governmental Rule, those matters described in clause (b) of the definition of "Permitted Liens" and (iii) with respect to the Uninsured Real Property Interests, those matters described in clause (j) of the definition of "Permitted Liens").

(c) Any Loan Party shall contest the validity or enforceability of any Credit Document in writing or deny in writing that it has any further liability prior to the payment in full of all obligations of the Loan Parties under the Credit Documents.

7.1.11 Change of Control.

(a) Any of the following shall occur: (i) any sale, lease, exchange or

other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Borrower, any Guarantor or any Non-Guarantor to any Person or group of related Persons, together with any Affiliates thereof; (ii) the holders of the ownership interests of any Loan Party (other than Ormat Technologies) shall approve any plan or proposal for the liquidation or dissolution of any Loan Party (other than Ormat Technologies); (iii) Sponsor shall cease to directly own 100% of the voting and economic interests in Borrower; (iv) Borrower shall cease to directly own 100% of the voting and economic interests in OrHeber 1, 100% of the voting and economic interests in OrMammoth, 50% of the voting and economic interests in HFC and 50% of the voting and economic interests in HGC; (v) OrHeber 1 shall cease to directly own 50% of the voting and economic interests in HFC, 50% of the voting and economic interests in HGC and 100% of the voting and economic interests in ORNI; (vi) ORNI shall cease to directly own 100% of the voting and economic interests in OrHeber 2 and 100% of the voting and economic interests in OrHeber 3; (vii) OrHeber 2 shall cease to directly own 99.998% of the voting and economic interests in ORNI; (viii) OrHeber 3 shall cease to directly own 0.002% of the voting and economic interests in SIGC; or (ix) OrMammoth shall cease to directly own 100% of the voting and economic interests in Mammoth Lakes.

(b) Notwithstanding the provisions of Section 7.1.11(a), (i) the Loan Parties shall be permitted to undertake a Permitted Reorganization on or before December 31, 2004, and (ii) Sponsor shall be permitted to undertake a Permitted Sponsor Sale.

7.1.12 Loss of or Failure to Obtain Necessary Permits.

(a) Borrower, any Guarantor or any Non-Guarantor shall fail to obtain any Permit necessary for the ownership, leasing, maintenance or operation of any Project and such failure could reasonably be expected to have a Material Adverse Effect.

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(b) Any Permit necessary for ownership, leasing, maintenance or operation of any Project shall be materially modified, revoked, canceled or not renewed by a Governmental Instrumentality (or otherwise ceases to be in full force and effect) and such modification, revocation, cancellation or non-renewal could reasonably be expected to have a Material Adverse Effect.

7.1.13 Misstatements; Omissions. Any representation or warranty made or deemed made by any Loan Party in any Credit Document to which such Loan Party is a party, shall be untrue or misleading in any material respect as of the time made; provided that, in respect of unintentional misrepresentations which are capable of being remedied and are made or deemed made after the Closing Date, any such unintentional misrepresentation shall not be deemed to be an Event of Default if such misrepresentation is corrected within 30 days of the occurrence thereof.

7.1.14 Project Document Defaults.

(a) Any Project Document shall cease to be valid and binding and in full force and effect; provided that any such event will not constitute an Event of Default if the applicable Project Company is attempting to replace such Project Document with the consent of the Required Banks and does so within 60 days of such event; provided, further, that an Event of Default shall occur under this paragraph only if the failure of such Project Document to remain valid and binding and in full force and effect could reasonably be expected to have a Material Adverse Effect.

(b) Any Project Document shall terminate or be terminated or canceled prior to its stated expiration date or any Project Company shall be in default (after the giving of any applicable notice and the expiration of any applicable grace period) under any of the Project Documents; provided that a default under

or termination or cancellation of any Project Document shall constitute an Event of Default only if (a) such default or termination could reasonably be expected to have a Material Adverse Effect or (b) such default could result in a Major Project Document being terminated by the applicable counterparty within five Banking Days.

(c) Any Major Project Participant shall be in default (after the giving of any applicable notice and the expiration of any applicable grace period) under any of the Major Project Documents; provided that a default under any Project Document shall constitute an Event of Default only if such default or termination could reasonably be expected to have a Material Adverse Effect.

7.1.15 Failure to Close Escrow. The Close of Escrow shall not have occurred on or before 5:00 p.m. (New York City time) on the Closing Date.

7.1.16 Failure to Meet Minimum Debt Service Coverage Ratio. The Average Debt Service Coverage Ratio for the twelve-month period immediately preceding the applicable Principal Repayment Date is less than 1.00 to 1, and any funds on deposit in the Debt Service

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Reserve Account shall have been applied to the payment of fees, interest or principal on the Loans.

7.1.17 Failure to Meet Projections.

(a) (i) The Projects (taken as a whole) shall generate in any year less than 90% of the anticipated megawatt-hours (as set forth in the Projections) for such year, and (ii) the Projects (taken as a whole) shall have generated in the preceding three years (on average) less than 95% of the anticipated megawatt-hours (as set forth in the Projections) for such years.

(b) The Projects (taken as a whole) shall generate in any year less than 90% of the anticipated megawatt-hours (as set forth in the Projections) for such year; provided that such failure shall not be an Event of Default if (i) the Projects (taken as a whole) shall have generated in the preceding three years (on average) at least 95% of the anticipated megawatt-hours (as set forth in the Projections) for such years and (ii) within fifteen days of the end of such year, Borrower shall have provided Administrative Agent with a report describing (A) the actions Borrower and the applicable Project Companies are taking and have taken to correct and remedy such operating performance shortfalls, (B) the date by which such corrective actions will be completed (which date shall be on or before June 30 of the year after the year in which such failure arose), and (C) the causes of such operating performance shortfalls (it being acknowledged and agreed that (I) Administrative Agent may consult with consultants of its choosing, at the expense of Borrower, in respect of its evaluation of such report and (II) Administrative Agent shall have no approval rights with respect to such report); provided further that, if the Projects (taken as a whole) shall fail to generate 95% or more of the anticipated megawatt-hours (as set forth in the Projections) in each of the next two quarters following the end of the earlier of (x) June 30 of the relevant year and (y) the quarter during which such corrective actions have been fully implemented, then an Event of Default shall be deemed to have occurred.

7.1.18 Post-Closing Title Work. At the expiration of the Applicable Post-Closing Period, (a) the Non-Material Real Property Interests shall not be part of the Mortgaged Property or (b) the Liens granted to Administrative Agent (for the benefit of the Secured Parties) pursuant to the Collateral Documents shall not constitute as to the Non-Material Real Property Interests a valid and perfected Lien on such Non-Material Real Property Interests.

7.2 REMEDIES. Upon the occurrence and during the continuation of any Event

of Default, Administrative Agent and the Banks may, at the election of the Majority Banks, without further notice of default, presentment or demand for payment, protest or notice of non-payment or dishonor, or other notices or demands of any kind, all such notices and demands (other than notices required by the Credit Documents) being waived, exercise any or all of the following rights and remedies, in any combination or order that the Majority Banks may elect, in addition to such other rights or remedies as the Secured Parties may have hereunder, under the Collateral Documents or at law or in equity:

7.2.1 No Further Loans. Refuse, and Administrative Agent, and the Banks shall not be obligated, to continue any Loans, make any additional Loans, or make any payments, or

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permit the making of payments, from any Account or other funds held by Administrative Agent under the Credit Documents or on behalf of any Loan Party (other than Ormat Technologies).

7.2.2 Cure by Agents. Without any obligation to do so, make disbursements or Loans to or on behalf of any Loan Party (other than Ormat Technologies) or disburse amounts from the Revenue Account to cure (a) any Event of Default hereunder and (b) any default and render any performance under any Project Document as the Majority Banks in their sole discretion may consider necessary or appropriate, whether to preserve and protect the Collateral or the Secured Parties' interests therein or for any other reason. All sums so expended, together with interest on such total amount at the Default Rate (but in no event shall the rate exceed the maximum lawful rate), shall be repaid by Borrower to Administrative Agent, as the case may be, on demand and shall be secured by the Credit Documents, notwithstanding that such expenditures may, together with amounts advanced under this Agreement, exceed the aggregate amount of the Total Senior Loan Commitment.

7.2.3 Acceleration. Declare and make all or a portion of the sums of accrued and outstanding principal and accrued but unpaid interest remaining under this Agreement, together with all unpaid fees, costs (including Liquidation Costs) and charges due hereunder or under any other Credit Document, immediately due and payable and require Borrower immediately, without presentment, demand, protest or other notice of any kind (other than notices required by the Credit Documents or by applicable Legal Requirements), all of which Borrower hereby expressly waives, to pay Administrative Agent or the Secured Parties an amount in immediately available funds equal to the aggregate amount of any outstanding Obligations; provided that, in the event of an Event of Default occurring under Section 7.1.2 with respect to any Loan Party, all such amounts shall become immediately due and payable without further act of Administrative Agent or the Secured Parties.

7.2.4 Cash Collateral. Apply or execute upon any amounts on deposit in any Account or any moneys of any Loan Party (other than Ormat Technologies) on deposit with Administrative Agent or any Secured Party in the manner provided in the UCC and other relevant statutes and decisions and interpretations thereunder with respect to cash collateral. Without limiting the foregoing, Administrative Agent shall have all rights and powers with respect to the Accounts and the contents of the Accounts as it has with respect to any other Collateral and may apply, or cause the application of, such amounts to the payment of interest, principal, fees, costs, charges or other amounts due or payable to Administrative Agent, Depositary Agent or the Secured Parties with respect to the Loans in such order as the Required Banks may elect in their sole discretion. Until such time as the Majority Banks so elect to exercise such rights and powers, amounts in the Revenue Account shall be applied as provided in Section 2.2(b) of the Depositary Agreement. Borrower shall not have any rights or powers with respect to such amounts except as expressly provided in this Section 7.2.4.

7.2.5 Possession of Projects. Enter into possession of any Project and perform any and all work and labor necessary to operate and maintain any such Projects, and all sums expended by Administrative Agent in so doing, together with interest on such total amount at the Default Rate, shall be repaid by Borrower to Administrative Agent upon demand and shall be secured by the Credit Documents, notwithstanding that such expenditures may, together with

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amounts advanced under this Agreement, exceed the aggregate amount of the Total Senior Loan Commitment.

7.2.6 Remedies Under Credit Documents. Exercise, and direct Administrative Agent to exercise, any and all rights and remedies available to it under any of the Credit Documents, including judicial or non-judicial foreclosure or public or private sale of any of the Collateral pursuant to the Collateral Documents.

ARTICLE 8 SCOPE OF LIABILITY

Except as expressly set forth in this Article 8, notwithstanding anything in this Agreement or the other Credit Documents to the contrary, the Banks shall have no claims with respect to the transactions contemplated by the Operative Documents against Sponsor or any of its Affiliates (other than Borrower, the Guarantors and the Non-Guarantors), or any of Sponsor's or Sponsor's Affiliates' shareholders (other than Borrower, the Guarantors and the Non-Guarantors), partners (other than Borrower, the Guarantors and the Non-Guarantors), members (other than Borrower, the Guarantors and the Non-Guarantors), officers, agents, managers, directors or employees (collectively, the "Nonrecourse Persons"). The Banks' recourse against the Nonrecourse Persons shall be limited to the Collateral (including the Projects, all Project Revenues, all Loan proceeds, Insurance Proceeds, Eminent Domain Proceeds, and all income or revenues of the foregoing) as and to the extent provided herein and in the Collateral Documents; provided that the foregoing provision of this Article 8 shall not (a) constitute a waiver, release or discharge of any of the indebtedness, or of any of the terms, covenants, conditions, or provisions of this Agreement or any other Credit Document and the same shall continue (but without personal liability to the Nonrecourse Persons) until fully paid, discharged, observed, or performed; (b) limit or restrict the right of Administrative Agent or any Secured Party (or any assignee, beneficiary or successor to any of them) to name Borrower or any other Person as a defendant in any action or suit for a judicial foreclosure or for the exercise of any other remedy under or with respect to this Agreement or any other Collateral Document or Credit Document, or for injunction or specific performance, so long as no judgment in the nature of a deficiency judgment shall be enforced against any Nonrecourse Person, except as set forth in this Article 8; (c) in any way limit or restrict any right or remedy of Administrative Agent or any Secured Party (or any assignee or beneficiary thereof or successor thereto) with respect to, and each of the Nonrecourse Persons shall remain fully liable to the extent that it would otherwise be liable for its own actions with respect to, any fraud, willful breaches of covenants, willful misrepresentation, common law waste or misappropriation of Project Revenues, Loan proceeds, Insurance Proceeds, Eminent Domain Proceeds or any other earnings, revenues, rents, issues, profits or proceeds from or of the Collateral, that should or would have been paid as provided herein or paid or delivered to Administrative Agent or any Secured Party (or any assignee or beneficiary thereof or successor thereto) towards any payment required under this Agreement or any other Credit Document; (d) affect or diminish or constitute a waiver, release or discharge of any specific written obligation, covenant, or agreement in respect of the transactions contemplated by the Operative Documents made by any of the Nonrecourse Persons or any security granted by the Nonrecourse Persons in support of the obligations of such Persons under

any Collateral Document (or as security for the obligations of Borrower), any Subsidiary Guaranty or the Sponsor Guaranty; and (e) limit the liability of any Person who is a party to any Project Document or has issued any certificate or other statement in connection therewith with respect to such liability as may arise by reason of the terms and conditions of such Project Document, certificate or statement (but subject to any limitation of liability in such Project Document) under relating solely to such liability of such Person as may arise under such referenced agreement, certificate or statement. The Banks shall have full recourse against Borrower, the Guarantors and the Non-Guarantors for all of their respective obligations under the Credit Documents. Notwithstanding anything to the contrary contained in any of the Credit Documents, no employee, officer, authorized representative, or director of any Loan Party (including Ormat Technologies, Sponsor, Borrower, the Guarantors and the Non-Guarantors) shall have any personal liability (as distinct from any corporate, partnership or limited liability company liability that any Loan Party may have under any of the Credit Documents as and to the extent that such liability is a result of such Loan Party being a "Loan Party") arising under or in connection with this Agreement, any other Credit Document or any transaction contemplated hereby or thereby. The limitations on recourse set forth in this Article 8 shall survive the termination of this Agreement and the indefeasible payment in full in cash and performance in full of the Obligations hereunder and under the other Operative Documents.

ARTICLE 9 AGENTS; SUBSTITUTION

9.1 APPOINTMENT, POWERS AND IMMUNITIES.

9.1.1 Each Bank hereby appoints and authorizes Administrative Agent to act as its agent and collateral agent hereunder and under the other Credit Documents, in each case with such powers as are expressly delegated to Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement or in any other Credit Document, or be a trustee or a fiduciary for any Secured Party. Notwithstanding anything to the contrary contained herein, Administrative Agent shall not be required to take any action which is contrary to this Agreement or any other Credit Documents or any Legal Requirement or exposes Administrative Agent to any liability. Each of Administrative Agent, the Banks and any of their respective Affiliates shall not be responsible to any other Secured Party for (i) any recitals, statements, representations or warranties made by Borrower or its Affiliates contained in this Agreement, the other Credit Documents or in any certificate or other document referred to or provided for in, or received by Administrative Agent or any Secured Party under this Agreement or any other Credit Document, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Credit Documents, any Notes or any other document referred to or provided for herein, or (iii) any failure by Borrower or its Affiliates to perform their respective obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact, and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

9.1.2 Administrative Agent and its directors, officers, employees or agents shall not be responsible for any action taken or omitted to be taken by it or them hereunder or under any other Credit Document or in connection herewith or therewith, except for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, (a) Administrative

Agent may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the permitted assignment or transfer thereof in accordance with the requirements of the Credit Documents, including Section 9.14 of this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) Administrative Agent does not make any warranty or representation to any Secured Party for any statements, warranties or representations made in or in connection with any Operative Document; (d) Administrative Agent shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Operative Document on the part of any party thereto, to inspect the property (including the books and records) of Borrower or any other Person or to ascertain or determine whether a Material Adverse Effect exists or is continuing; and (e) Administrative Agent shall not be responsible to any Secured Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Operative Document or any other instrument or document furnished pursuant hereto. Except as otherwise provided under this Agreement and the other Credit Documents, Administrative Agent shall take such action with respect to the Credit Documents as shall be directed by the Required Banks or Majority Banks, as applicable in accordance with the terms of the Credit Documents.

9.2 RELIANCE. Administrative Agent shall be entitled to rely upon any certificate, notice or other document (including any cable, telegram, facsimile, electronic mail or telex) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by it. As to any other matters not expressly provided for by this Agreement, Administrative Agent shall not be required to take any action or exercise any discretion, but shall be required to act or to refrain from acting upon instructions of the Required Banks or, where expressly provided, the Majority Banks or all Banks (except that Administrative Agent shall not be required to take any action which exposes Administrative Agent to personal liability or which is contrary to this Agreement, any other Credit Document or any Legal Requirement). Administrative Agent shall in all cases (including when any action by Administrative Agent alone is authorized hereunder, if Administrative Agent elects in its sole discretion to obtain instructions from the Required Banks) be fully protected in acting, or in refraining from acting, hereunder or under any other Credit Document in accordance with the instructions of the Required Banks (or, where so expressly stated, the Majority Banks or all Banks), and such instructions of the Required Banks (or Majority Banks or all Banks, where applicable) and any action taken or failure to act pursuant thereto shall be binding on all of the Secured Parties.

9.3 NON-RELIANCE. Each Bank represents that it has, independently and without reliance on Administrative Agent, or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Loan Parties and its own decision to enter into this Agreement and agrees that it will, independently and without reliance upon Administrative Agent, or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement. Each of Administrative Agent and any Bank shall not be required to keep informed as to the performance or observance by any Loan Party or its Affiliates under this Agreement or any other document referred to or provided for herein or to make inquiry of, or to inspect the properties or books of any Loan Party or its Affiliates.

9.4 DEFAULTS; MATERIAL ADVERSE EFFECT. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Event of

Default, Event of Default or Material Adverse Effect, unless such Person has received a notice from a Bank or Borrower, referring to this Agreement, describing such Potential Event of Default, Event of Default or Material Adverse Effect and indicating that such notice is a notice of the occurrence of such Potential Event of Default, Event of Default or Material Adverse Effect (as the case may be). If Administrative Agent receives such a notice of the occurrence of a Potential Event of Default, Event of Default or Material Adverse Effect, Administrative Agent shall give notice thereof to the Banks. Administrative Agent shall take such action with respect to such Potential Event of Default, Event of Default or Material Adverse Effect as is provided in Article 3, Article 7 or the terms of the Credit Documents, or if not provided for in Article 3, Article 7 or such Credit Documents, as Administrative Agent shall be reasonably directed by the Majority Banks; provided, however, that unless and until Administrative Agent shall have received such directions, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Potential Event of Default, Event of Default or Material Adverse Effect as it shall deem advisable in the best interest of the Banks.

9.5 INDEMNIFICATION. Without limiting the Obligations of Borrower hereunder, each Bank agrees to indemnify Administrative Agent and its officers, directors, shareholders, controlling Persons, employees, agents and servants, ratably in accordance with their Proportionate Shares for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against Administrative Agent or such Person in any way relating to or arising out of this Agreement or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents (to the extent Borrower has not paid any such amounts pursuant to Section 5.24); provided, however, that no Bank shall be liable for any of the foregoing to the extent they arise from Administrative Agent's, or any such Person's gross negligence or willful misconduct. Administrative Agent or any such Person shall be fully justified in refusing to take or to continue to take any action hereunder or under any other Credit Document unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limitation of the foregoing,

each Bank agrees to reimburse Administrative Agent or any such Person promptly upon demand for its Proportionate Share of any out-of-pocket expenses (including counsel fees) incurred by Administrative Agent or any such Person in connection with the preparation, execution, administration or enforcement of, or legal advice in respect of rights or responsibilities under, the Operative Documents, to the extent that Administrative Agent or any such Person is not reimbursed for such expenses by Borrower.

9.6 SUCCESSOR AGENT. Administrative Agent may resign at any time by giving fifteen days' written notice thereof to the Secured Parties and Borrower, such resignation to become effective in the manner and at the time set forth below. Administrative Agent may be removed involuntarily at the request of Borrower or the Banks only for a material breach of its duties and obligations hereunder and under the other Credit Documents or for gross negligence or willful misconduct in connection with the performance of its duties hereunder or under the other Credit Documents and then only upon the affirmative vote of the Required Banks (excluding Administrative Agent from such vote and Administrative Agent's Proportionate Share (if any) of the Commitments from the amounts used to determine the portion of the Commitments necessary to constitute the required Proportionate Share of the remaining Banks). Upon any such resignation or removal of Administrative Agent, the Required Banks shall have the right, with the consent of Borrower (such consent not to be unreasonably withheld or

delayed) to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Banks' removal of the retiring Administrative Agent, the retiring Administrative Agent may, on behalf of the Secured Parties, with the consent of Borrower (such consent not to be unreasonably withheld or delayed), appoint a successor Administrative Agent hereunder, which shall be a Bank, if any Bank shall be willing to serve, and otherwise shall be a commercial bank having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent under the Operative Documents by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations as Administrative Agent only under the Credit Documents. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Operative Documents.

9.7 AUTHORIZATION. Each Secured Party hereby constitutes and appoints Administrative Agent, acting for and on behalf of itself and each of the Secured Parties and each successor or assign of Administrative Agent and the Secured Parties, the true and lawful attorney-in-fact of such Secured Party, with full power and authority in the place and stead of such Secured Party and in the name of such Secured Party, Administrative Agent or otherwise to (a) to execute, deliver and perform each of the Credit Documents to which Administrative Agent is or is intended to be a party, and each Bank agrees to be bound by all of the agreements of Administrative Agent contained in the Credit Documents, and (b) to release Liens on property that Borrower is permitted to sell or transfer pursuant to the terms of this Agreement or the other

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Credit Documents and to enter into agreements supplemental hereto for the purpose of curing any formal defect, inconsistency, omission or ambiguity in this Agreement or any Credit Document to which it is a party.

9.8 OTHER ROLES. With respect to its Commitment, the Loans made by it and any Note issued to it, Administrative Agent in its individual capacity shall have the same rights and powers under the Operative Documents as any other Bank and may exercise the same as though it were not Administrative Agent. The term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Administrative Agent in its individual capacity for so long as Administrative Agent has Loans or Commitments outstanding. Administrative Agent and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with Borrower or any other Person, without any duty to account therefor to the Banks. For the avoidance of doubt Administrative Agent may act as Depositary Agent notwithstanding any potential or actual conflict of interest presented by the foregoing and Borrower. Each of the Banks hereby waives any claim against Administrative Agent and any of its Affiliates based upon any conflict of interest that such Person may have with regard to acting as an agent, arranger or issuing bank hereunder and acting in such other roles.

9.9 AMENDMENTS; WAIVERS. Subject to the provisions of this Section 9.9, unless otherwise specified in this Agreement or another Credit Document, the Required Banks (or Administrative Agent pursuant to Section 9.7, or otherwise with the consent in writing of the Majority Banks or Required Banks, as the case may be) and Borrower, Guarantors, Non-Guarantors or Sponsor may enter into agreements, waivers or supplements hereto for the purpose of adding, modifying or waiving any provisions to the Credit Documents or changing in any manner the rights of the Banks, Borrower, Guarantors, Non-Guarantors or Sponsor hereunder or thereunder or waiving any Potential Event of Default or Event of Default;

provided, however, that no such supplemental agreement shall, without the consent of each Bank directly affected thereby:

(a) modify, in any respect adverse to the Banks, Section 2.1.1(d), 2.5, 2.6, 2.7, 6.12 (with respect to the assignment of Borrower's or any Guarantors' rights under any of the Credit Documents), 9.13, 9.14 or 10.21 hereof, Section 3.1.2(b) of the Depositary Agreement or Article 2 of the Sponsor Guaranty; or

(b) reduce the percentage specified in the definition of "Majority Banks" or "Required Banks"; or

(c) amend this Section 9.9; or

(d) release any Collateral (other than immaterial portions thereof) from the Lien of any of the Collateral Documents or allow release of any funds from any Account, in each case other than in accordance with Section 3.3 and any other applicable terms of the Credit Documents (provided, however, that with the consent of Administrative Agent, HFC may terminate or quitclaim any of the Non-Material Real Property Interests); or

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(e) extend the Maturity Date or reduce the principal amount of any outstanding Loans or Notes or reduce the rate or change the time of payment of interest due on any Loan; or

(f) reduce the amount or extend the payment date for any amount due under Article 2, whether principal, interest, fees or other amounts; or

(g) reduce or change the time of payment of any fee due or payable hereunder; or

(h) release any Loan Party from any of its material obligations under the Sponsor Guaranty or any Subsidiary Guaranty; or

(i) increase the maximum duration of Interest Periods permitted hereunder; or

(j) subordinate the Loans to any other Debt.

No amendment, modification, termination or waiver of any provision of this Agreement affecting the rights or obligations of Administrative Agent or any Loan Party shall be effective without the written consent of Administrative Agent or such Loan Party, respectively. No amendment, modification, termination or waiver of any provision of any Note (other than by way of amending a document referred to therein) shall be effective without the written concurrence of the Bank which is the holder of such Note. NO CREDIT DOCUMENT TO WHICH BEAL BANK, S.S.B. IS A PARTY SHALL BE EFFECTIVE UNLESS TWO OFFICERS OF BEAL BANK, S.S.B. SHALL HAVE EXECUTED SUCH CREDIT DOCUMENT.

9.10 WITHHOLDING TAX. If the forms or other documentation required by Section 2.4.6 are not delivered to Administrative Agent, then Administrative Agent may withhold from any interest payment to any Bank not providing such forms or other documentation, an amount equivalent to the applicable withholding tax.

9.10.1 If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), then such Bank shall indemnify Administrative Agent fully for all amounts paid, directly or indirectly, by

Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs, and any out of pocket expenses. Borrower shall not be responsible for any amounts paid or required to be paid by a Bank under this Section 9.10.1.

9.10.2 If any Bank sells, assigns, grants participation in, or otherwise transfers its rights under this Agreement, the purchaser, assignee, participant or transferee, as applicable, shall comply and be bound by the terms of Section 2.4.6 and this Section 9.10 as though it were such Bank.

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9.11 GENERAL PROVISIONS AS TO PAYMENTS. Administrative Agent shall promptly distribute to each Bank, subject to the terms of any separate agreement between Administrative Agent and such Bank, its pro rata share of each payment of principal and interest payable to the Banks on the Loans and of fees hereunder received by Administrative Agent for the account of the Banks and of any other amounts owing under the Loans. The payments made for the account of each Bank shall be made, and distributed to it, for the account of (a) its domestic lending office in the case of payments of principal of, and interest on, its Base Rate Loans, (b) its domestic or foreign lending office, as each Bank may designate in writing to Administrative Agent, in the case of LIBOR Loans, and (c) its domestic lending office, or such other lending office as it may designate for the purpose from time to time, in the case of payments of fees and other amounts payable hereunder. Subject to the requirement of Section 2.8.2, Banks shall have the right to alter designated lending offices upon five Banking Days prior written notice to Administrative Agent and Borrower. Administrative Agent and each Bank acknowledge and agree that each payment made by or on behalf of any Loan Party to Administrative Agent under any Credit Document for the benefit of any Bank shall discharge the obligation of such Loan Party under such Credit Document to make such payment to Administrative Agent or such Bank irrespective of any designation made by such Bank, or any agreement or arrangement between Administrative Agent and such Bank, contemplated by this Section 9.11.

9.12 SUBSTITUTION OF BANK. Notwithstanding anything in any Credit Document to the contrary, should any Bank fail to make a Loan in violation of its obligations under this Agreement (a "Non-Advancing Bank"), Beal Bank, S.S.B. shall fund such Loan on the Closing Date and shall be deemed to have assumed each of the Non-Advancing Bank's obligations under this Agreement (including the obligation to make the Loan which the Non-Advancing Bank failed to make) and such Person automatically shall be substituted for the Non-Advancing Bank hereunder, and all interest and fees which would otherwise have been payable to the Non-Advancing Bank shall thereafter be payable to such Person. Nothing in (and no action taken pursuant to) this Section 9.12 shall relieve the Non-Advancing Bank from any liability it might have to Borrower or to the other Banks as a result of its failure to make any Loan.

9.13 PARTICIPATION. Nothing herein provided shall prevent any Bank from selling a participation in one or more of its Loans made hereunder; provided that (a) no such sale of a participation shall alter such Bank's or Borrower's obligations hereunder and (b) any agreement pursuant to which any Bank may grant a participation in its rights with respect to its Loans made hereunder shall provide that, with respect to such Loans, subject to the following proviso, such Bank shall retain the sole right and responsibility to exercise the rights of such Bank, including any rights it has to enforce the obligations of Borrower relating to such Loans, to approve any amendment, modification or waiver of any provision of this Agreement or any other Credit Document, and to take action to have the Obligations (or any portion thereof) declared due and payable pursuant to Article 7; provided, however, that such agreement may provide that the participant may exercise any rights that such Bank may have to approve or disapprove decreases in interest rates, lengthening of maturity of any Loans, extend the payment date for any principal or interest payments, release of any material portion of the Collateral (other than in accordance with the terms of

the Credit Documents) or release any Loan Party (other than in accordance with the terms of the Credit Documents) from its obligations under the Sponsor Guaranty or any

Subsidiary Guaranty. Recipients of a participation in any Loans of any Bank shall have rights under this Agreement with respect to increased costs or reserve requirements under Section 2.4 or 2.6, if such recipient complies with the requirements of Section 2.4.6, to the same extent as if they were Banks (except that any such participant shall be entitled to claim any such amount only to the extent that the Bank from which such participant acquired its participation is entitled to, and such Bank makes such claim on its own behalf because it would have otherwise incurred the same costs). For the avoidance of doubt, Borrower shall not be responsible for increased costs arising out of any sale of a participation of any Loans or Notes.

9.14 TRANSFER OF COMMITMENT. Notwithstanding anything else herein to the contrary, any Bank, after receiving Administrative Agent's prior written consent (such consent not to be unreasonably withheld), may from time to time, without the consent of Borrower or any other Person, at its option, sell, assign, transfer, negotiate or otherwise dispose of a portion of one or more of its Loans made hereunder (including the Bank's interest in this Agreement and the other Credit Documents) to its Affiliate, any Bank or to one or more banks or other Persons that constitute a "Bank"; provided, however, that no Bank (including any assignee of any Bank) may assign any portion of its Loans in an amount less than \$1,000,000 (unless such lesser amount constitutes the assigning Bank's entire share of the Loans); and provided, further, that at all times Beal Bank, S.S.B. and its Affiliates shall collectively hold no less than 51% of the aggregate amount of the Loans and the Commitments; and provided, further, that Borrower shall not be responsible for increased costs arising out of any assignment of any Loans or Notes. In the event of any such assignment, (a) the assigning Bank's Proportionate Share shall be reduced and its obligations hereunder released by the amount of the Proportionate Share assigned to the new Bank, (b) the parties to such assignment shall execute and deliver an appropriate agreement evidencing such sale, assignment, transfer or other disposition, in form and substance reasonably satisfactory to Administrative Agent and Borrower, (c) the parties to the sale, assignment, transfer or other disposition, excluding Borrower, shall collectively pay to Administrative Agent an administrative fee of \$3,500, (d) at the assigning Bank's option, Borrower shall execute and deliver to such assigning Bank a new Note in the form attached hereto as Exhibit B-1, as requested, in a principal amount equal to such new Bank's Commitment, but only if it shall also be executing and exchanging with the assigning Bank a replacement note for any Note in an amount equal to the Commitment retained by the assigning Bank, if any; provided that Borrower shall have received for cancellation the existing Note held by such assigning Bank, and (v) Administrative Agent shall amend Exhibit H attached hereto to reflect the Proportionate Shares of the Banks following such assignment. Thereafter, such new Bank shall be deemed to be a Bank and shall have all of the rights and duties of a Bank (except as otherwise provided in this Article 9), in accordance with its Proportionate Share, under each of the Credit Documents.

9.15 LAWS. Notwithstanding the foregoing provisions of this Article 9, no sale, assignment, transfer, negotiation or other disposition of the interests of any Bank hereunder or under the other Credit Documents shall be allowed if it would require registration under the federal Securities Act of 1933, as then amended, any other federal securities laws or regulations or the securities laws or regulations of any applicable jurisdiction. Borrower shall, from time to time at the request and expense of Administrative Agent, execute and deliver to Administrative Agent, or to such party or parties as Administrative Agent may designate, any and all further

instruments as may in the opinion of Administrative Agent be reasonably necessary or advisable to give full force and effect to such sale, assignment, transfer, negotiation or disposition which would not require any such registration.

9.16 ASSIGNABILITY AS COLLATERAL. Notwithstanding any other provision contained in this Agreement or any other Credit Document to the contrary, any Bank may assign all or any portion of the Loans or Note held by it to the Federal Reserve Bank and the United States Treasury as collateral security; provided that any payment in respect of such assigned Loans or Note made by Borrower to or for the account of the assigning or pledging Bank in accordance with the terms of this Agreement shall satisfy Borrower's obligations hereunder in respect of such assigned Loans or Note to the extent of such payment. No such assignment shall release the assigning Bank from its obligations hereunder.

ARTICLE 10 MISCELLANEOUS

10.1 ADDRESSES. Any communications between the parties hereto or notices provided herein to be given may be given to the following addresses:

If to Administrative Agent: Beal Bank, S.S.B.
6000 Legacy Dr., 4E
Plano, Texas 75024
Attn: William T. Saurenmann
Tel: (469) 467-5510
Fax: (469) 241-9568
E-mail: bsaurenmann@bealbank.com

with a copy to: CSG Investments, Inc.
6000 Legacy Dr., 4W
Plano, Texas 75024
Attn: Steve Harvey
Tel: (469) 467-5652
Fax: (469) 241-9567
E-mail: sharvey@csginvestments.com

If to Borrower: OrCal Geothermal Inc.
980 Greg Street
Sparks, NV 89431
Attn: President
Tel: (775) 356-9029
Fax: (775) 356-9039
E-mail: dbronicki@ormat.com

All notices or other communications required or permitted to be given hereunder shall be in writing and shall be considered as properly given (a) if delivered in person, (b) if sent

by overnight delivery service (including Federal Express, UPS and other similar overnight delivery services), (c) if mailed by first class United States Mail, postage prepaid, registered or certified with return receipt requested, (d) if sent by facsimile or (e) if sent via other electronic means (including electronic mail). Notice so given shall be effective upon receipt by the addressee, except that communication or notice so transmitted by facsimile or other direct written electronic means shall be deemed to have been validly and effectively given on the day (if a Banking Day and, if not, on the next

following Banking Day) on which it is transmitted if transmitted before 4:00 p.m., recipient's time, and if transmitted after that time, on the next following Banking Day; provided, however, that (i) if any notice is tendered to an addressee and the delivery thereof is refused by such addressee, such notice shall be effective upon such tender, and (ii) with respect to any notice given via facsimile or other electronic means, the sender of such message shall promptly provide the addressee with an original copy of such notice by any of the means specified in clause (a), (b) or (c) above. Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by giving of 5 Banking Days' notice to the other parties in the manner set forth above.

10.2 ADDITIONAL SECURITY; RIGHT TO SET-OFF. Subject to Section 2.5.2, regardless of the adequacy of any other Collateral, any Secured Party with the prior written consent of Administrative Agent may execute or realize on its or Administrative Agent's security interest in any such deposits or other sums credited by or due from Banks to Borrower, and may apply any such deposits or other sums to or set them off against Borrower's obligations to Banks under any Notes and this Agreement at any time after the occurrence and during the continuance of any Event of Default.

10.3 DELAY AND WAIVER. No delay or omission to exercise any right, power or remedy accruing to the Secured Parties upon the occurrence of any Event of Default, Potential Event of Default, Material Adverse Effect or any breach or default of Borrower or any other Loan Party or unsatisfied condition precedent under this Agreement or any other Credit Document shall impair any such right, power or remedy of the Secured Parties, nor shall it be construed to be a waiver of any such breach or default or unsatisfied condition precedent, or an acquiescence therein, or of or in any similar breach or default or unsatisfied condition precedent thereafter occurring, nor shall any waiver of any single Event of Default, Potential Event of Default, Material Adverse Effect or other breach or default or unsatisfied condition precedent be deemed a waiver of any other Event of Default, Potential Event of Default, Material Adverse Effect or other breach or default or unsatisfied condition precedent theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Administrative Agent or the Secured Parties of any Event of Default, Potential Event of Default, Material Adverse Effect or other breach or default or unsatisfied condition precedent under this Agreement or any other Credit Document, or any waiver on the part of Administrative Agent or the Secured Parties of any provision or condition of this Agreement or any other Credit Document, must be in writing and shall be effective only to the extent in such writing specifically set forth. All remedies, either under this Agreement or any other Credit Document or by law or otherwise afforded to Administrative Agent and the Secured Parties, shall be cumulative and not alternative. If any Event of Default has been waived by the Secured Parties in accordance with Section 9.9 and this Section 10.3, then after such waiver becomes effective

the applicable Event of Default shall for all purposes under the Credit Documents be deemed to be no longer continuing.

10.4 COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower will pay to Administrative Agent all of its reasonable costs and expenses in connection with the preparation, negotiation, closing and administering of this Agreement and the Credit Documents (including the Post-Closing Title Work), including the reasonable fees, expenses and disbursements of Jenkins & Gilchrist, a Professional Corporation, and Latham & Watkins LLP; provided, however, that Borrower shall not be required to pay the fees of the other Banks' attorneys; provided, further, that (a) except as set forth in Sections 5.21 and 7.1.17, no Loan Party shall be responsible for the payment of any fees and expenses related to the Independent Consultants and (b) Borrower shall not be responsible for the internal costs and internal expenses incurred in connection with the administering of any of the Credit Documents. Borrower will reimburse (i)

Administrative Agent for all reasonable costs and expenses, including reasonable attorneys' fees (it being acknowledged and agreed that (A) Borrower shall only be responsible for the payment of one general counsel and one special counsel to Administrative Agent and (B) Borrower shall not be responsible for any attorneys' fees for any of the Banks, except as provided in the preceding clause (A)), expended or incurred by Administrative Agent and the Banks for their reasonable internal out-of-pocket expenses, in enforcing this Agreement or the other Credit Documents in connection with an Event of Default or Potential Event of Default, in actions for declaratory relief in any way related to this Agreement or in collecting any sum which becomes due on the Notes or under the Credit Documents and (ii) Administrative Agent and the Banks for their reasonable out-of-pocket expenses, including reasonable attorney fees (it being acknowledged and agreed that (A) Borrower shall only be responsible for the payment of one general counsel and one special counsel to Administrative Agent and (B) Borrower shall not be responsible for any attorneys' fees for any of the Banks, except as provided in the preceding clause (A)) and reasonable expert, consultant and advisor fees and expenses, in the case of a restructuring of the Loans or otherwise relating to the occurrence of any Potential Event of Default or Event of Default. Borrower shall not be responsible for any counsel fees of Administrative Agent or the Banks other than as set forth above, in Section 5.24 or as otherwise set forth in a separate agreement.

10.5 ENTIRE AGREEMENT. This Agreement and each of the Credit Documents integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations and prior writings in respect to the subject matter hereof.

10.6 GOVERNING LAW. THIS AGREEMENT AND ANY OTHER CREDIT DOCUMENT (UNLESS OTHERWISE EXPRESSLY PROVIDED FOR THEREIN), SHALL BE GOVERNED BY, AND CONSTRUED UNDER, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

10.7 SEVERABILITY. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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10.8 HEADINGS. Article, Section and Paragraph headings have been inserted in this Agreement as a matter of convenience for reference only and it is agreed that such headings are not a part of this Agreement and shall not be used in the interpretation of any provision of this Agreement.

10.9 ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and practices consistent with those applied in the preparation of the financial statements submitted by Borrower to Administrative Agent, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles and practices.

10.10 ADDITIONAL FINANCING. The parties hereto acknowledge that as of the Closing Date the Banks have made no agreement or commitment to provide any financing except as set forth herein.

10.11 NO PARTNERSHIP, ETC. The Banks and Borrower intend that the relationship between them shall be solely that of creditor and debtor. Nothing contained in this Agreement, the Notes or in any of the other Credit Documents shall be deemed or construed to create a partnership, tenancy-in-common, joint tenancy, joint venture or co-ownership by or between the Banks and Borrower or any other Person. None of Administrative Agent or the Banks shall be in any way responsible or liable for the debts, losses, obligations or duties of Borrower or any other Person with respect to the Projects or otherwise. All obligations to pay real property or other taxes, assessments, insurance premiums, and all

other fees and charges arising from the ownership, operation or occupancy of the Projects (if any) and to perform all obligations and other agreements and contracts relating to the Projects shall be the sole responsibility of Borrower.

10.12 DEED OF TRUST/COLLATERAL DOCUMENTS. The Loans are secured in part by the Deeds of Trust encumbering certain properties in the State of California. Reference is hereby made to the Deeds of Trust and the other Collateral Documents for the provisions, among others, relating to the nature and extent of the security provided thereunder, the rights, duties and obligations of Borrower and the rights of Administrative Agent and the other Secured Parties with respect to such security.

10.13 LIMITATION ON LIABILITY. No claim shall be made by Borrower against Administrative Agent, the Banks or any of their respective Affiliates, directors, employees, attorneys or agents for any loss of profits, business or anticipated savings, special or punitive damages or any indirect or consequential loss whatsoever in respect of any breach or wrongful conduct (whether or not the claim therefor is based on contract, tort or duty imposed by law), in connection with, arising out of or in any way related to the transactions contemplated by this Agreement or the other Operative Documents or any act or omission or event occurring in connection therewith, and Borrower hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

10.14 WAIVER OF JURY TRIAL. ADMINISTRATIVE AGENT, THE BANKS AND

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BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF ADMINISTRATIVE AGENT, THE BANKS OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BORROWER, ADMINISTRATIVE AGENT AND THE BANKS TO ENTER INTO THIS AGREEMENT.

10.15 CONSENT TO JURISDICTION. Administrative Agent, the Banks and Borrower agree that any legal action or proceeding by or against Borrower or with respect to or arising out of this Agreement, the Notes, or any other Credit Document may be brought in or removed to the courts of the State of New York, in and for the Borough of Manhattan, or of the United States of America for the Southern District of New York, as Administrative Agent may elect. By execution and delivery of this Agreement, the Banks, Administrative Agent and Borrower accept, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. Administrative Agent, the Banks and Borrower irrevocably consent to the service of process out of any of the aforementioned courts in any manner permitted by law. Administrative Agent, the Banks and Borrower further agree that the aforesaid courts of the State of New York and of the United States of America shall have exclusive jurisdiction with respect to any claim or counterclaim of Borrower based upon the assertion that the rate of interest charged by the Banks on or under this Agreement, the Loans or the other Credit Documents is usurious. Administrative Agent, the Banks and Borrower hereby waive any right to stay or dismiss any action or proceeding under or in connection with any or all of the Projects, this Agreement or any other Credit Document brought before the foregoing courts on the basis of forum non-conveniens. Nothing herein shall affect the right of Administrative Agent to bring legal action or proceedings in any other competent jurisdiction, including judicial or non-judicial foreclosure of the Deeds of Trust.

10.16 KNOWLEDGE AND ATTRIBUTION. References in this Agreement and the other Credit Documents to the "knowledge," "best knowledge" or facts and circumstances "known to" Borrower or any other Loan Party, and all like references, mean facts or circumstances of which a Responsible Officer of the applicable Loan Party has

actual knowledge (after due inquiry).

10.17 SUCCESSIONS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Borrower may not assign or otherwise transfer any of its rights under this Agreement except as provided in Section 6.13, and the Banks may not assign or otherwise transfer any of their rights under this Agreement except as provided in Article 9.

10.18 COUNTERPARTS. This Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in one or more duplicate counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are

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physically attached to the same document.

10.19 USURY. Nothing contained in this Agreement or the Notes shall be deemed to require the payment of interest or other charges by Borrower or any other Person in excess of the amount which the holders of the Notes may lawfully charge under applicable usury laws. In the event that the Banks shall collect moneys which are deemed to constitute interest which would increase the effective interest rate to a rate in excess of that permitted to be charged by applicable Legal Requirements, all such sums deemed to constitute interest in excess of the legal rate shall, upon such determination, at the option of the Banks, be returned to Borrower or credited against the principal balance then outstanding.

10.20 SURVIVAL. All representations, warranties, covenants and agreements made herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement and the other Credit Documents shall be considered to have been relied upon by the parties hereto and shall survive the execution and delivery of this Agreement, the other Credit Documents and the making of the Loans (it being acknowledged and agreed that, subject to the following sentence and except as expressly provided in any such Credit Document, all of the representations, warranties, covenants and agreements made in any Credit Document by any Loan Party shall terminate upon the payment in full in cash and the performance in full of the Obligations). Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Borrower set forth in Sections 2.1.1(d), 2.1.6, 2.3, 2.4.4, 2.6.3, 2.6.4, 2.7, 5.24, 9.8 and 10.4 and the agreements of the Banks set forth in Sections 9.1, 9.5 and 9.10.1 shall survive the payment and performance of the Loans and the other Obligations and the reimbursement of any amounts drawn hereunder, and the termination of this Agreement.

10.21 REFINANCING. Upon the written request of Administrative Agent at any time prior to December 31, 2004, the Banks shall have the right to convert (including by way of a refinancing) up to \$100,000,000 of the Loans to senior secured notes issued by Borrower pursuant to Section 4(2) of the Securities Act of 1933. Borrower shall (and shall cause each other Loan Party (other than Ormat Technologies) to, as applicable) execute, acknowledge, and/or deliver all agreements, notices, statements, instruments and other documents (including a note purchase agreement, notes, an intercreditor agreement and amendments to any Credit Documents) necessary or advisable (as determined by Administrative Agent in its sole discretion) to effectuate such conversion and the issuance of such senior secured notes. Such note purchase agreement shall contain (a) identical terms and conditions set forth in Articles 2 and 4 through 10 of this Agreement, other than any changes necessarily resulting from such conversion, (b) customary representations and warranties by Borrower, as issuer of such senior secured notes, relating to securities law matters, (c) representations and warranties by

Borrower of the type described in Sections 4.1, 4.3, 4.4 and 4.5, (d) customary representations and warranties by the purchasers of such senior secured notes, relating to securities law matters and (e) provisions otherwise conforming in substance to Model Form No. 2 of Note Purchase Agreement, including any changes to Articles 2, 9 and 10 of this Agreement necessarily resulting from such conversion. Without limiting the foregoing, Borrower shall (and shall cause each other Loan Party (other than Ormat Technologies) to, as applicable) (i) provide any information necessary or advisable in connection with the issuance of such senior secured notes, (ii) deliver,

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to the satisfaction of Administrative Agent, each of the documents described in Sections 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.7 and 3.1.8 (including, if requested by S&P or Moody's, an opinion of counsel regarding non-consolidation of the Loan Parties) with respect to any Loan Party, (iii) take any other action reasonably requested by Administrative Agent in connection with such conversion, including any steps as may be necessary or advisable to render fully valid and enforceable under all applicable laws the rights of the initial purchasers and any other holders of such senior secured notes, and (iv) pay all reasonable fees and expenses (including reasonable attorneys' fees) of Administrative Agent and Beal Bank, S.S.B. incident to such conversion; provided that Borrower shall not be obligated to pay (A) any such attorneys' fees in excess of \$25,000 or (B) any fees, expenses or other amounts charged by S&P or Moody's in connection with such conversion (whether on account of an initial rating or subsequent surveillance ratings). For the avoidance of doubt, the terms of such senior secured notes shall not provide for the payment of a "make-whole premium," as that term customarily is utilized in connection with Model Form No. 2 of Note Purchase Agreement, and shall not provide for interest rates (including default interest rates), interest periods, interest calculations, interest payment dates, principal amortization and repayment dates, optional and mandatory principal prepayment rights and obligations, or fees that deviate in any respect from such terms as set forth in this Agreement. In the event of any conversion pursuant to and in accordance with this Section 10.21, Borrower shall not be obligated to make any Make-Whole Premium or other prepayment premium that would otherwise be required under Section 2.1.6 of this Agreement.

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IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, intending to be legally bound, have caused this Credit Agreement to be duly executed and delivered as of the day and year first above written.

ORCAL GEOTHERMAL INC.,
a Delaware corporation

By: /s/ Indecipherable

Name:

Title:

BEAL BANK, S.S.B.,
as Administrative Agent and a Bank

By: /s/ Molly Curl

Name: Molly Curl
Title: Sr. Vice President

By: /s/ William T. Saurenmann

Name: William T. Saurenmann
Title: Sr. Vice President

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Exhibit 10.1.6

EXIMBANK CREDIT AGREEMENT

by and between

ORMAT LEYTE CO. LTD.
as Borrower

and

EXPORT-IMPORT BANK OF THE UNITED STATES

Eximbank Credit No. AP069721 - Philippines

Exhibit 10.1.6

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EXIMBANK CREDIT AGREEMENT, dated as of May 13, 1996 (this "Agreement"), between ORMAT LEYTE CO. LTD., a limited partnership organized and existing under the laws of the Republic of the Philippines (the "Borrower") and EXPORT-IMPORT BANK OF THE UNITED STATES ("Eximbank"), an agency of the United States. Capitalized terms used herein shall be defined as provided in Section 1.01.

BACKGROUND

WHEREAS, the Borrower, the Administrative Agent, the Issuing Bank and the Lenders are entering into the Lender Credit Agreement, pursuant to which the Lenders have agreed, subject to the terms and conditions set forth therein, to finance, inter alia, exports from the United States to the Borrower's Country for construction of the Project and, in connection therewith, the Guaranteed Lenders (as defined in the Eximbank Guarantee Agreement referred to below) have requested Eximbank to provide a limited guaranty of the Loans pursuant to a guarantee agreement dated as of the date hereof among Eximbank, the Guaranteed Lenders and the Administrative Agent (the "Eximbank Guarantee Agreement");

WHEREAS, the Borrower has requested Eximbank to establish a credit (the "Eximbank Credit") in the maximum amount of \$49,763,955 (as the same may be reduced pursuant to Section 4.01, the "Maximum Eximbank Credit Amount") in favor of the Borrower as part of the overall debt financing for construction of the Project and it is contemplated that the proceeds of the Eximbank Credit shall be applied by the Borrower to repay in part the Loans made by the Guaranteed Lenders;

WHEREAS, Eximbank is prepared (i) issue its guarantee subject to the terms and conditions of the Eximbank Guarantee Agreement and (ii) to establish the Eximbank Credit and to make the Eximbank Credit available to the Borrower on or after the Project Completion Date, subject the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND PRINCIPLES OF CONSTRUCTION

Section 1.01. General Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned thereto in Schedule X attached hereto. In addition, wherever used in this Agreement or any Annex, Exhibit or Schedule hereto, unless the context otherwise requires, the following terms shall have the following meanings:

"Agreement" shall mean this Credit Agreement, including any Annex, Exhibit, Schedule and other attachment hereto, as amended or otherwise modified from time to time.

"Borrower" shall have the meaning specified in the first paragraph of this Agreement.

"Borrower's Country" shall mean the Republic.

"Business Day" shall mean any day on which the Federal Reserve Bank of New York is open for business.

"Cash Payment" shall have the meaning set forth in Section 2.02.

"Commitment Fee" shall have the meaning specified in Section 3.03.

"Completion Date" shall have the meaning specified in the BOT Agreement.

"Construction Note" shall mean the promissory note executed and delivered by the Borrower pursuant to Section 2.4 of the Lender Credit Agreement.

"Covered Taxes" shall mean any and all present or future taxes, levies, imposts, deductions, withholdings, duties, fees, commissions or other charges, of whatsoever nature and all liabilities paid with respect thereto imposed by any Governmental Authority or taxing or monetary authority thereof, other than any tax imposed on or measured by the net income or capital of a Person pursuant to the laws of the jurisdiction of its place of incorporation or in which the principal office is located or the office from which such Person books any assigned interest of the Eximbank Credit.

"Credit Exposure Fee" shall mean an exposure fee in the amount equal to 9.57% of the amount of the Eximbank Disbursement that represents: (i) the Financed Portion of the Items; (ii) the IDC Financed Portion of IDC; and (iii) the aggregate amount of the Guarantee Exposure Fee.

"Default" shall mean any event, act or condition which, with notice, lapse of time, or both, or the fulfillment of any other requirement provided for in Section 9, would constitute an Event of Default.

"Disbursement Date" shall mean the date on which the Eximbank Disbursement is made by to the Borrower.

"Eximbank Credit" shall have the meaning specified in the second WHEREAS clause hereof.

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"Eximbank Disbursement" shall mean the disbursement made under the Eximbank Credit in accordance with the terms of this Agreement and evidenced by the Eximbank Note.

"Eximbank Note" shall have the meaning specified in Section 3.07(a).

"Event of Default" shall have the meaning specified in Section 9.

"Final Disbursement Date" shall mean the earlier of (i) June 15, 1998; provided that (x) if on or before such date, the Completion Date for the entire Power Plant shall have actually occurred pursuant to Section 6.1 of the BOT Agreement, or shall have been deemed to have occurred pursuant to Section 5.4(h) of the BOT Agreement, or (y) if on June (15) 1998, Force Majeure (as defined in any of the BCE Agreement, the Construction Contract or the Supply Contract) or default by PNOC-EDC under the BOT Agreement shall exist, or shall have existed prior to June 15, 1998, for an aggregate period in excess of fifteen (15) days, the date specified in clause (i) of this definition shall be extended to March 15, 1999; and (ii) the date on which the Eximbank Credit is cancelled in full in accordance with Section 4.02.

"Guarantee Exposure Fee" shall have the meaning set forth in the Eximbank Guarantee Agreement.

"Guarantee Operative Date" shall mean the date designated by Eximbank on or after which Utilizations may be made under the Lender Credit Agreement.

"IDC" shall have the meaning specified in the Eximbank Utilization Procedures.

"IDC Financed Portion" shall have the meaning specified in the Eximbank Utilization Procedures.

"Items" shall have the meaning specified in the Eximbank Utilization Procedures.

"Lender Disbursement" shall mean each of the Loans disbursed from time to time pursuant to Section 2 or 3 of the Lender Credit Agreement.

"Local Cost Financed Portion" shall have the meaning specified in the Eximbank Utilization Procedures.

"Local Cost Item" shall have the meaning Specified in the Eximbank Utilization Procedures.

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"Maximum Eximbank Credit Amount" shall have the meaning specified in the second clause of this Agreement.

"Payment Date" shall mean July 30, 1996 and, thereafter, each succeeding October 30, January 30, April 30, and July 30.

"Payment Default Date" shall have the meanings in Section 3.02(b).

"Principal Amortization Commencement Date" shall mean the earlier of (i) the Completion Date (as defined in the BOT Agreement) for the initial Plant to be constructed and tested in accordance with the terms of the Construction Contract, the Supply Contract and the BOT Agreement and (ii) September 25, 1997.

"Reconciliation Certificate" shall mean a reconciliation certificate in the form of Exhibit 1 to Annex B hereto.

"Request for Eximbank Disbursement" shall mean a request for disbursement in the form of Annex B hereto.

"Taxes" shall mean any and all present and future taxes, fees, levies, imposts, duties or charges of whatsoever nature (whether imposed by withholding or deduction or otherwise) imposed by any Governmental Authority (including without limitation any and all liabilities with respect thereto).

"U.S." or "United States" shall mean the United States of America.

Section 1.02. Principles of Construction. The principles of construction set forth in Schedule X apply.

SECTION 2. THE EXIMBANK CREDIT

Section 2.01. Amount of the Eximbank Credit. (a) Eximbank hereby establishes the Eximbank Credit, upon the terms and conditions set forth in this Agreement, in favor of the Borrower to enable the Borrower to (i) refinance, in an aggregate amount not to exceed \$35,457,750, the Financed Portion of the costs incurred on or after March 1, 1995 by the Borrower for the purchase m the United States and export to the Republic of the Items; (ii) refinance, in an aggregate amount not to exceed \$5,832,000, the Local Cost Financed Portion of the costs incurred on or after March 1, 1995 by the Borrower for the purchase m the Republic of the Local Cost Items; (iii) refinance in an aggregate amount not to exceed \$3,124,000, the IDC Financed Portion of IDC; (iv) refinance the Guarantee Exposure Fee; and (v) finance the Credit Exposure Fee.

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(b) On the terms and conditions hereof, Eximbank shall make the Eximbank Credit available to the Borrower in a single Eximbank Disbursement, subject to the satisfaction of the conditions precedent to such disbursement under Section 5.02 hereof, and otherwise in accordance with Section 5.03 hereof.

(c) The Eximbank Credit shall not under any circumstances exceed in

aggregate amount the lesser of:

(i) the sum of (a) the aggregate amount of the Financed Portion for all Items; (b) the aggregate amount of the Local Cost Financed Portion for all Local Cost Items; (c) the aggregate amount of the IDC Financed Portion for all IDC; (d) 100% of the Guarantee Exposure Fee paid to Eximbank under the Eximbank Guarantee Agreement in respect of each of the above; and (e) 100% of the Credit Exposure Fee payable to Eximbank under this Agreement; and

(ii) the Maximum Eximbank Credit Amount.

(d) All amounts due to Eximbank under this Agreement, the Eximbank Note and the other Financing Documents are entitled to the benefit of the Security. Any amount of the Eximbank Credit not disbursed on the Disbursement Date shall automatically be canceled upon and as of the close of business on the Disbursement Date.

Section 2.02. Cash Payment. The Borrower shall have made or caused to be made a cash payment for the purchase of each Item in an amount equal to not less than fifteen percent (15%) of the Contract Price of such Item (the "Cash Payment").

Section 2.03. Credit Availability Date. The Eximbank Credit will not be disbursed after, and Eximbank's commitment to make available the Eximbank Credit shall terminate upon, the close of business on the Final Disbursement Date.

SECTION 3. TERMS OF THE EXIMBANK CREDIT

Section 3.01. Principal Repayment. Subject to Section 4.01, the Borrower shall repay all principal amounts disbursed under the Eximbank Credit in approximately equal, successive quarterly installments (of which the maximum number shall be 38), the first such installment being due on the first Payment Date occurring on or after the date falling two hundred ten (210) days after the Principal Amortization Commencement Date and on each succeeding Payment Date thereafter, and ending on the Payment Date immediately preceding the Transfer Date (as such term is defined in the BOT Agreement as in effect on the date hereof); provided, that on the last such Payment Date the Borrower shall repay in full the principal amount of the Eximbank Credit then outstanding. Eximbank has determined the initial Payment Date by adding 180 days to

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its calculation of the weighted midpoint of the projected Completion Date for each of the four Plants.

Section 3.02 Interest Payment. (a) The Borrower shall pay interest on each Payment Date, and on the date that all amounts disbursed under the Eximbank Credit are paid in full, on all amounts disbursed and outstanding from time to time under the Eximbank Credit, beginning on the first Payment Date which is after the Disbursement Date, calculated at an interest rate per annum of 6.54%, computed on the basis of the actual number of days elapsed (including the first day but including the last day), using a 365-day year.

(b) If any amount of principal, accrued interest, fees or other amounts owing by the Borrower to Eximbank under this Agreement, the Eximbank Note or any other Financing Document is not paid in full when due (whether at stated maturity, by acceleration or otherwise), the Borrower shall pay to Eximbank on demand interest on the unpaid amount (to the extent permitted by applicable law) for the period from the date such amount was due (the "Payment Default Date") until the date such amount was paid in full, at an interest rate per annum equal to the higher of: (i) the then applicable New Borrowing Rate (such rate to remain in effect until such amount is paid in full); and (ii) the rate specified in Section 3.02(a) above plus one percent (1.0%) per annum. For the purposes of

this Agreement and the Eximbank Note, "New Borrowing Rate" shall mean the specified on the Commerce Department Economic Bulletin Board, under the heading "Interest Rate for Credit Reform Act", for the year and calendar quarter in which the Payment Default Date occurs, and under the "Maturity Ranges" category which covers the total period of repayment described in Section 3.01.

Section 3.03. Commitment Fee. The Borrower shall pay or cause to be paid to Eximbank a commitment fee of one-half of one percent (0.5%) per annum on the uncanceled amount of the Maximum Eximbank Credit (the "Commitment Fee"), computed on the basis of the actual number of days elapsed (including the first day but excluding the last day), using a 365-day year, accruing from June 8, 1996 to the earlier of (i) the Disbursement Date and (ii) the Final Disbursement Date, and payable quarterly on each Payment Date, beginning on July 30, 1996, and on the Disbursement Date.

Section 3.04. Credit Exposure Fee. No later than the Disbursement Date, the Borrower shall pay or cause to be paid to Eximbank the Credit Exposure Fee. The Credit Exposure Fee may be financed by the Borrower by the inclusion of the request for such financing the Borrower's Request for Eximbank Disbursement.

Section 3.05. Voluntary Prepayment. The Borrower may from time to time prepay all or any part of the outstanding principal amount of the Eximbank Credit, provided that the Borrower (i) shall have given Eximbank ten (10) Business Days prior

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written notice of the proposed amount and date of prepayment; (ii) shall have paid in full all interest which has accrued to the date of prepayment on the principal amount so prepaid, together with all other amounts then due to Eximbank under this Agreement, the Eximbank Note, the Eximbank Guarantee Agreement or any other Financing Document as of the date of such prepayment; and (iii) shall pay to Eximbank a prepayment premium. The prepayment premium shall be equal to the amount by which the prepaid principal amount is less than the sum of the present values, discounted from the scheduled payment dates, of (A) the installments of principal being prepaid, plus (B) the amounts of interest which otherwise would have accrued on such principal amounts to the scheduled repayment dates. The discount rate used to calculate such present values shall be that rate of interest specified in the weekly Federal Reserve Statistical Release, H.15 (519) Selected Interest Rates, in the category "U.S. government securities; Treasury bills, Secondary market" for a Maturity Period (as hereafter defined) through one year, or in the category "U.S. government securities; Treasury constant maturities" for a Maturity Period of greater than one year, in the column for Business Day which is five (5) Business Days prior to the date of prepayment. "Maturity Date" shall mean the weighted average of the periods between the date of prepayment and the scheduled repayment dates of the installments of principal of the Eximbank Credit that are prepaid. All prepayments shall be applied to the installments of principal of the Eximbank Credit in the inverse order of their maturities.

Section 3.06. Mandatory Prepayment. On the applicable dates set forth in Sections 3.05(a) and 3.05(d) of the Disbursement Agreement, the Borrower shall, without demand or notice, make prepayments to Eximbank using funds then made available for such purpose from the Contingency Account by the Collateral Trustee pursuant to Sections 3.05(a) and 3.05(d) of the Disbursement Agreement. In addition, on the date of receipt of funds from any Buyout, the Borrower shall, without demand or notice, make a prepayment to Eximbank in the amount of the then outstanding principal amount of the Eximbank Credit, together with all interest accrued thereon and all other amounts then payable to Eximbank by the Borrower under any of the Financing Documents. In the case of any partial payments, such prepayments shall be applied to the installments of principal of the Eximbank Credit in the inverse order of their maturity. No prepayment premium is payable in connection with a mandatory prepayment pursuant to this Section 3.06.

Section 3.07. Eximbank Note. (a) The Borrower agrees that to evidence further its obligation to repay all amounts disbursed under the Eximbank Credit, with interest accrued thereon, it shall issue and deliver to Eximbank a promissory note dated the Disbursement Date in the form of Annex A (together with replacements and substitutions therefor, the "Eximbank Note"). The Eximbank Note shall be valid and enforceable as to its principal amount at any time only to the extent of the amount then

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disbursed and outstanding under the Eximbank Credit and, as to interest, only to the extent of the interest accrued thereon.

(b) If requested by Eximbank pursuant Section 11.05(a)(ii), the Borrower shall issue and deliver to Eximbank a new Eximbank Note in exchange for the Eximbank Note previously issued and delivered in accordance with this Agreement, whereupon Eximbank shall surrender such previously issued Eximbank Note to the Borrower for cancellation.

(c) If the Eximbank Note is mutilated, lost, stolen or destroyed, the Borrower shall issue and deliver a new Eximbank Note of the same date, maturity and denomination as the Eximbank Note so mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Eximbank, not such mutilate Eximbank Note shall be returned to the Borrower, and, in the case of any lost, stolen or destroyed Eximbank Note, the Borrower shall have first received such evidence of loss, theft or destruction as shall reasonably be considered satisfactory to the Borrower.

Section 3.08. Method of Payment. (a) All payments to be made to Eximbank under this Agreement, the Eximbank Note or any other Financing Document (whether at stated maturity, by reason of acceleration or prepayment, or otherwise) shall be made without set-off or counterclaim in Dollars in immediately available and freely transferable funds no later than 11:00 a.m. (New York City time) on the date on which due (each such payment made after such time shall be deemed to have been made on the next succeeding Business Day) at the Federal Reserve Bank of New York for credit to the following Eximbank account as identified below:

U.S. Treasury Department
021030004
TREAS NYC/CTR/
BNF = /AC-4984 OBI =
EXPORT-IMPORT BANK
DUE _____ ON EIB CREDIT NO. AP069121 - PHILIPPINES
FROM ORMAT LEYTE CO. LTD.

(b) Whenever any payment under this Agreement or the Eximbank Note shall be stated to be due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of any interest or fee due thereon.

Section 3.09. Application of Payments. Eximbank shall apply payments received by it under this Agreement, the Eximbank Note or any other Financing Document (whether at stated maturity, by reason of acceleration or prepayment or

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otherwise) in the following order of priority: (i) interest due pursuant to Section 3.02(b), (ii) Commitment Fee, Credit Exposure Fee, Guarantee Exposure Fees and all other amounts due to Eximbank under this Agreement, the Eximbank Note or any other Financing Document and not otherwise provided for under this

Section 3.09, (iii) interest due pursuant to Section 3.02(a) and (iv) installments of principal due.

SECTION 4. CANCELLATION; SUSPENSION

Section 4.01. Mandatory Cancellation. In the event any scheduled Payment Date for the repayment of principal of the Eximbank Credit falls on a date that is on or prior to the final Completion Date to occur in respect of the Plants comprising the Power Plant, the Maximum Eximbank Credit Amount shall be reduced, in respect of each such scheduled Payment Date occurring prior to such final Completion Date, by an amount equal to one thirty-eighth (1/38th) of the Maximum Eximbank Credit Amount.

Section 4.02. Cancellation by the Borrower. The Borrower may cancel at any time all or any part of the undisbursed and uncanceled amount of the Eximbank Credit, provided that thirty (30) days' prior written notice is given to Eximbank. In the event of a cancellation of all or any part of the Eximbank Credit by the Borrower, the Borrower shall pay to Eximbank, on or before the proposed date of cancellation, all Commitment Fees accrued and unpaid under Section 3.03 in respect of the cancelled amount and all other amounts due and payable to Eximbank under this Agreement, the Eximbank Note or any other Financing Document as of the proposed date of cancellation. Cancellation in full of the Eximbank Credit shall not terminate any provision of this agreement other than Sections 7, 8 and 9 hereof.

Section 4.03. Suspension by Eximbank.

(a) In the event that:

(i) prior to the Disbursement Date, the Borrower shall fail to pay when due any Commitment Fee payable by the Borrower to Eximbank hereunder or any other amount payable by the Borrower to Eximbank hereunder, under the Eximbank Guarantee Agreement or under any other Financing Document; or

(ii) at any time, any Lender suspends the right of the Borrower to request disbursements in accordance with the Lender Credit Agreement; or

(iii) at any time, Lenders with twenty-five percent (25%) or more of the total Commitments provided for in respect of the Lender Credit (such as 25%, the "Cancelled Commitments") cancel their respective Commitments (other than

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any such cancellation pursuant to any undrawn Commitment at the Project Completion Date);

then Eximbank, by written notice to the Borrower and the Administrative Agent, may:

(x) in the case of clause (i) above, suspend disbursement of the Eximbank Credit until all such amounts due and owing to Eximbank shall have been paid in full to Eximbank (whether by or on behalf of the Borrower or by another Person, including any Lender or Lenders);

(y) in the case of clause (ii) above, suspend disbursement of the Eximbank Credit until it is satisfied that the cause of such suspension has been removed; and

(z) in the case of clause (iii) above, suspend disbursement of the Eximbank Credit until such time as another lender or lenders, with the consent of Eximbank, such consent not to be unreasonably withheld (it being understood that each of the Lenders is acceptable to Eximbank for this purpose), shall enter into a binding commitment with the Borrower to

replace the Cancelled Commitments.

(b) The terms of Section 4.03(a) above shall be in addition to and not in limitation of any other rights of Eximbank under this Agreement or any other Financing Document.

SECTION 5. CONDITIONS PRECEDENT

Section 5.01. Conditions Precedent to Lender Disbursement. The applicability of the Eximbank Guarantee to any Utilization shall be subject to the satisfaction of the following conditions on or prior to the Guarantee Operative Date (or, if so specified, the Credit Date); provided that if any such conditions shall have been satisfied on or prior to the Guarantee Operative Date, then on the Credit Date the Borrower shall supply such evidence indicating that such condition continues to be satisfied as Eximbank may reasonably require, including, without limitation, bring-down opinions and certificates:

(a) Project Documents. Each of the Project Documents, excluding (i) the Governmental Approvals set forth in Part B of Schedule 5.01(t) hereto, (ii) the BOT Operation Performance Security, (iii) the BOT Construction Performance Security, (iv) the Post-Completion Ormat Guaranty and (v) agreements and instruments pertaining to Permitted Indebtedness not then incurred shall have been entered into by the respective parties thereto, shall be unconditional and fully effective in accordance with their

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respective terms (except for this Agreement or the Eximbank Guarantee Agreement having become unconditional and fully effective, if such is a condition of effectiveness of any of such documents), shall be in form and substance satisfactory to Eximbank and Eximbank and the Collateral Trustee shall each have received a true, original copy thereof or, if a true, original copy is unavailable, a certified true copy thereof.

(b) Opinions of Counsel. Eximbank shall have received signed legal opinions of counsel to each Person listed on Section A of Schedule 5.01(b) hereto, each of which shall be in form and substance and by counsel satisfactory to Eximbank and shall be dated the Guarantee Operative Date; provided that the opinion of counsel to PNOC-EDC may be dated the Effectivity Date (as defined in the BOT Agreement).

(c) Organization Documents; Proceedings.

(i) Eximbank shall have received a certificate, dated not earlier than the Guarantee Operative Date, signed by a Financial Officer of the General Partner, and attested to by the Secretary or any Assistant Secretary of the General Partner, in form and substance satisfactory to Eximbank, together with copies of the Partnership Agreement and other Organization Documents of the Borrower and such resolutions of the Board of Directors of the General Partner as are reasonably requested by Eximbank.

(ii) Eximbank shall have received a certificate, dated not earlier than the Guarantee Operative Date, signed by a Financial Officer of each Obligor (other than the Borrower, PNOC-EDC, the BOT Construction Performance Security Issuer and the BOT Operation Performance Security Issuer) and attested to by the Secretary or any Assistant Secretary of such Obligor, in form and substance satisfactory to Eximbank, together with copies of the Articles of Incorporation and By-Laws of such Obligor and resolutions of such Obligor reasonably requested by Eximbank.

(iii) Arrangements satisfactory to Eximbank shall have been made for the appointment of SyCip Gorres Velayo & Co. or such other firm of independent public accountants acceptable to Eximbank, as Auditors.

(iv) Eximbank shall have received a certificate from each Obligor (other than PNOC-EDC, the BOT Construction Performance Security Issuer and the BOT Operation Performance Security Issuer) signed by an authorized officer certifying the incumbency of parties executing any Project Document or related document on behalf of such Obligor.

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(d) Auditors. Eximbank shall have received copies of the authorization of the Auditors referred to in Section 6.2(b) of the Lender Credit Agreement and Section 7.02(b) hereof.

(e) Pledged Certificates of Partnership Interests; Subordinated Notes. The Partners shall have delivered to the Collateral Trustee, as pledgee, (i) the partnership certificates representing all of their respective general and limited partnership interests in the Borrower, together with executed and undated partnership interest transfer powers, and (ii) the Subordinated Notes evidencing all outstanding Required Subordinated Loans, Standby Subordinated Loans and Post-Completion Standby Subordinated Loans.

(f) Consent Letters. Eximbank shall have received a letter, in form and substance satisfactory to Eximbank, from CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, indicating the consent of CT Corporation System to its appointment by the Borrower, Ormat, Ormat International, Orleyte Company, the Construction Contractor and the Construction Supplier as their agent to receive service of process as specified in Section 10.02 hereof, in the case of the Borrower; as specified in the Funding Agreement, the Keystone Agreement and the Ormat EPC Guarantee, in the case of Ormat; as specified in the Funding Agreement, the Keystone Agreement and the International EPC Guarantee in the case of Ormat International; as specified in the Funding Agreement and the Mortgage, Assignment and Pledge Agreement in the case of Orleyte Company; as specified in that Funding Agreement, the Pledge Agreement, the Construction Contract and the Keystone Agreement in the case of the Construction Contractor; and as specified in the Supply Contract and the Keystone Agreement in the case of the Construction Supplier.

(g) Environment Matters. Arrangements satisfactory to Eximbank shall have been made for the Borrower and the Project to comply with Eximbank Environmental Procedures and Guidelines (effective February 1, 1995) and Philippine law and guidelines relating to occupational health and safety and to the environment.

(h) BOT Agreement Effectiveness. Each of PNOC-EDC and the Borrower shall have issued to Eximbank a certification confirming that the Effective Date (as defined in the BOT Agreement) has occurred.

(i) Certificates. Eximbank shall have received copies of each executed Project Document, together with a certificate of a Financial Officer of the Borrower certifying that (i) the Borrower is not in default in the performance, observance or fulfillment of any of its obligations, covenants or conditions contained therein and, to the best of the Borrower's and the General Partner's knowledge, no other party to any such Project Document is in default in the performance, observance or fulfillment of any of its material obligations, covenants or conditions contained therein and (ii) in the case of each

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such document to which Eximbank is not a party, (x) that such document is in full force and effect, (y) that to the best of the Borrower's and the General Partner's knowledge no event of Force Majeure (as defined in such Project Document) has occurred thereunder and (z) that the copy thereof delivered to

Eximbank is true, correct and complete. Eximbank shall have received evidence or copies of all Governmental Approvals set forth in Schedule 5.01(t) hereto (other than those set forth in Part B thereof), certified by a Financial Officer of the Borrower as being in full force and effect and except as disclosed in such Schedule 5.01(t), not the object of a currently pending appeal.

(j) Construction Budget; Base Case Forecast. Eximbank shall have received the Construction Budget and the Base Case Forecast, each of which shall be in form and substance satisfactory to Eximbank.

(k) Reports of Consultants. Eximbank shall have received the Independent Engineer's Report, a report prepared by the Insurance Consultant and such other information as shall be reasonably requested by Eximbank.

(l) Financial Statements. Eximbank shall have received copies of the most recent audited financial statements of Ormat and Ormat International and shall have received copies of the most recent unaudited financial statements (if audited financial statements are not otherwise available) of the Borrower and each other Obligor (other than the Borrower, Ormat, Ormat international, PNOC-EDC, the BOT Construction Performance Security Issuer and the BOT Operation Performance Security Issuer), showing, for each such Person, no material adverse change in the financial condition of such Person since the date of the last financial statements provided to Eximbank prior to the date of this Agreement, and certificates dated the Guarantee Operative Date and signed by a Financial Officer of each such Person stating that (x) such financial statements are true, complete and correct and (y) no material adverse change in the financial condition, operations, properties, business or prospects of such Person has occurred since the date of such financial statements.

(m) Evidence of Authority. Eximbank shall have received evidence of the authority of the Borrower to enter into this Agreement, the Eximbank Note, the Lender Credit Agreement, the Disbursement Agreement, the Collateral Trust Agreement and the Security Documents and the other documents required by this Agreement and the Lender Credit Agreement as of the date hereof, and the names, specimen signatures and evidences of authority of the person signing this Agreement, the Eximbank Note, the Eximbank Guarantee Agreement, the Lender Credit Agreement, the Funding Agreement, the Disbursement Agreement, the Collateral Trust Agreement and the Security Documents, the Partnership Agreement and the other documents required by this Agreement and the Lender Credit Agreement as of the date hereof, or who, as of the date

hereof, will otherwise act as representatives of the Borrower in the operation of the Eximbank Guarantee Agreement and the Eximbank Credit.

(n) Notice to Proceed and Construction Contractor's and Construction Supplier's Representation. Eximbank shall have received a certified copy of the Notice to Proceed under (and as defined in) the Construction Contract and the Notice to Proceed under (and as defined in) the Supply Contract, each of which shall have been issued on or prior to the Credit Date Eximbank shall have received certificates signed by authorized representatives of each of the Construction Contractor and the Construction Supplier to the effect that (i) the Construction Contract and the Supply Contract, respectively, are effective and work has commenced thereunder, (ii) as of the date hereof the Scheduled Completion Date for each of Plant A, Plant B and Plant C is September 1, 1997 and for Plant D is January 1, 1998, or such later dates (which Eximbank has confirmed in writing are acceptable to it) as shall correspond to any extension of the milestone dates set forth in Section 4.1(a) of the BOT Agreement for the achievement of the Completion Date for the relevant Plant, (iii) the Borrower is not in default under the Construction Contract or the Supply Contract, respectively, (iv) the Construction Contractor is not entitled to any change orders under the Construction Contract and the Construction Supplier is not entitled to any change orders under the Supply Contract (in each case, other

than change orders previously disclosed to Eximbank in writing) on such date and is not then aware of any other change orders required under the Construction Contract or the Supply Contract, respectively, and (v) to the best of the Construction Contractor's or the Construction Supplier's (as the case may be) respective knowledge, after reasonable inquiry, no Force Majeure event (as defined in each of the Construction Contract and the Supply Contract) has occurred.

(o) Project Site. Eximbank shall have received (i) an opinion of counsel to the Borrower to the effect that the Republic has valid legal title to the Site free of Liens (other than Liens of or arising through the Borrower, the Construction Contractor or the Construction Supplier) and that PNOC-EDC has the valid legal authority to use the Site and delegate unencumbered use of the Site to the Borrower on the terms and conditions set forth in the BOT Agreement, which opinion shall be from counsel and in form and substance satisfactory to Eximbank, and (ii) a certificate of the Borrower that PNOC-EDC has granted the Borrower and its designees full access to and the ability to use the Site, so that the Borrower and/or the Construction Contractor and their respective designees may fully perform their respective obligations under the BOT Agreement and their respective related obligations.

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(p) No Default; Representative and Warranties. Immediately before and after the initial Utilization:

(i) no Lender Credit Default or Lender Credit Event of Default shall have occurred and be continuing; and

(ii) all representations and warranties made by the Borrower and any Obligor which is an Affiliate of the Borrower and contained herein or in the Project Documents (other than the Insurance Contracts, Governmental Approvals or any other agreement, commitment or understanding referred to in subsection (xiv) of the definition of "Operating Agreements" in Schedule X) shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the Guarantee Operative Date except where expressed to be made only as of an earlier date.

(q) Security. The Security, in form and substance satisfactory to Eximbank, shall have been duly created, perfected and, where appropriate, registered, to create a first priority security interest and charge over the Collateral in existence at the date hereof. Without limitation to the preceding sentence, the Borrower shall have duly authorized, executed and delivered or, as the case may be, provided:

(i) acknowledgment copies of proper financing statements or other instruments duly filed under the Applicable Law of each jurisdiction as may be necessary or, in the reasonable opinion of Eximbank, desirable to perfect the charges and security interests purported to be created by the Security Documents;

(ii) certified copies of requests, for information or copies, or equivalent reports, listing the financing statements and instruments referred to in clause (i) above and all other effective financing statements that name the Borrower as debtor and that are filed in the jurisdictions referred to in said clause (i), together with copies of such other financing statements and instruments (none of which shall cover the Collateral except to the extent evidencing Lender Credit Permitted Liens);

(iii) evidence of the completion of all other recordings and filings of, or with respect to, the Security Documents as may be necessary or, in the reasonable opinion of Eximbank, desirable to perfect the security

interests purported to be created by the Security Documents;

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(iv) evidence that all other actions necessary or, in the reasonable opinion of Eximbank, desirable to perfect and protect the security interests purported to be created by the Security Documents have been taken;

(v) the Borrower shall have established the Blocked Account; and

(vi) the Required Funding Amount shall have been fully funded either through a cash deposit pursuant to Section 2(j)(i) of the Funding Agreement and/or a Required Letter of Credit pursuant to Section 2(k)(i) of the Funding Agreement.

(r) Consent and Approvals. There shall have been obtained, or there shall have been made arrangements, satisfactory to Eximbank, for obtaining during the period prior to the Project Completion Date, in addition to the Project Documents, the governmental, corporate, creditors', shareholders', partners' and other licenses, approvals or consents listed in Schedule 5.01(t) hereto and all other governmental, corporate, creditors, shareholders', partners' and other necessary licenses, approvals or consents (other than with respect to Eximbank) for: (i) the financing by each of the Lenders and the Issuing Bank under the Lender Credit Agreement; (ii) the carrying on of the business of the Borrower as it is presently carried on and is contemplated to be carried on; (iii) the carrying out of the Project; (iv) the due execution and delivery of, and performance under, each Project Document which has been entered into at the date hereof, the Security, and any documents in implementation of any thereof; and (v) the remittance to Eximbank and the Collateral Trustee and by the Collateral Trustee to the Secured Parties or the respective assignees, in Dollars, of all monies payable pursuant to each Project Document which has been entered into on the date hereof, and any documents in implementation of any thereof.

(s) No Project Document Default; Governmental Approvals. Each of the Project Documents which has been entered into or which is required to have been entered into on the Guarantee Operative Date shall be in full force and effect and no material breach or default shall have occurred under such Project Document. No event of Force Majeure (as defined in any of the BOT Agreement, the Supply Contract and the Construction Contract) shall have occurred which has had, or in the reasonable judgment of Eximbank is reasonably likely to have, a Material Adverse Effect. No events shall have occurred pursuant to which a claim could be made by the Administrative Agent on behalf of the Lenders under the Eximbank Guarantee Agreement.

(t) Costs; Construction Progress. Eximbank and the Independent Engineer shall have received from the Borrower a certificate in the form of Schedule 5.2(h) to the Lender Credit Agreement signed by an authorized representative of the Borrower and expressed to be effective on the date of the relevant Utilization that (i) the costs and

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expenses theretofore incurred by the Borrower and to be incurred by the Borrower prior to the latest date on which the Final Disbursement Date can be expected to occur will not exceed [\$68,469,000] and (ii) the sum of (A) the aggregate Financed Portion of the costs incurred by the Borrower after March 1, 1995 and before the Final Disbursement Date for the purchase in the United States and export to the Borrower's Country of the Items and (B) the aggregate Local Cost Financed Portion of the costs incurred by the Borrower for the purchase in the Republic of the Local Cost items and (C) the aggregate IDC Financed Portion of

IDC will not exceed the difference between (x) the Total Commitment and (y) 100% of the Guarantee Exposure Fee.

(u) Fees and Expenses. On or before the Credit Date, the Borrower shall have paid or arranged for payment of fees, expenses and other charges (including any and all Attorney Costs) then due and payable by it under this Agreement.

(v) No Change in Contract Price. The contract price set forth in the Supply Contract, the Construction Contract and the Keystone Agreement shall not have been amended, changed or otherwise modified and Eximbank shall have received a certificate from each of the Construction Supplier and the Construction Contractor to such effect in form and substance satisfactory to Eximbank.

(w) Insurance. Eximbank shall have received a certificate from the Insurance Consultant stating that the insurance policies required under the Lender Credit Agreement to be in effect on the Credit Date are in full force and effect.

(x) Other Instrument, Conditions, Etc. The delivery of any other instruments and agreements and the satisfaction of any other condition as Eximbank may reasonably request.

Section 5.02. Conditions Precedent to Eximbank Disbursement. As conditions precedent to the Eximbank Disbursement, the documents described in paragraphs (a) through (h) below shall have been received by Eximbank, each in form and substance satisfactory to Eximbank and dated the Disbursement Date, and the conditions described in paragraphs (i) through (n) shall have been fulfilled as of the date on which the Eximbank Disbursement is requested by the Borrower to be made, in a manner satisfactory to Eximbank:

(a) Eximbank Note. The executed Eximbank Note in the principal amount of the Eximbank Credit.

(b) Opinions of Counsel. Signed legal opinions of counsel to each Person listed on Section B of Schedule 5.01(c) hereto, each of which shall be in form and

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substance and by counsel satisfactory to Eximbank and shall be dated the Disbursement Date.

(c) Evidence of Authority. Evidence of the authority of the Borrower to execute, deliver and perform the terms and conditions of this Agreement, the Eximbank Note and the other documents requested by this Agreement, and the names and evidence of authority (including specimen signatures) of each person who, on behalf of the Borrower, signed or will sign this Agreement, the Eximbank Note and the other documents required by this Agreement, or will otherwise act as representatives of the Borrower in the operation of the Eximbank Credit.

(d) BOT Agreement. A certification signed by an authorized representative of the Borrower and expressed to be effective as of the Disbursement Date, stating that the Borrower is in compliance with the BOT Agreement and that such agreement is in full force and effect.

(e) Security. A certification signed by an authorized representative of the Borrower and expressed to be effective as of the Disbursement Date, stating that the Security Documents are in full force and effect and that the Security granted therein shall have been duly created, perfected and, where appropriate, registered, to create a first priority security interest and charge over the Collateral in existence on the Disbursement Date in favor of the Collateral trustee for the benefit of Eximbank.

(f) Agent for Service of Process. Evidence that the Borrower and each other Obligor (other than PNOC-EDC, the BOT Operation Performance Security Issuer and the BOT Construction Performance Security Issuer) has irrevocably appointed as its agent for service of process the Person or Persons so specified in Section 5.01(f), and that each such agent has accepted the appointment and has agreed to forward forthwith to the Borrower, or the relevant Obligor, as the case may be, all legal process addressed to the Borrower or such Obligor, received by such agent.

(g) Insurance. A certification from the Insurance Consultant stating that the insurance policies required pursuant to Section 7.03 to be in effect on the Disbursement Date, as such provisions may have been modified since the date of this Agreement and as such provisions are in effect on such date, are in full force and effect.

(h) Financial Completion Test. A certification signed by an authorized representative of the Borrower and expressed to be effective as of the Disbursement Date, attaching relevant calculations, and reasonably acceptable to Eximbank, stating that, after giving effect to the Eximbank Disbursement:

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- (1) The aggregate principal amount of all Senior Debt of the Borrower then outstanding shall not exceed [\$51,263,955].
- (2) The outstanding principal amount of all Required Subordinated Loans shall have been converted into common equity in the Borrower on terms and conditions satisfactory to Eximbank.
- (3) The Equity Ratio shall not be less than 25:75.
- (4) The equity contributions to the Borrower aggregate no less than \$16,705,045.

(i) Project Completion. The Project Completion Date shall have occurred.

(j) No Event of Default. Both before and after giving effect to the Eximbank Disbursement, no Lender Credit Default, Lender Credit Event of Default, Default or Event of Default exists or will exist that has not been cured or waived.

(k) Representations and Warranties. All the representations and warranties made by the Borrower in Section 6.02 shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of such date by reference to the facts and circumstances existing on such date, except where such representation or warranty is expressed to be made as of a specified date.

(l) Fees and Costs. The fees due pursuant to Section 3.03 and all costs and expenses required to be paid pursuant to Section 11.07 shall have been paid by the Borrower, and (i) Eximbank has been paid the Credit Exposure Fee, or (ii) arrangements satisfactory to Eximbank shall have been entered into for providing payment to Eximbank of the Credit Exposure Fee. For the purposes of the foregoing sentence, "arrangements satisfactory to Eximbank" shall include, without limitation, the direct payment of the Credit Exposure Fee by the Borrower to Eximbank prior to the Disbursement Date or the submission to Eximbank by the Borrower of a Request for Eximbank Disbursement that includes a request for Eximbank financing of the Credit Exposure Fee.

(m) Debt Reserve Cash Collateral Account. The Debt Reserve Cash Collateral Account shall be funded in an amount not less than \$4,200,000 (if the principal of the Eximbank Credit shall be repayable in 38 installments) and an amount

equal to the Senior Debt Service due and payable during the next succeeding six months (if the principal of the Eximbank Credit shall be repayable in fewer than 38 installments).

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(n) No Material Adverse Effect. No Material Adverse Effect shall exist or shall have occurred that has not been waived by Eximbank.

(o) Payment of Buy Down Amounts. All liquidated damages accruing under Sections 14.2 and 14.3 of the Construction Contract and Sections 12.2 and 12.3 of the Supply Contract shall have been paid in full, irrespective of any limitation on liability therefor set forth in the Construction Contract, the Supply Contract or the Keystone Agreement.

(p) Post-Competition Ormat Guaranty. The Post-Completion Ormat Guaranty shall have been entered into by the respective parties thereto, shall be unconditional and fully effective in accordance with its terms, shall be substantially in the form of Annex C hereto, and Eximbank and the Collateral Trustee shall have each received a true, original copy thereof or, if a true, original copy is unavailable, a certified true copy thereof.

(q) Lender Financing Termination Date. After giving effect to the Eximbank Disbursement, the Lender Financing Termination Date shall have occurred.

Section 5.03. Request for Eximbank Disbursement. The Borrower may, no earlier than ten (10) and no later than five (5) Business Days prior to the proposed Disbursement Date, submit to Eximbank a completed and duly executed Request for Eximbank Disbursement; provided, however, that no Eximbank Disbursement shall be made in respect of such Request for Eximbank Disbursement until the conditions set forth in Section 5.02 have been fulfilled or waived by Eximbank. The Request for Eximbank Disbursement shall be executed by an authorized representative of the Borrower, and shall be accompanied by (i) true, correct and complete copies of each Eximbank Certificate; (ii) a true, correct and complete Reconciliation Certificate; and (iii) a written undertaking from the Administrative Agent in the form of Exhibit 1 to Annex B hereto. In no event shall the maximum amount of the Eximbank Disbursement exceed the aggregate of the Dollar amounts certified by Eximbank in the accompanying Eximbank Certificates as amounts eligible for Eximbank support and 100% of the Credit Exposure Fee. Notwithstanding anything to the contrary contained herein, the Borrower may only submit one (1) Request for Eximbank Disbursement under this Agreement. The Borrower shall apply the proceeds of the Eximbank Disbursement to the payment of amounts owed to the Lenders under the Lender Credit Agreement and the payment of the Credit Exposure Fee in accordance with the terms of Section 6.30(d) of the Lender Credit Agreement and this Agreement.

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SECTION 6. REPRESENTATIONS AND WARRANTIES

Section 6.01. Representations and Warranties with Respect to Guarantee Operative Date. In order to induce Eximbank to enter into this Agreement and each of the other Financing Documents to which it is a party, to issue the Eximbank Guarantee Agreement and to establish the Eximbank Credit, the Borrower makes the following representations, warranties and agreements as of the date of execution hereof and as of the Guarantee Operative Date, which shall survive the execution and delivery of this Agreement and the other Financing Documents to which Eximbank is a party and the disbursement and repayment of the Eximbank Credit:

(a) Limited Partnership Status. The Borrower (i) is a limited partnership duly organized and validly existing and in good standing under the laws of the

Republic, (ii) is duly qualified to do business under the laws of each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as presently conducted or proposed to be conducted makes such qualification necessary and (iii) has full power and authority to own the property and assets owned by it and to lease the properties leased by it and to transact the business in which it is engaged or proposes to be engaged and to do all things necessary or appropriate in respect of the Project and to consummate the transactions contemplated by the Project Documents in effect or required to be in effect as of each date this representation is made or deemed made. Orleyte Company is the sole general partner of the Borrower, and Ormat Philippines and Orleyte Company are the sole limited partners of the Borrower. Each Partner (a) is a limited life company duly organized, validly existing and in good standing under the laws of the Cayman islands, (b) is duly qualified to do business and is in good standing under the laws of each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as presently conducted or as proposed to be conducted makes such qualification necessary or desirable, and (c) has full power and authority to own the property and assets owned by it and to lease the properties leased by it and to transact the business in which it is engaged or proposes to be engaged.

(b) Power and Authority. The Borrower and each Partner has the full power and authority to execute and deliver, and to perform the terms and provisions of, each of the Project Documents to which it is party and has taken all necessary partnership or corporate action, as the case may be, to authorize the execution, delivery and performance by it of each of such Project Documents as have been executed and delivered as of each date this representation and warranty is made. The General Partner has the corporate power and authority to execute and deliver in the name of the Borrower, and to perform on behalf of the Borrower the terms and provisions of, each of the Project Documents to which the Borrower is a party and has taken all necessary corporate action to authorize the execution, delivery and performance by it on the Borrower's behalf of each of such Project Documents as of each date this representation and warranty is made.

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The Borrower and each Partner has, or in the case of the Project Documents other than this Agreement, by the Guarantee Operative Date will have, duly executed and delivered each of the Project Documents to which it is party, and each of such Project Documents constitutes or, in the case of each such other Project Document when executed and delivered, will constitute, the legal, valid and binding obligations of the Borrower or such Partner, as the case may be, and enforceable in accordance with its respective terms, except as the enforceability thereof may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general equitable principles, regardless of whether the issue of enforceability is considered in a proceeding in equity or at law.

(c) No Violation. None of the execution and delivery by the Borrower of the Project Documents to which it is a party, nor the Borrower's compliance with or performance of the terms and provisions thereof, nor the use of the proceeds of the Loans or the Eximbank Credit as contemplated by the respective Financing Documents, nor the execution, delivery and performance on behalf of the Borrower by the General Partner of the Project Documents to which the Borrower is a party (i) will contravene or violate any provision of any Applicable Law to which the Borrower or the General Partner, any of their respective assets or the Project is subject, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except any Permitted Liens) upon any of the property or assets of the Borrower or the General Partner pursuant to the term of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any

other agreement, contract or instrument to which the Borrower or the General Partner is a party or by which either of them or any of any of their respective property or assets is bound or to which either of them may be subject, (iii) will violate any provision of the Partnership Agreement or any other Organization Document of the Borrower or (iv) will require any consent or approval of any Governmental Authority or any other Person which has not been obtained.

(d) Organization. The general and limited partnership interests of Orleyte Company and the limited partnership interests of Ormat Philippines in the Borrower and the respective interests of Orleyte Company and Ormat Philippines in the capital and the profits and distributions of the Borrower are as set forth in the Partnership Agreement. All such partnership interests in the Borrower have been duly and validly authorized and issued. Orleyte Company and Ormat Philippines own the general and limited partnership interests in the Borrower set forth in the Partnership Agreement free and clear of any Liens of any-nature on such partnership interests except for the Liens created pursuant to the Mortgage, Assignment and Pledge Agreement. The Borrower does not have outstanding any certificates or securities that evidence interests in the Borrower (except for certificates representing the respective general and limited partnership interests of

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Orleyte Company and Ormat Philippines in the Borrower), or any securities convertible into or exchangeable for any of its partnership interests or any rights to subscribe for or to purchase, or any warranties or options to purchase, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, any such partnership interests, except for those rights established pursuant to the Mortgage, Assignment and Pledge Agreement, the Partnership Agreement, the Itochu MOU, and agreements (certified copies of which shall have been delivered to Eximbank) relating to a sale or assignment to EPDCI or an Affiliate thereof of limited partnership interests in the Borrower representing not more than 10% of the aggregate partnership interests in the Borrower.

(e) Subsidiaries. The Borrower has no Subsidiaries and owns no equity interest in any other Person.

(f) Single-Purpose Borrower. The Borrower has not incurred any liabilities other than in connection with its participation in the transactions contemplated by the Project Documents. The Borrower (i) has not engaged in any business other than the design, development, ownership, financing, construction and operation of the Project and (ii) has not a party to any agreement, contract or commitment (other than (w) the agreements identified in clauses (i) through (xiv), inclusive, (xvii) and (xviii) of the definition of the term Operating Agreements set forth in Schedule X hereto, (x) the Financing Documents, (y) agreements, contracts or commitments contemplated by the O&M Parameters (including those relating to employee training, secondment of employees and vehicle rentals), the then-current Construction Budget or the then-current Annual Budget and (z) agreements, contracts and commitments in respect of Permitted Indebtedness) which, individually, creates an annual financial obligation of the Borrower in excess of \$75,000 (or the equivalent in other currency) or which would cause the aggregate annual financial obligations of the Borrower under all agreements, contracts and commitments (other than those specified in clauses (w) through (z) immediately above) to which the Borrower is a party to exceed \$150,000 (or the equivalent in other currency).

(g) Financial Statements; Financial Condition; Undisclosed Liabilities; Etc.

(i) The statements of financial condition of the Borrower and the General Partner most recently furnished to Eximbank present fairly the financial condition of the Borrower or the General Partner, as the case

may be, at the date of such statements of financial condition and the results of the operations of the Borrower or the General Partner, as the case may be, for such fiscal year. Such financial statements have been prepared in accordance with Philippine (in the case of the Borrower) and Cayman Islands (in the case of the General Partner) generally accepted accounting principles and practices consistently applied.

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Since the date of such financial statements, no event, condition or circumstance (including without limitation Force Majeure as defined in Articles 13.1(a) and 13.1(b) of the BOT Agreement) has existed or has occurred which is reasonably likely to have a Material Adverse Effect.

(ii) Except as fully reflected in the financial statements referred to in Section 6.01(g)(i), there are no liabilities or obligations with respect to the Borrower or the General Partner of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which such financial statements relate which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect. Neither the Borrower nor the General Partner knows of any reasonable basis for the assertion against the Borrower or the General Partner of any liability or obligation of any nature whatsoever for such relevant period that is not fully reflected in the financial statements referred to in Section 6.01(g)(i) which, either individually or in the aggregate, is reasonably likely to have a Material Adverse Effect.

(h) Litigation; Labor Duties.

(i) Except as disclosed in Schedule 6.01(h) hereto, there is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority (including without limitation any appeal by any Person of a Governmental Approval) pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any of its properties, revenues or assets or the Project or the Site which has had or is reasonably likely to have a Material Adverse Effect. The Borrower is not in default with respect to any order of any court, arbitrator, administrative agency or other Governmental Authority. There is no injunction, writ, preliminary restraining order of any nature issued by an arbitrator, court or other Governmental Authority directing that any of the material transactions provided for in any of the Project Documents not be consummated as herein or therein provided. To the best of the Borrower's knowledge, there is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority (including without limitation any appeal by any Person of a Governmental Approval) pending or threatened against or affecting any party to any Project Document which is an Affiliate of the Borrower or any of their properties, revenues or assets, and the Borrower does not have knowledge of any such action, suit, investigation or proceeding pending or threatened against or affecting any other party to any Project Document or any of their properties, revenues or assets, in each case

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described in this sentence which has had or is reasonably likely to have a Material Adverse Effect.

(ii) There are no strikes, slowdowns or work stoppages by the Borrower's employees on-going or, to the knowledge of the Borrower, threatened which are reasonably likely to have a Material Adverse Effect.

(i) True and Complete Disclosure. All factual information (taken as a whole, which, for the avoidance of doubt (i) shall not include any information by way of projections, estimates or other expressions of view as to future circumstances provided that such projections, estimates or other expressions of view are expressed in good faith and on the basis of reasonable assumptions and (ii) shall be qualified by any disclaimers with respect to such factual information provided by the Borrower to Eximbank) heretofore or contemporaneously furnished by or on behalf of the Borrower, Ormat or any other Affiliate of the Borrower in writing to Eximbank (including without limitation such factual information as contained in the information Memorandum and the Project Documents), and all other such factual information (taken as a whole) hereafter furnished by or on behalf of the Borrower, Ormat or any other Affiliate of Ormat in writing to Eximbank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. There are in existence no documents or agreements which have not been disclosed to Eximbank which are material in the context of the Project Documents or which have the effect of varying any of the Project Documents.

(j) Tax Returns and Payments. The Borrower has filed all tax returns required by Applicable Law to be filed by it and has paid all income taxes payable by it which have become due pursuant to such tax returns and all other taxes and assessments payable by it which have become due, other than those not yet delinquent and except for those contested in good faith and for which adequate reserves have been established. The Borrower has paid, or has provided adequate reserves (in the good faith judgment of the management of the Borrower) for the payment of, all national, regional or local income taxes applicable for all prior Fiscal Years and for the current Fiscal Year to the date hereof.

(k) Governmental Approvals. All Governmental Approvals necessary under Applicable Law in connection with (i) the due execution and delivery of, and performance by the Borrower of its obligations and the exercise of its rights under, the Project Documents in effect or required to be in effect as of each date this representation is made or deemed made, (ii) the investment by the Partners in the Borrower, (iii) the due execution, delivery and performance by the General Partner on behalf of the Borrower of

each of the Project Documents to which the Borrower is a party, (iv) the grant by each of the Borrower, the Partners, and Ormat International of the Liens created pursuant to the Security Documents and the Funding Agreement and the validity, enforceability and perfection thereof and the exercise by Eximbank or the Collateral Trustee of its rights and remedies thereunder and (v) the construction and operation of the Project as contemplated by the Project Documents, to be obtained by the Borrower or any Affiliate of the Borrower are, and to be obtained by any other Person (to the best knowledge of the Borrower) are, set forth in Schedule 5.01(t). Each of the Governmental Approvals set forth in Part A of Schedule 5.01(t) and each other Governmental Approval obtained by the Borrower after the date of this Agreement but on or prior to the date this representation is made, has duly obtained or made, is validly issued, is in full force and effect, is not the object of a currently pending appeal, is held in the name of the Person identified in Schedule 5.01(t) and is free from any condition or requirement compliance with which is reasonably likely to have a Material Adverse Effect or which the Borrower does not reasonably expect to be able to satisfy. There is no proceeding (including without limitation any appeal by any Person) pending or, to the best knowledge of the Borrower, threatened which is reasonably likely to result in the rescission, termination, material modification, suspension or determination of invalidity or lack of effectiveness of any such Governmental Approval. The information set forth in each application and other written material submitted by the Borrower to the applicable

Governmental Authority in connection with each such Governmental Approval is accurate and complete in all material respects. The Governmental Approvals set forth in Part B of Schedule 5.01(t) are required solely in connection with later stages of construction and operation of the Project. The Borrower has no reason to believe that any Governmental Approval that has not been obtained by the Borrower, but which will be required in the future, will not be granted to it in due course, on or prior to the date when required and free from any condition or requirement compliance with which is reasonably likely to have a Material Adverse Effect or which the Borrower does not reasonably expect to be able to satisfy. The Project, if constructed in accordance with the Construction Contract, the Supply Contract and the other Project Documents, will conform to and comply with all covenants, conditions, restrictions and reservations in the Governmental Approvals and the Project Documents applicable thereto and all Applicable Laws. The Borrower has no reason to believe that the Collateral Trustee will not be entitled, without undue expense or delay, to the benefit of each Governmental Approval set forth on Schedule 5.01(t) upon the exercise of remedies under the Security Documents Eximbank has received a true and complete copy of each Governmental Approval heretofore obtain or made by the Borrower.

(l) Compliance with Statutes, Etc.

(i) Each of the Borrower and, with respect to its ownership interest in and management of the Borrower, the General Partner is in compliance with all

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Applicable Laws in respect of the conduct of its business and the ownership of its property (including, without limitation, Applicable Laws relating to environmental standards and controls and resettlements and Applicable Laws relating to the maintenance of debt to equity ratios).

(ii) Without limitation to the foregoing clause (i), the Borrower's business and the Project are being carried out in compliance with applicable Republic environmental guidelines.

(m) Environmental Matters. To the best of the Borrower's knowledge, neither the Site nor the Power Plant (nor any other property with respect to which the Borrower has retained or assumed liability either contractually or by operation of the law) has been affected by any Hazardous Material in a manner that is reasonably likely to give rise to any material liability of the Borrower under any Environmental Law or which has had or is reasonably likely to have an Adverse Effect.

(n) Patents, Licenses, Franchises and Formulas. The Borrower owns or has the right to use all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect thereto, and has obtained assignments of all leases and other rights of whatever nature, necessary for the present and proposed conduct of its business and the carrying out of the Project in the manner contemplated by the Project Documents, without any known conflict with the fights of others which, or the failure to obtain which, as the case may be, is reasonably likely to result in a Material Adverse Effect.

(o) Submission to Law and Jurisdiction. As of the Guarantee Operative Date, the choice of governing law for each of the respective Project Documents in effect or required to be in effect as of the Guarantee Operative Date will be recognized in the courts of the Republic, and those courts will recognize and give effect to any judgment in respect of such Project Document obtained by or against the Borrower in the courts of the jurisdictions to which the Borrower has submitted.

(p) Status of the Loans and the Eximbank Credit. The Lender Financing Secured Obligations constitute, and the Eximbank Secured Obligations will

constitute, direct, unconditional, and general obligations of the Borrower and rank senior as to priority of payment and security to all Subordinated Secured Obligations and Affiliated Reimbursement Obligations of the Borrower and not less than pari passu as to priority of payment to all other Indebtedness of the Borrower. Except as permitted by Section 8.01 of this Agreement, the Borrower has not secured or agreed to secure any such other Indebtedness by any Lien upon any of its present or future revenues, assets or properties or upon any general or limited partnership interests in the Borrower.

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(q) Documents; Sufficiency of Project Documents.

(i) Eximbank has received a complete copy of each Project Document in effect or required to be in effect as of each date this representation is made or deemed made (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any).

(ii) To the best of the Borrower's knowledge, the services to be performed, the materials to be supplied and easements, licenses and other rights granted or to be granted to the Borrower pursuant to the terms of the Project Documents provide or will provide the Borrower with all rights and property interests required to enable the Borrower to obtain all services, materials or rights (including access) required for the design, construction, start-up, operation and maintenance of the Project, including the Borrower's full and prompt performance of its obligations, and full and timely satisfaction of all conditions precedent to the performance by others of their obligations, under the Project Documents, other than those services, materials or rights that reasonably can be expected to be obtainable in the ordinary course of business without material additional expenses or material delay.

(r) Fees and Enforcement. Other than amounts that have been paid in full or will have been paid in full by the Guarantee Operative Date (or, for the purposes of Section 6.02 hereof, the Disbursement Date), no fees or taxes, including without limitation stamp, transaction, registration or similar taxes, are required to be paid for the legality, validity, or enforceability of this Agreement or any of the other Project Documents in effect or required to be in effect as of each date this representation is made or deemed made. This Agreement and each of such Project Documents executed and delivered as of the date this representation is made or deemed made are each in proper legal form under the laws of the Republic, and under the respective governing laws selected in such Project Documents, for the enforcement thereof in such jurisdiction without any further action on the part of the Collateral Trustee or Eximbank.

(s) Utility Availability. Arrangements reflected accurately and completely in the Construction Budget have been made under the Construction Contract, the Supply Contract, the BOT Agreement or otherwise on commercially reasonable terms for the provision of all services, materials and utilities reasonably necessary for the construction of the Project.

(t) Availability and transfer of Foreign Currency. Except as disclosed in Schedule 6.01(t) to this Agreement, all requisite foreign exchange control approvals and other authorizations, if any, by the Republic or any department or agency thereof have been duly obtained and validly issued and are in full force and effect to assure (i) the

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ability of the Borrower to receive, and the ability of any other Person to make, any and all payments to the Borrower contemplated by the Project Documents, (ii)

the availability of Dollars to enable the Borrower to perform all of its obligations under the Financing Documents or any of the other Project Documents, as the case may be, in accordance with their respective terms, and (iii) the ability of the Borrower to convert all sums received in Peso amounts from PNOC-EDC under the BOT Agreement and the PNOC-EDC Consent Agreement and from the Republic under the Performance Undertaking and the Republic Consent Agreement, including any Peso amounts representing SFRI Fees, from Pesos to Dollars, immediately upon receipt thereof, and to use the Dollars as necessary to perform all of its obligations under the Project Documents, in accordance with their respective terms. None of such foreign exchange control approvals and other authorizations are subject by its respective terms as currently in effect to modification or revocation. Except as disclosed in Schedule 6.01(t) to this Agreement, there are no restrictions or requirements which limit the availability or transfer of foreign exchange, or the conversion to a foreign exchange, for the purpose of the performance by the Borrower of its obligations under the Financing Documents, this Agreement or under any of the other Project Documents.

(u) Construction Budget.

(i) The Construction Budget as in effect on the date hereof is attached as Schedule 6.01(u) to this Agreement. The Construction Budget accurately specifies all costs and expenses incurred and, to the best of the Borrower's knowledge, anticipated to be incurred, prior to the latest date on which the Maturity Date can be expected to occur to construct and finance the construction of the Project in the manner contemplated by the Project Documents. In addition, to the best of the Borrower's knowledge, the amount of all costs and expenses required to be paid or incurred prior to the latest date on which the Maturity Date can be expected to occur to construct and finance the construction of the Project in the manner contemplated by the Project Documents does not exceed the amount reflected in the Construction Budget

(ii) To the best of the Borrower's knowledge, all projections and budgets (including the Construction Budget and the Base Case Forecast) furnished or to be furnished to the Administrative Agent, the Collateral Trustee, the Issuing Bank, the Lenders or Eximbank by or on behalf of the Borrower and the summaries of significant assumptions related thereto (w) have been and will be prepared with due care, (x) fairly present, and will fairly present, the Borrower's expectations as to the matters covered thereby as of their date, (y) are based on, and will be based on, reasonable assumptions as to all factual and legal matters material to the estimates therein (including interest rates and costs)

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and (z) are in all materials respects consistent with, and will be in all material respects consistent with, the provisions of the Project Documents.

(v) Title; Liens. The Borrower has good and valid title to all of its other properties and assets, in each case, free and clear of all Liens other than Permitted Liens, including without limitation, on and subject to the terms and conditions of the BOT Agreement, an unconditional and unencumbered right to use the Site for the duration of the Cooperation Period (as defined in the BOT Agreement). No mortgage or financing statement or other instrument or recordation covering all or any part of the property or assets of the Borrower is on file in any recording office, except such as relate to Liens described in paragraphs (a) and (b) of Section 8.01 hereof.

(w) Transactions with Affiliates. The Borrower is not a party to any contracts or agreements with, or any other commitments to, whether or not in the ordinary course of business, any Affiliate, which are individually valued in excess of \$50,000 or in the aggregate valued in excess of \$100,000 except for

the Lender Credit Agreement, the Construction Contract, the Supply Contract, the Funding Agreement, the Mortgage, Assignment and Pledge Agreement, the Keystone Agreement, the Assignment and Assumption Agreement, the O&M Support Undertaking and any other contracts, agreements or commitments that are contemplated in the O&M Parameters (including those relating to employee training, vehicle rentals and secondment of employees) or in the Funding Agreement.

(x) No Additional Fees. Other than as expressly set forth in the Base Case Forecast and the Construction Budget, the Borrower has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of arranging the financing of the transactions contemplated by the Project Documents.

(y) Regulation of Parties. None of the Borrower, its Affiliates nor any of the Secured Parties or Eximbank is or will be, solely as a result of the participation by such parties separately or as a group in the transactions contemplated hereby or by any other Project Document, or as a result of the ownership, use or operation of the Project, subject to regulation by any Governmental Authority of the United States as a "public utility", an "electric utility holding company", a "public utility holding company", a "holding company", or an "electrical corporation" or a subsidiary or affiliate of any of the foregoing under any Applicable Law of the United States (including, without limitation, PUHCA and FPA) or by any Governmental Authority of the Republic as a "public utility" under any Applicable Law of the Republic. So long as the owner and operator of the Project is an "exempt wholesale generator" under Section 32 of PUHCA or a "foreign utility company" under Section 33 of PUHCA, none of the Secured Parties will by reason of its or their ownership or operation of the Project upon the exercise or remedies under the Security Documents be subject to regulation by any Governmental Authority of the

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United States as a "public utility", an "electric utility", an "electric utility holding company", a "holding company", or an "electric corporation" or a subsidiary or affiliate of any of the foregoing under any Applicable Law of the United States (including, without limitation, PUHCA and FPA).

(z) Regulatory Status. The Borrower is not subject to regulation as a "subsidiary company" of a holding company under PUHCA.

(aa) ERISA and Employees. The Borrower does not sponsor, maintain, administer, contribute to, participate in, or have any obligation to contribute to or any liability under, any Plan nor since the date which is six years immediately preceding the Guarantee Operative Date has the Borrower established, sponsored, maintained, administered, contributed to, participated in, or had any obligation to contribute to or liability under, any Plan. A Termination Event has not occurred with respect to any Plan the occurrence of which has had or to the Borrower's knowledge is reasonably likely to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has failed to make a required contribution or payment to a Multiemployer Plan when due, the failure of which has had or to the Borrower's knowledge is reasonably likely to result in a Material Adverse Effect. To the Borrower's knowledge, no accumulated funding deficiency as defined in Section 412 of the Code has been incurred nor has any funding waiver from the Internal Revenue Service been received or requested with respect to any Pension Plan, nor has the Borrower or any ERISA Affiliate failed to make any contribution or to pay any amount due and owing as required by Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan, nor has there been any event requiring disclosure under Section 4041(c)(3)(C) or Section 4063 of ERISA with respect to any Pension Plan, the event or occurrence of which has had or to the Borrower's knowledge is reasonably likely to result in a Material Adverse Effect. To the Borrower's knowledge, the Borrower and each ERISA Affiliate has met its minimum funding requirements under ERISA and the Code with respect to the Plans and all benefit liabilities under each Pension Plan are being funded in accordance with

applicable legal requirements and reasonable actuarial assumptions and methods as set forth in ERISA and the Code. To the Borrower's knowledge, no material proceeding, claim, lawsuit and/or investigation exists or, to the best of the Borrower's knowledge, is threatened concerning any (i) Pension Plan, or (ii) Multiemployer Plan, the occurrence of which has had or is reasonably likely to result in a Material Adverse Effect. Neither the Borrower nor, to the Borrower's knowledge, any ERISA Affiliate has incurred any liability to the PBGC other than for insurance premiums with respect to a Pension Plan, the payment of which is not yet due.

(bb) Investment Company Act. Neither the Borrower nor any of its Affiliates is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

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Section 6.02. Representations and Warranties with Respect to the Disbursement Date. In order to induce Eximbank to make the Eximbank Credit available to the Borrower on the Disbursement Date, the Borrower confirms the representations and warranties set forth in Section 6.01 as if made as of the Disbursement Date (except where specified to be made as of a special date).

Section 6.03. Acknowledgment. The Borrower acknowledges that it has made the foregoing representations and warranties with the intention of persuading Eximbank to enter into this Agreement, the Eximbank Guarantee Agreement and the other Financing Documents to which Eximbank is a party, and that Eximbank has entered into this Agreement, the Eximbank Guarantee Agreement and the other Financing Documents to which Eximbank is a party on the basis of, and in full reliance on, each of such representations and warranties. The Borrower warrants to Eximbank that each of such representations is true and correct in all material respects as of the date of this Agreement and that none of them omits any matter necessary to make such representation not misleading in any material respect. The rights and remedies of Eximbank in relation to any misrepresentations or breach of warranty on the part of the Borrower shall not be prejudiced by any investigation by or on behalf of Eximbank into the affairs of the Borrower, by the execution, delivery or performance of this Agreement or any other Financing Document or by any other act or thing which may be done by or on behalf of Eximbank in connection with this Agreement or any other Financing Document and which might, apart from this Section, prejudice such rights or remedies. The representations referred to in this Section 6 shall survive the execution and delivery of this Agreement and the making of the Eximbank Disbursement.

SECTION 7. AFFIRMATIVE COVENANTS

With respect to provisions of this Section 7 so specifying, from and after the Disbursement Date and, with respect to all remaining provisions of this Section 7, from and after the execution and delivery of this Agreement, in each case until the Eximbank Credit is paid in full, except as otherwise waived pursuant to the next two succeeding sentences, the Borrower covenants and agrees as provided in this Section 7. Provisions of this Section 7 specifying effect from and after the Disbursement Date and provisions requiring consultations with or the furnishing of documents or other information to Eximbank or requiring the consent or approval of Eximbank to the taking or omission of any action may only be waived by Eximbank and in writing. All other provisions of this Section 7 may be waived with effect during the period prior to the Disbursement Date by the Required Secured Parties and in writing and, thereafter, by Eximbank and in writing.

Section 7.01. Information Covenants. The Borrower shall furnish to shall furnish to Eximbank:

(a) Quarterly Financial Statements. As soon as available but, in any event, within ninety (90) days (or one hundred twenty (120) days in the case of the fourth quarterly accounting period) after the close of each quarterly accounting period in each Fiscal Year:

(i) two copies of complete unaudited statements of financial condition of the Borrower and the General Partner as at the end of such quarterly period with related statements of income and retained earnings and statements of changes in financial position for such quarterly period and for the elapsed portion of the Fiscal Year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior Fiscal Year, which shall be prepared in accordance with generally accepted accounting principles as in effect from time to time (A) in the case of the Borrower, in the Republic and (B) in the case of the General Partner, in the United States and which, in either case, shall otherwise be in form satisfactory to Eximbank and certified by the chief financial officer of the Borrower or the General Partner, as the case may be, subject to normal year-end audit adjustments;

(ii) a report on any event or condition which has had or which is reasonably likely to have a Material Adverse Effect; and

(iii) a statement, in form reasonably satisfactory to Eximbank, of all financial transactions in such Quarter between the Borrower and any Affiliate of the Borrower, including a certification that such transactions were on ordinary commercial terms negotiated on an arms-length basis.

(b) Annual Financial Statement. As soon as available but, in any event, within one hundred twenty (120) days after the close of each Fiscal Year, two copies of the following, all prepared in accordance with generally accepted accounting principles as in effect in the Republic from time to time and otherwise in form satisfactory to Eximbank: (i) statements of financial condition of the Borrower as at the end of such Fiscal Year with the related statements of income and retained earnings and statements of changes in financial position for such Fiscal Year, setting forth comparative figures for the preceding Fiscal Year and certified by the Auditors, together with (if applicable) consolidated statements and all adjustments thereto (all such statements being in agreement with the Borrower's books of account and prepared in accordance with Republic generally accepted accounting principles consistently applied), (ii) a report of the Auditors (x) stating that in the course of its regular audit of the financial statements of the Borrower, which audit was conducted in accordance with Republic generally accepted auditing standards, the Auditors obtained no knowledge of any Incipient Default Event or Default Event which has occurred and is continuing or, in the opinion of the

Auditors such an Incipient Default Event or Default Event has occurred and is continuing, a statement as to the nature thereof and (y) certifying that, based on said financial statements, the Borrower was in compliance with the financial covenant contained in Section 8.18 as of the end of the relevant Fiscal Year and, during the last fiscal quarter of such Fiscal Year, did not receive any distributions or make any payments of principal of or interest on any Subordinated Secured Obligations or Affiliated Reimbursement Obligations in violation of such covenant or of the Debt Reserve Annual Coverage Ratios set forth in priorities SIXTH, SEVENTH, EIGHTH or NINTH, as the case may be, of Section 3.02(d)(ii) of the Disbursement Agreement or, as the case may be,

detailing any non-compliance therewith and (iii) a certificate of the chief financial officer of the Borrower setting forth comparative figures for such statements of financial condition and the pro forma financial projections submitted to Eximbank in connection with the Borrower's application for credit approval.

(c) Other Financial Statements.

(i) Within one hundred twenty (120) days (or, with respect to Ormat, one hundred fifty (150) days) of the end of each fiscal year, copies of the audited (or unaudited, if audited are not available) annual financial statements (consisting of a balance sheet and the related statements of income, equity and cash flows) of Ormat, Ormat International, Orleyte Company and Ormat Philippines certified by the respective chief financial officer of each such person and within ninety (90) days after the end of each of the first three fiscal quarters of each fiscal year, copies of the unaudited quarterly financial statements (consisting of a balance sheet and the related statements of income, equity and cash flows) of Ormat, Ormat International, Orleyte Company and Ormat Philippines, certified by the respective chief financial officer of each such person that such financial statements are true and correct and have been prepared in accordance with United States (or, in the case of Ormat, Israeli) generally accepted accounting principles (subject to normal year-end adjustments); provided, however, that the Borrower shall have no obligation hereunder to provide to Eximbank the financial statements of either Ormat or Ormat International after such entity is no longer an Obligor.

(ii) Within one hundred (115) days after the close of the second fiscal quarter of each Fiscal Year of the Borrower, a report of the Auditors certifying that, as of the end of such fiscal quarter, the Borrower was in compliance with the financial covenant contained in Section 8.18 and, during such fiscal quarter, did not receive any distributions or make any payments of principal of or interest on any Subordinated Secured Obligations or Affiliated Reimbursement Obligations in violation of such covenant or of the Debt Reserve Annual Coverage Ratios set forth in priorities SIXTH, SEVENTH, EIGHTH or NINTH,

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as the case may be, of Section 3.02(d)(ii) of the Disbursement Agreement or, as the case may be, detailing any non-compliance therewith.

(iii) Within ninety (90) days after the close of each of the first and third fiscal quarters of each Fiscal Year of the Borrower, a certificate of the chief financial officer of the Borrower, accompanied by calculations in reasonable detail supporting the conclusions set forth therein, to the effect as of the end of each such fiscal quarter, the Borrower was in compliance with the financial covenant contained in Section 8.18 and, during each such fiscal quarter, did not receive any distributions or make any payments of principal of or interest on any Subordinated Secured Obligations or Affiliated Reimbursement Obligations in violation of such covenant or of the Debt Reserve Annual Coverage Ratios set forth in priorities SIXTH, SEVENTH, EIGHTH or NINTH, as the case may be, of Section 3.02(d)(ii) of the Disbursement Agreement or, as the case may be, detailing any non-compliance therewith.

(iv) Contemporaneously with the delivery thereof to the Collateral Trustee, copies of each certificate requesting a distribution or payment of principal of or interest on any Subordinated Secured Obligations or Affiliated Reimbursement Obligations in accordance with priorities SIXTH, SEVENTH, EIGHTH or NINTH, as the case may be, of Section 3.02(d)(ii) of the Disbursement Agreement.

(d) Management Letters. Promptly after the Borrower's receipt thereof, a copy of any "management letter" or other similar communication received by the Borrower from the Auditors in relation to the Borrower's financial, accounting and other systems, management and accounts.

(e) Annual Operating Budget. As soon as available but, in any event, within sixty (60) days prior to (i) the Cooperation Period Commencement Date in respect of the initial Plant to be completed and, thereafter, (ii) the commencement of each Fiscal Year, an annual operating budget (the "Annual Budget") (including budgeted statements of income and sources and uses of cash and balance sheets) prepared by the Borrower and accompanied by a statement of the chief financial officer of the Borrower to the effect that, the best of his or her knowledge, the budget is a reasonable estimate for the period covered thereby. The first Annual Budget shall cover the period from the Cooperation Period Commencement Date through the end of the Fiscal Year in which the Cooperation Period Commencement Date occurs, and, if such period consists of less than six (6) months, for the immediately succeeding Fiscal Year. Each Annual Budget shall contain complete, fair and accurate estimates (by principal components) of Sales Proceeds, Operating and Maintenance Costs and Debt Service for each Month covered by such Annual Budget based on the Borrower's best projections at such time. Unless otherwise

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consented to by Eximbank, the Annual Budget from year to year shall be based on the same format as the Base Case Forecast, including any amounts allocated for contingencies, and be maintained on the same basis and provide sufficient detail to permit a meaningful comparison. For each Annual Budget that is expected to cover any period occurring after the Disbursement Date, Eximbank (in consultation with the Independent Engineer) shall review such Annual Budget, and Eximbank's response shall not be unreasonably delayed. If Eximbank does not approve an Annual Budget, Eximbank shall notify the Borrower of the items which are disapproved and the reason for such disapproval. Until such Annual Budget is so approved, the Annual Budget most recently in effect shall continue to apply, except that any items of the then proposed Annual Budget that have been approved shall also be given effect. From time to time, but not more frequently than once per Quarter, the Borrower may propose amendments to an Annual Budget, and Eximbank (in consultation with the Independent Engineer) may reject such proposal within thirty (30) Business Days from the date the Borrower submits such proposal if in Eximbank's reasonable judgment such amendment is not reasonably necessary or advisable for operation of the Project and, if no such rejection is made, such amendments shall become effective. Not later than three (3) Business Days after the effective date of each Annual budget and of any amendment thereto, the Borrower shall provide a copy of the same to the Collateral Trustee.

(f) Officer's Certificates. At the time of the delivery of the financial statements provided for in Section 7.01(a) and (b), a certificate of a Financial Officer of the Borrower to the effect that, to the best of his or her knowledge, no Incipient Default Event or Default Event has occurred and is continuing or, if any Incipient Default Event or Default Event has occurred and is continuing, specifying the nature and extent thereof and what action the Borrower is taking or proposes to take in response thereto, which certificate shall (without duplication of the Borrower's obligations under Section 7.03(c)(iii)), from and after the Disbursement Date, set forth the calculations required to establish whether the Borrower was in compliance with the provisions of Section 7.14, 8.03 and 8.18 and Section 3.02(d)(ii) of the Disbursement Agreement.

(g) Notice of Default, Litigation, etc. (i) Immediately upon the Borrower obtaining knowledge thereof, notice, by facsimile, cable or telex, of any event which constitutes an Incipient Default Event or Default Event, specifying the nature of such Incipient Default Event or Default Event and any steps the Borrower is taking to remedy the same; and (ii) promptly, and in any event within twenty (20) Business Days (or such shorter period as may be specified

below) after an officer of the Borrower or the General Partner, as the case may be, obtains knowledge thereof:

(A) notice of any litigation or governmental proceeding pending (x) against the Borrower or the General Partner (i) involving a claim in excess of \$125,000 (or the equivalent thereof in other currency) or (ii) which is

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reasonably likely to have a Material Adverse Effect or (y) with respect to any Project Document;

(B) notice of any proposal by any Governmental Authority to acquire compulsorily the Borrower or the General Partner, any of the Collateral or a substantial part of the Borrower's or the General Partner's business or assets;

(C) notice of any substantial dispute between the Borrower or any Affiliate of the Borrower and any Governmental Authority relating to the Project;

(D) notice of any change in the authorized officers or directors referred to in Section 5.01(m) above, giving certified specimen signatures of any new officer or director so appointed and, if requested by Eximbank, satisfactory evidence of the authority of such new officer or director;

(E) (x) as promptly as practicable and in any event not later than two Business Days after becoming aware thereof notice of any actual or proposed termination, rescission, discharge (otherwise than by performance) under any material provision of any Project Document (other than by Eximbank) and (y) as promptly as practicable and in any event not later than ten Business Days after becoming aware thereof notice of any actual or proposed amendment, waiver or indulgence under any material provision of any Project Document (other than by Eximbank);

(F) copies of any material notice or correspondence received or initiated by the Borrower or the General Partner relating to a Governmental Approval or other license or authorization necessary for the Performance by the Borrower or the General Partner of its respective obligations under the Project Documents;

(G) notice of any Lien (other than a Permitted Lien) becoming enforceable over any of the Borrower's assets;

(H) notice of any proposed material change in the nature or scope of the Project or the business or operations of the Borrower and any one or more events, conditions or circumstances (including without limitation Force Majeure as defined in Sections 14.1(a) and 14.1(b) of the BOT Agreement) that exist or have occurred which are reasonably likely to have a Material Adverse Effect;

(I) until the Eximbank Guarantee Agreement has terminated in accordance with its terms, notice of the occurrence of any event or act which

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could reasonably qualify as a Political Risk (as defined in the Eximbank Guarantee Agreement);

(J) notice of or (in the case of items described in the immediately

succeeding clause (x)) copies of: (x) each funding waiver request filed with respect to any Pension Plan and all communications received or sent by the Borrower or any ERISA Affiliate with respect to such request, and (y) the failure of the Borrower or any ERISA Affiliate to make a required installment or payment under Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan by the due date (other than the quarterly contributions described in Section 302(e) of ERISA or Section 412(m) of the Code);

(K) notice of the occurrence of any Termination Event which has had or is reasonably likely to result in a Material Adverse Effect in connection with any Pension Plan or any trust thereunder, specifying the nature thereof, what action the Borrower or the ERISA Affiliate has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the United States Internal Revenue Service, the United States Department of Labor or the PBGC with thereto;

(L) copies of: (x) all notices of the PBGC's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan; and (y) all notices from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA; or

(M) notice of the filing of an intent to terminate any Pension Plan under a distress termination within the meaning of Section 4041(c) of ERISA; or

(N) a copy of each agreement, commitment or understanding (whether or not subject to the approval of Eximbank pursuant to any other provision of this Agreement) executed by or on behalf of the Borrower (excluding (x) the agreements set forth in clauses (i) through (xiii), inclusive, (xvi), (xvii) and (xviii) of the definition of the term "Operating Agreements" in Schedule X hereto but including replacements thereof and (y) agreements, commitments or understandings entered into in the ordinary course of business which are required to perform the O&M Parameters and which (1) do not, individually, create a financial obligation of the Borrower in excess of \$75,000 and (2) would not, in the aggregate, result in the expenditure of funds in any Fiscal Year in excess of the amount budgeted for Operating and Maintenance Costs (including the Contingent O&M Amount) in the then-current Annual Budget for such Fiscal Year) in connection with the Project, which notice shall specifically refer to this Section 7.01(g)(ii)(N) and, with respect to any such agreement,

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commitment or understanding extending by its terms beyond the Disbursement Date, request that Eximbank confirm (prior to the Disbursement Date, after consultation with the Administrative Agent) whether or not such agreement, commitment or understanding shall constitute an Operating Agreement, in which case such agreement, commitment or understanding shall only constitute an Operating Agreement if Eximbank shall so designate it as an Operating Agreement in a writing delivered to the Borrower within 60 days of Eximbank's receipt thereof; or

(O) notice of the occurrence of any event of default or default under Section 19.1 of the Construction Contract or under the Assignment and Assumption Agreement.

(h) Implementation Reports. Prior to the Project Completion Date, within twenty-one (21) days of the end of each Month, a report, in a form satisfactory to Eximbank, on the implementation and progress of the Project, including (i) any factors materially and adversely affecting or which are reasonably likely to materially and adversely affect the carrying out of the Project and (ii) copies of any reports received by the Borrower from any outside technical consultant

identifying any matter that is or may prove to be of material adverse significance to the operation of the Plant.

(i) Completion Date and Operation Date Notices. The Borrower shall provide Eximbank with not more than ten (10) or less than two (2) Business Days' prior notice of the scheduled occurrence of the Completion Date for each Plant. The Borrower shall provide Eximbank with not more than ten (10) or less than two (2) Business Days' prior notice of the scheduled occurrence of (i) each Operation Date and (ii) the date on which the Borrower expects to satisfy the conditions precedent to Eximbank Disbursement specified in Section 5.02 hereof (other than those conditions that may only be satisfied on and as of the Disbursement Date). The Borrower shall provide Eximbank with notice of the Completion Date for each Plant and the Operation Date for each Plant not more than five (5) Business Days after the occurrence of any thereof.

(j) Other Information. From time to time, such other information or documents (financial or otherwise) as Eximbank may reasonably request including, without limitation, (1) advance notice of the commencement of all performance tests under the Construction Contract and (2) if the Completion Date for any Plant in the BOT Agreement shall have been deemed to have occurred pursuant to Section 5.4(h) of the BOT Agreement, information as to the circumstances giving rise to the same, the action(s) which the Borrower (and, to the extent known by the Borrower, PNOC-EDC) is taking or proposes to take with respect to the same and periodic reports of the status of such actions and the implementation thereof.

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Section 7.02. Books, Records and Inspections; Accounting and Audit Matters.

(a) The Borrower will keep proper books of record and account adequate to reflect truly and fairly the financial condition and results of operations of the Borrower (including the progress of the Project) in which full, true and correct entries in conformity with Philippine generally accepted accounting principles consistently applied and all Applicable Laws shall be made of all dealings and transactions in relation to its business and activities. The Borrower will permit officers and designated representatives of Eximbank to visit and inspect, under guidance of officers of the Borrower, any of the properties of the Borrower, and to examine and make copies of the books of record and account of the Borrower and discuss the affairs, finances and accounts of the Borrower with, and be advised as to the same by, its and their officers, all at such reasonable times and intervals and to such reasonable extent as Eximbank may request.

(b) The Borrower shall (i) authorize the Auditors (whose fees and expenses shall be for the account of Borrower) to communicate directly with Eximbank at reasonable intervals, but if an Incipient Default Event or a Default Event has occurred or is continuing, then at any time, regarding the Borrower's accounts and operations and (ii) furnish to Eximbank a copy of such authorization, which shall be in the form of Schedule 6.2(b) to the Lender Credit Agreement; provided, however, that Eximbank will (i) provide the Borrower with copies of any correspondence between Eximbank and the Auditors, and (ii) provide the Borrower with reasonable notice of any meeting between Eximbank and the Auditors, with a description of the matters to be discussed at such meeting, and allow the Borrower to attend any such meeting.

(c) The Borrower will at all times cause a complete set of the current and (when available) as-built plans (and all supplements thereto) relating to each Plant to be maintained at such Plants or the Construction Contractor's office for inspection by the independent Engineer and Eximbank.

Section 7.03. Maintenance of Property, Insurance. (a) The Borrower will (i) keep all property useful and necessary (other than property that has become obsolete) in its business in good working order and condition and (ii) keep its

present and future properties and business insured with financially sound and reputable insurers satisfactory to Eximbank against loss or damage in such manner and to the same extent as required in Section A of Schedule 7.03 hereto until the expiration of such policies and immediately thereafter as required in Section C of Schedule 7.03 hereto, including in each case pursuant to policies naming the Collateral Trustee as sole loss payee thereunder, permitting the Collateral Trustee to make claims thereunder, and containing cut-through endorsements to reinsurers, provisions requiring that the Collateral Trustee and Eximbank shall receive notices of extensions or renewals of insurance policies and notice

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of any non-payment of premiums and that such policy may only be canceled for non-payment of premiums, if cancelable, upon sixty (60) days prior notice to the Collateral Trustee and Eximbank. On or prior to the dates required pursuant to Section A or Section C, as the case may be, of Schedule 7.03, the Borrower will submit to Eximbank certificates of insurance relating to the insurances required by Section A and Section C of Schedule 7.03 (together with copies of such insurance policies if then available) from the Borrower's insurers or insurance brokers (including confirmation of premium payments then due), which certificates shall indicate the properties insured, amounts and risks covered, names of the expiration dates, names of the insurers and special features of the insurance policies. The Borrower shall provide Eximbank with copies of insurance policies relating to the insurances required by Section A and Section C of Schedule 7.03 hereto on or prior to the date such policies are required to be delivered to Eximbank in accordance with such Section A or Section C, as the case may be. Prior to the Disbursement Date, the Borrower shall provide Eximbank with copies of the insurance policies relating to the insurances required by Section C of Schedule 7.03 hereto, such policies to be in form and substance, and issued by companies, satisfactory to Eximbank (in consultation with the Insurance Consultant).

(b) The Borrower will cause the Construction Contractor and the Construction Supplier, as applicable, to (i) keep the insurances described in Section B of Schedule 7.03 hereto with financially sound and reputable insurers satisfactory to, prior to the Disbursement Date, the Administrative Agent and, thereafter, Eximbank, in each case against loss or damage in such manner and to the same extent as so described, in each case pursuant to policies of insurance naming the Collateral Trustee as sole loss payee thereunder, permitting the Collateral Trustee to make claims thereunder, and containing cut-through endorsements to reinsurers and provisions requiring that the Collateral Trustee and Eximbank shall receive notices of any non-payment of premiums and that such policy may only be canceled (x) as provided in Section B of Schedule 7.03 hereto or (y) if not therein provided, for non-payment of premiums, if cancelable, upon thirty (30) days prior written notice to the Collateral Trustee Eximbank. On or prior to the dates required pursuant to Section B of Schedule 7.03, the Borrower will cause the Construction Contractor or the Construction Supplier, as applicable, to submit to Eximbank certificates of insurance relating to the insurances required by Section B of Schedule 7.03 (together with copies of such insurance policies if then available) from the insurers or insurance brokers for such insurances (including confirmation of premium payments then due), which certificates shall indicate the type of insurance, amounts and risks covered, names of the beneficiaries, expiration dates, names of the insurers and special features of the insurance policies. The Borrower will cause the Construction Contractor or the Construction Supplier, as applicable, to provide Eximbank with copies of insurance policies relating to the insurances described in Section B of Schedule 7.03 hereto on or prior to the date such policies are required to be delivered to Eximbank in

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accordance with such Section B of Schedule 7.03 hereto, such policies to be in form and substance, and issued by companies, satisfactory to Eximbank in consultation with the Insurance Consultant. The Borrower will cause the Construction Contractor to establish the BOT Construction Performance Security in favor of PNOC-EDC within the time required by PNOC-EDC in connection with the BOT Agreement and will deliver evidence reasonably satisfactory to Eximbank of PNOC-EDC's acceptance of the BOT Construction Performance Security within fifteen (15) calendar days after the same is so established.

(c) In the event any insurance (including the limits or deductibles thereof) hereby required to be maintained by the Borrower or for which the Borrower is responsible, or required to be maintained by the Construction Supplier or the Construction Contractor or for which the Construction Supplier or the Construction Contractor is responsible, other than insurance required by Applicable Law to be maintained, shall not be available on commercially reasonable terms in the commercial insurance market, the Administrative Agent, prior to the Lender Financing Termination Date, or, thereafter, Eximbank, shall not unreasonably withhold its consent to waive such requirement to the extent the maintenance thereof is not so available; provided, however, that (i) the Borrower shall first request any such waiver in writing, which request shall be accompanied by a written report prepared by the Borrower's insurance adviser certifying that such insurance is not reasonably available and commercially feasible in the commercial insurance market for electric generating plants of similar type and capacity and, with respect to catastrophic perils, located in Southeast Asia, and (ii) the Insurance Consultant shall confirm in writing the conclusions contained in such report. The failure at any time to satisfy the condition to any waiver of an insurance requirement set forth in the proviso to the preceding sentence shall not impair or be construed as a relinquishment of the Borrower's ability to obtain a waiver of an insurance requirement pursuant to the preceding sentence at any other time upon satisfaction of such conditions.

(c) The provisions of this Section 7.03 shall be deemed to be supplemental to, but not duplicative of, the provisions of any of the Security Documents that require the maintenance of insurance. In the event that any insurance whatsoever is purchased, taken or otherwise obtained by the Borrower with respect to the Project otherwise than as required hereunder or if not properly endorsed to the Collateral Trustee as the sole loss payee or beneficiary or otherwise made upon the terms required in this Section 7.03, without limitation to any provision of the Mortgage, Assignment and Pledge Agreement, such insurance shall be considered assigned hereunder to the Collateral Trustee with the right of the Collateral Trustee to make, settle, compromise and liquidate any and all claims thereunder, without prejudice to the exercise of any other rights and remedies that the Collateral Trustee may have under any of the Financing Documents, or under any Applicable Law.

Section 7.04. Maintenance of Existence; Privileges; Etc. The Borrower shall, and with respect to clauses (a)(i), (a)(iii) and (b) of this Section 7.04 shall cause the General Partner to, at all times (a) preserve and maintain in full force and effect (i) its existence as a limited partnership or a corporation, as the case may be, in each case duly authorized, validly existing and in good standing under the laws of the Republic or the Cayman Islands, as the case may be (ii) its qualification to do business in each other jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as conducted or proposed to be conducted makes such qualification necessary and (iii) all of its powers, rights, privileges and franchise necessary for the construction, ownership, maintenance and operation of the Project and the maintenance of its existence, (b) obtain in a timely manner and maintain in full force and effect (or where appropriate, renew) all Governmental Approvals (including, without limitation, those under Environmental Laws) and all other licenses, registrations, waivers, consents and approvals

required at any time in connection with the construction, maintenance, ownership or good and orderly operation of the Project and all licenses, consents and approvals necessary for the conversion to Dollars of all Peso amounts (including, without limitation, Peso amounts representing SFRI Fees) payable under the BOT Agreement, the PNOC-EDC Consent Agreement, the Performance Undertaking and the Republic Consent Agreement and for the remission to the United States in Dollars of any amounts paid or payable to the Secured Parties in connection with any Financing Document or the transactions contemplated thereby or the partnership interests of the Borrower and (c) preserve and maintain good and marketable title to its properties and assets (it being understood that the Borrower's rights with respect to the Site are solely as set forth in the BOT Agreement and the Accession Undertaking) subject to no Liens other than Permitted Liens.

Section 7.05. Compliance with Statutes. The Borrower will comply with all Applicable Laws in respect of the conduct of its business and the ownership, operation and use of its property (including, without limitation, Applicable Laws relating to environmental standards and controls and Applicable Laws relating to the maintenance of debt to equity ratios). The Borrower will cause the General Partner to comply with all Applicable Laws in respect of the General Partner owning its equity interest in, and acting in its capacity as general partner of, the Borrower.

Section 7.06. Consultations Regarding Independent Engineer's Report. The Borrower agrees that (i) in addition to any other consultation required hereunder, following the end of each Month, upon the request of the Administrative Agent or Eximbank, the Borrower shall consult with such Person regarding any materially adverse event or condition identified by the Independent Engineer in the reports provided by the Independent Engineer for such Month pursuant the Representative Agreement, and (ii) in the event the Borrower fails to hold such consultations within 30 days of such request, such event or condition shall be deemed to have a Material Adverse Meet.

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Section 7.07. Project Implementation; Use of Proceeds.

(a) The Borrower shall (i) carry out the Project and conduct its business with due diligence and efficiency and in accordance with sound engineering, financial, and business practices and in accordance with the Annual Budget as specified in Section 7.01(e); and (ii) use the proceeds of the Loans and the Eximbank Credit only for the purpose set forth in Section 2.01.

(b) Without limiting the generality of the preceding clause (a), the Borrower will cause the construction of the Project to be prosecuted and completed with due diligence and continuity (except for interruptions due to events of Force Majeure (as defined in any of the BOT Agreement, the Construction Contract and the Supply Contract), which the Borrower will use its best efforts to mitigate), in good and workmanlike manner and in accordance with (i) sound generally accepted budding and engineering practices, (ii) all Governmental Approvals and Applicable Laws applicable to the Site, the Plants or the Borrower, (iii) the Construction Contract, (iv) the Supply Contract and (v) the Construction Budget.

(c) Without limiting the generality of clause (a) of this Section 7.07, from and after the Cooperation Period Commencement Date, the Borrower will operate and maintain the Project, and retain and maintain the staff sufficient to operate and maintain the Project, in accordance with the O&M Parameters and will otherwise comply with and fully satisfy all of the requirements of the O&M Parameters.

(d) Without limiting the generality of clauses (a) and (b) of this Section 7.07, in order to avoid a deemed abandonment under Section 15.4.1(d) of the BOT

Agreement, if the conditions precedent specified in clauses (a) and (b) of Section 13.3 of the Construction Contract have been satisfied the Borrower shall, within ten (10) Business Days prior to the date of potential abandonment under the BOT Agreement, exercise the right granted to it under the last sentence of Section 13.3 of the Construction Contract and certify to PNOC-EDC that the Power Plant (as defined in the Construction Contract) has achieved BOT Completion in accordance with Section 6.1(a) of the BOT Agreement.

(e) The Borrower shall provide Eximbank with notice immediately upon becoming aware that the conditions to enforcing any of the Ormat EPC Guaranty, the Ormat International EPC Guaranty, the Post-Completion Ormat Guaranty or the O&M Support Undertaking have been met.

(f) The Borrower agrees that it shall not designate an arbitrator or engineering firm under either the Construction Contract or the Supply Contract with respect to any disputes thereunder without obtaining the prior written consent of the Required Secured Parties, such consent not to be unreasonably withheld.

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(g) Without the prior written consent of Eximbank, which approval shall not be unreasonably withheld, the Borrower shall not direct that Geothermal Fluid (as defined in the Construction Contract) be run through any GU (as defined in the Construction Contract) under circumstances which would give rise to the commencement of any of the Warranty Periods (as defined in the Construction Contract) pursuant to clause (a) of Section 17.10 of the Construction Contract.

Section 7.08. Auditors. In the event that SyCip Gorres Velayo & Co. should cease to be the Auditors of the Borrower for any reason, the Borrower shall appoint and maintain as the Auditors another firm of independent public accountants approved by Eximbank.

Section 7.09. Taxes, Duties, Proper Legal Form. The Borrower will pay and discharge all taxes, duties, fees, assessments or other governmental charges imposed on it, on its income or profits, on any of its property, or in connection with any such charges imposed on it with respect to any payment made under this Agreement or the execution, issue, delivery, registration, notarization, assignment or transfer of any interest in or for the legality, validity, or enforceability, of any Project Document prior to the date on which penalties attach thereto, and all claims, levies or liabilities (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which have or, if unpaid, might become a Lien upon the property of Borrower (or any part thereof). The Borrower shall have the right, however, to contest in good faith the validity or amount of any such tax, assessment, governmental charge or claim by proper proceedings timely instituted, and may permit the taxes, assessments, governmental charges or claims so contested to remain unpaid during the period of such contest if (i) the Borrower diligently prosecutes such contest, (ii) during the period of such contest the enforcement of any contested item is effectively stayed, (iii) the Borrower sets aside on its books adequate reserves with respect to the contested items and (iv) such contest does not, in the reasonable discretion of, prior to the Disbursement Date, the Administrative Agent and thereafter, Eximbank, involve a material risk of the sale, forfeiture or loss of any of the Collateral. The Borrower will promptly pay or cause to be paid any valid, final judgment enforcing any such tax, duty, fee, assessment, other governmental charge or claim and cause the same to be satisfied of record.

Section 7.10. Independent Engineer; Insurance Consultant. The Borrower (i) agrees to the Independent Engineer carrying out the role described in the Representative Agreement, (ii) confirms and agrees to the terms of its Acknowledgment appended to the Representative Agreement, which terms are

incorporated herein by reference as if fully set forth herein and (iii) will ensure that the Insurance Consultant will be provided with all information reasonably requested by the Insurance Consultant and will exercise due care to ensure that any information which it may supply the Insurance Consultant is

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materially accurate and not, by omission of information or otherwise, misleading in any material respect.

Section 7.11. Performance of Obligations. The Borrower will perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound and will perform (i) all of its obligations under the terms of the Financing Documents and the BOT Agreement and (ii) such of its obligations under the terms of the Project Documents (other than the Financing Documents and the BOT Agreement) the non-performance of which is reasonably likely to have a Material Adverse Effect. The Borrower will maintain in full force and effect each of the Project Documents to which it is a party. The Borrower will preserve, protect, defend and enforce the rights granted to it under or in connection with the Project Documents. The Borrower shall take all action within its control required or in the reasonable opinion of Eximbank advisable to ensure that, unless otherwise consented to in writing by Eximbank, each of the Project Documents is in proper legal form under the laws of the Republic or under the respective governing laws selected in such Project Documents, for the enforcement thereof in such jurisdictions without any further action on the part of Eximbank or the Lenders, as the case may be.

Section 7.12. Additional Documents; Filings and Recordings. The Borrower shall execute, and deliver, from time to time as reasonably requested by Eximbank or the Collateral Trustee, at the Borrower's expense, such other documents as shall be necessary or advisable or that Eximbank or the Collateral Trustee may reasonably request in connection with the rights and remedies of the Secured Parties granted or provided for by the Project Documents, as applicable, and to consummate the transactions contemplated therein. The Borrower shall, at its own expense, take all reasonable actions that have been or shall be requested by Eximbank or the Collateral Trustee or that the Borrower knows are necessary to establish, maintain, protect, perfect and continue the perfection of the first priority security interests of the Secured Parties created by the Security Documents and shall furnish timely notice of the necessity of any such action, together with such instruments, in execution form, and such other information as may be required to enable Eximbank and any other appropriate Secured Party to effect any such action. Without limiting the generality of the foregoing, the Borrower shall (a) execute or cause to be executed and shall file or cause to be filed such financing statements, continuation statements, fixture filings, mortgages or deeds of trust and mortgage supplements in all places necessary or advisable (in the opinion of counsel for Eximbank or the Collateral Trustee) to establish, maintained perfect such security interests and in all other places that Eximbank or the Collateral Trustee shall reasonably request and (b) do everything necessary in the reasonable judgement of Eximbank or the Collateral Trustee to (i) create and perfect the Security with respect to future assets covered by the Mortgage, Assignment and Pledge Agreement, (ii) maintain the Security in full force and effect at all times and (iii) preserve and protect the Collateral and protect and enforce its rights and

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title and the rights and title of the Secured Parties to the Collateral. In connection with the registration of each mortgage supplement required pursuant to Section 5 of Part B of the Mortgage, Assignment and Security Agreement, the Borrower shall deliver to Eximbank a certified true copy of the legal opinion required pursuant to Section 5.01(c) of Part B of the Mortgage, Assignment and Security Agreement.

Section 7.13. Bank Accounts. The Borrower shall maintain all its bank accounts with the Collateral Trustee.

Section 7.14. Debt Reserve Cash Collateral Account. On or before the Disbursement Date, the Debt Reserve Cash Collateral Account shall be fully funded in an amount equal to at least \$4,200,000 (if the principal of the Eximbank Credit shall be repayable in 38 installments) and an amount equal to the Senior Debt Service due and payable during the next succeeding six months (if the principal of the Eximbank Credit shall be repayable in fewer than 38 installments) in addition to all amounts required to be deposited at such time in accordance with clause "FOURTH" of 3.02(d)(ii) of the Disbursement Agreement.

Section 7.15. Availability and Transfer of Foreign Currency. The Borrower will ensure that all requisite foreign exchange control approvals and other authorizations, if any, by the Republic or any department or agency thereof will be kept current and in full force and effect to assure (i) the ability of the Borrower to receive, and the ability of any other party to make, any and all payments to the Borrower contemplated by the Project Documents, (ii) the availability of Dollars to enable the Borrower to perform all of its obligations under the Financing Documents or any of the other Project Documents, as the case may be, in accordance with their respective terms, and (iii) (on and after the Disbursement Date) the ability of the Borrower to convert all sums received in Peso amounts from PNOC-EDC under the BOT Agreement and the PNOC-EDC Consent Agreement and from the Republic under the Performance Undertaking and the Republic Consent Agreement, including any Peso amounts representing SFRI Fees, from Pesos to Dollars, immediately upon receipt thereof, and to use the Dollars as necessary to perform all of its Obligations under the Project Documents, in accordance with their respective terms.

Section 7.16. Privatization of NAPOCOR or PNOC-EDC. The Borrower shall promptly upon becoming aware thereof notify Eximbank of the occurrence of any event or events that give rise to any rights or benefits to the Borrower under Article 20 of the BOT Agreement. The Borrower agrees to consult with Eximbank prior to requesting or accepting any assurances, or making any determinations, in accordance with such Article 20. Any such consultation shall include, without limitation, a reasonably detailed explanation (which shall be provided to Eximbank in writing if so requested) of the

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economic rationale for any determination or proposed course of action made or proposed to be made under or pursuant to such Article 20.

Section 7.17. Spares. On or before the Disbursement Date, the Borrower shall purchase all spare parts identified on the Acquisition List (as defined in the Eximbank Guarantee Agreement).

SECTION 8. NEGATIVE COVENANTS.

With respect to provisions of this Section 8 so specifying, from and after the Disbursement Date and, with respect to all remaining provisions of this Section 8, from and after the execution and delivery of this Agreement, in each case until the Eximbank Credit is paid in full, except as otherwise waived pursuant to the next two succeeding sentences, the Borrower covenants and agrees as provided in this Section 8. Provisions of this Section 8 specifying effect from and after the Disbursement Date and provisions requiring consultations with or the furnishing of documents or other information to Eximbank or requiring the consent or approval of Eximbank to the taking or omission of any action may only be waived by Eximbank and in writing. All other provisions of this Section 8 may be waived with effect during the period prior to the Disbursement Date by the Required Secured Parties and in writing and, thereafter, by Eximbank and in writing.

Section 8.01. Liens. The Borrower will not, and will not agree to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real, personal or mixed, tangible or intangible) of the Borrower, whether now owned or hereafter acquired, provided that the provisions of this Section 8.01 shall not prevent the creation, incurrence, assumption or existence of, prior to the Disbursement Date, Lender Credit Permitted Liens and, thereafter, the following Liens (each, a "Post-Completion Permitted Lien"):

(a) any tax or other statutory Lien, provided that such lien shall be discharged within sixty (60) days after the Borrower or the General Partner becomes aware or reasonably should have been aware of such Lien (unless contested in good faith by the Borrower, in which case it shall be discharged within thirty (30) days after final adjudication, and provided that during the period of such contest the Borrower sets aside on its books adequate reserves with respect to the contested items);

(b) Liens created pursuant to the Security Documents;

(c) purchase-money Liens on any property acquired after the Operation Date provided, however, that (i) any property subject to such purchase-money Lien is acquired by the Borrower in the ordinary course of its business and such purchase-money Lien attaches to such property concurrently or within ninety (90) days after the acquisition

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thereof; (ii) the Indebtedness secured by such purchase-money Lien shall not exceed ninety percent (90%) of the lesser of the cost or the fair market value as of the time of the acquisition of the property covered thereby by the Borrower; (iii) each such purchase-money Lien shall attach only to the property so acquired and fixed improvements thereon; (iv) the Indebtedness secured by all such purchase-money Liens shall not at any time exceed \$500,000 (or an equivalent amount in other currency); and (v) the Indebtedness secured by such purchase-money Lien is not otherwise prohibited by the provisions of Section 8.05;

(d) Liens on property and equipment constituting leases permitted by Section 8.04; and

(e) mechanics', materialmen's, carrier's and similar Liens securing obligations incurred in the ordinary course of business which (i) are not past due or which are the subject of a Good Faith Contest by the Borrower (unless during the pendency of such contest or as a result thereof the Liens of the Security Documents could reasonably be expected to be materially endangered or any material portion of the Site, any Plant, the Power Plant or the Project could reasonably be expected to become subject to loss or forfeiture) and (ii) which do not in the aggregate materially detract from the value of the Site, any Plant, the Power Plant or the Project or other assets of the Borrower or materially impair the use thereof; provided that, upon the commencement of any proceeding to foreclose or enforce any such Post-Completion Permitted Lien, Eximbank or the Collateral Trustee may take such action as it reasonably deems necessary to protect its interest in the Site, any Plant, the Power Plant or the Project including, without limitation, payment of amounts reasonably necessary to release any such Lien, and in such event the Borrower shall reimburse Eximbank or the Collateral Trustee, as the case may be, upon demand for the cost thereof together with interest thereon at a rate per annum equal to (in the case of Eximbank) the higher of (x) the New Borrowing Rate (as defined the Section 3.02(b)) that would be applicable to ____ such amounts if such amounts paid by Eximbank were deemed to be due from the Borrower on the date paid by Eximbank and not paid by the Borrower when due and (y) the rate specified in Section 3.02(a) plus 1.0% or (in the case of the Collateral Trustee) the Base Rate plus 3.75%.

Section 8.02. Consolidation, Merger, Sale of Assets, Etc. The Borrower

will not, and will not permit the General Partner to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation. The Borrower will not (a) convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) all or any part of its property or assets (other than electricity and any chemical by-products produced by the Power Plant) except in the ordinary course of business, or sales of equipment which is uneconomic or obsolete or sales of assets that are no longer used by or useful to the Borrower and which are promptly replaced (if applicable) by adequate substitutes of substantially equivalent utility to the replaced assets; or (b) purchase or

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otherwise acquire (in one or a series of related transactions) any part of the property or assets of any Person (other than purchases or other acquisitions of inventory or materials or capital expenditures, each in the ordinary course of business).

Section 8.03. Dividends; Restricted Payments. The Borrower will not declare or pay any partnership distributions, or return any capital, to the Partners or authorize or make any other distribution, payment or delivery of property or cash to the Partners as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any general or limited partnership interests now or hereafter outstanding (or any options or warrants issued by the Borrower with respect to any partnership interests) (collectively, "Restricted Payments") unless:

(i) such Restricted Payment is permitted by Applicable Law;

(ii) no Default or Event of Default is then in existence (or would be in existence after giving effect to such Restricted Payment);

(iii) such Restricted Payment is made in accordance with the provisions of Section 3.02(d)(ii) of the Disbursement Agreement; and

(iv) such Restricted Payment is made only after the Disbursement Date.

Section 8.04. Leases. The Borrower will not enter into any agreement or arrangement to acquire by lease the use of any property or equipment of any kind, except leases as contemplated by the O&M Parameters, the Construction Budget or the Annual Budget (in each case as then in effect), or except leases of operating equipment and premises under which the aggregate rental payments (including, without limitation, any property taxes paid as additional rent or lease payment) do not exceed the equivalent of \$400,000 in any Fiscal Year.

Section 8.05. Indebtedness. (i) The Borrower will not contract, create, incur, assume or suffer to exist any Indebtedness, except for, prior to the Disbursement Date, Lender Credit Permitted Indebtedness and, thereafter, the following types of Indebtedness ("Post-Completion Permitted Indebtedness"):

(a) Indebtedness of the Borrower incurred under this Agreement;

(b) Indebtedness incurred after the Operation Date which is not in a principal amount in excess, in the aggregate of \$500,000, at any time and is accrued expenses or current trade accounts payable incurred in the ordinary course of business or obligations under trade letters of credit incurred by the Borrower in the ordinary course of business,

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which are to be repaid in full not more than ninety (90) days after the date on

which such Indebtedness is originally incurred to finance the purchase of goods by the Borrower;

(c) Unsecured Senior Working Capital Indebtedness and Subordinated Secured Working Capital Indebtedness incurred after the Operation Date not exceeding in the aggregate at any one time outstanding \$1,500,000, provided that (i) Unsecured Senior Working Capital Indebtedness shall not exceed \$500,000 at any one time outstanding; (ii) any and all Subordinated Secured Working Capital Indebtedness shall be subordinated to the payment of the Eximbank Credit in accordance with the provisions of Schedule 8.05(c); (iii) any and all Subordinated Working Capital Lenders shall, prior to the date on which any Subordinated Secured Working Capital Indebtedness is incurred, become party to the Collateral Trust Agreement and deliver to the Collateral Trustee and Eximbank an opinion of counsel to such Subordinated Working Capital Lender reasonably satisfactory to Eximbank to the effect that the subordination terms set forth in Schedule 8.05(c) hereto constitute the binding obligations of such Subordinated Working Capital Lender enforceable in accordance with their respective terms (subject to customary qualifications); and (iv) any Subordinated Working Capital Lender consisting of Ormat or an Affiliate of Ormat shall (if it is not a party thereto) accede to the Mortgage, Assignment and Pledge Agreement and pledge and deliver to the Collateral Trustee the executed original of the Subordinated Note evidencing its Subordinated Working Capital Loans;

(d) Third Party Subordinated indebtedness in an outstanding principal amount not to exceed \$2,500,000 at any time; provided, however, that (i) any and all Third Party Subordinated Indebtedness shall be subordinated to the payment of the Eximbank Credit in accordance with the provisions of Schedule 8.05(c) and (ii) any and all Third Party Subordinated Lenders shall, prior to the date on which such Indebtedness is incurred, become party to the Collateral Trust Agreement and deliver to the Collateral Trustee and Eximbank an opinion of counsel to such Third Party Subordinated Lender reasonably satisfactory to Eximbank to the effect that the subordination terms set forth in Schedule 8.05(c) hereto constitute the binding obligations of such Third Party Subordinated Lender enforceable in accordance with their respective terms (subject to customary qualifications);

(e) Indebtedness secured by purchase money Liens incurred after the Operation Date and otherwise permitted under Section 8.01(c);

(f) Indebtedness constituting lease obligations permitted under Section 8.04;

(g) Optional Subordinated Loans, Standby Subordinated Loans and Post-Completion Standby Subordinated Loans in an aggregate outstanding principal amount not to exceed at any time the sum of \$5,000,000 plus the outstanding principal amount of

any Optional Subordinated Loans made by Ormat pursuant to the terms of the Development Agreement, and which bear interest at a rate not in excess of 10% per annum; provided, that (i) any and all Optional Subordinated Loans, Standby Subordinated Loans and Post-Completion Standby Subordinated Loans shall be subordinated to the payment of the Eximbank Credit in accordance with the provisions of Schedule 8.05(c) and the Collateral Trust Agreement; (ii) all requirements of the Collateral Trust Agreement shall have been satisfied prior to (or contemporaneous with) the incurrence thereof; and (iii) the Person making such Optional Subordinated Loans, Standby Subordinated Loans and Post-Completion Standby Subordinated Loans shall (if it has not previously done so) pledge (pursuant to an instrument substantially similar in form and scope to Part D of the Mortgage, Assignment and Pledge Agreement) and deliver to the Collateral Trustee the executed original of the Subordinated Note or Subordinated Notes evidencing its Optional Subordinated Loans, Standby Subordinated Loans or

Post-Completion Standby Subordinated Loans, as the case may be;

(h) Affiliated Reimbursement Obligations; and

(i) Contingent Obligations permitted under Section 8.06.

(ii) The Borrower agrees that it will not obligate itself to make regularly scheduled payments during the period when the Eximbank Credit is outstanding of or on any Permitted Indebtedness that is Indebtedness for Borrowed Money other than quarterly and other than on a Permitted Payment Date or a date occurring no earlier than eight (8) days after and no later than fifteen (15) days after a Permitted Payment Date.

Section 8.06. Guarantees. Without limitation to the restrictions of Section 8.05 hereof, from and after the Disbursement Date, the Borrower will not enter into or have outstanding any Contingent Obligations, including without limitation any agreement or arrangement to guarantee or, in any way or under any condition, become obligated for all or any part of any Indebtedness or other obligation of another Person, except that, notwithstanding the restrictions of this Section 8.06 or Section 8.05 hereof, the Borrower may enter into (a) the Accession Undertaking, (b) Contingent Obligations set forth in the then-current Construction Budget or Annual Budget and identified as Contingent Obligations in any such budget so as to permit a determination of the Borrower's compliance with this Section 8.06, (c) an obligation, not secured by any Lien, to (i) reimburse the BOT Operation Performance Security Issuer for amounts paid to PNOC-EDC under the BOT Operation Performance Security, provided that such obligation is subordinated to the prior payment in full of the Eximbank Secured Obligations on the terms set forth in Schedule 8.05(c), or (ii) reimburse Ormat International or one or both of the Affiliated Funding Entities for Affiliated Reimbursement Obligations, provided that such obligation is subordinated to the prior payment in full of the Eximbank Secured

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Obligations on the terms set forth in Schedule 8.05(c) and payment is made solely out of funds available to the Borrower for the payment of Affiliated Reimbursement Obligations as set forth in Section 3.02(d)(ii) of the Disbursement Agreement, and (d) other Contingent Obligations to the extent that the amount of all such other Contingent Obligations does not exceed, in the aggregate, \$50,000 (or the equivalent in other currency).

Section 8.07. Subsidiaries; Advances, Investments and Loans. The Borrower will not form or have any Subsidiaries, lend money or credit or make deposits (other than deposits in relation to the payment for goods and equipment in the ordinary course of business) with or advances (except as specifically required by the Construction Contract or the Supply Contract) to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person, except that the Borrower may use idle cash to acquire and hold Cash Equivalents solely to give employment to its idle resources in accordance with the Disbursement Agreement.

Section. 8.08. Transactions. From and after the Disbursement Date, the Borrower will not (a) enter into or have in effect any transaction or series of related transactions with any Person other than in the ordinary course of business and on an arm's-length basis or (b) establish or have in effect any sole and exclusive purchasing or sales agency, or enter into any transaction whereby the Borrower might receive less than the full ex-works commercial price (subject to normal trade discounts) for electricity or pay more than ex-works commercial price for products of others, provided, however, that nothing in this Section 8.08 shall be deemed to prohibit the execution, delivery, declaring effective and performance by the Borrower of the BOT Agreement, the Construction Contract, the Supply Contract, the Keystone Agreement, the O&M Support Undertaking, the Assignment and Assumption Agreement, contracts contemplated by the O&M Parameters (including those relating to employee training and secondment

of employees), the Funding Agreement or the Lender Credit Agreement.

Section 8.09. Other Transactions. From and after the Disbursement Date, the Borrower will not enter into or have in effect any partnership, profit-sharing, or royalty agreement or other similar arrangement whereby the Borrower's income or profits are, or might be, shared with any other Person, or enter into or have in effect any management contract or similar arrangement whereby its business or operations are managed by any other Person, provided, however, that nothing in this Section 8.09 shall be deemed to prohibit the execution, delivery, declaring effective and performance by the Borrower of the contracts contemplated by the O&M Parameters and the Funding Agreement.

Section 8.10. Modifications to Partnership Agreement of Borrow; Additional Agreements; Assignments and Modifications of Agreements; Etc.

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(a) The Borrower will not (i) amend or modify its Partnership Agreement or other Organization Documents (ii) change its Fiscal Year or (iii) materially change the nature of its present business.

(b) The Borrower will not become a party to any agreement, contract or commitment (other than (i) (w) the agreements identified in clauses (i) through (xiv), inclusive, (xvi), (xvii) and (xviii) of the definition of the term Operating Agreements set forth in Schedule X hereto, but not replacements thereof, (x) the Financing Documents, (y) agreements, contacts or commitments contemplated by the O&M Parameters (including those relating to employee training, secondment of employees and vehicle rentals), the then-current Construction Budget, the then-current Annual Budget or the Funding Agreement and (z) agreements, contracts or commitments in respect of Post-Completion Permitted Indebtedness) which, individually, creates after the Disbursement Date an annual financial obligation of the Borrower in excess of \$75,000 (or the equivalent in other currency) or (ii) which would cause the aggregate annual financial obligations of the Borrower after the Disbursement Date under all agreements, contracts and commitments (other than those specified in clauses (w) through (z) immediately above) to which the Borrower is a party to exceed \$150,000 (or the equivalent in other currency).

(c) Except as contemplated by the Assignment and Assumption Agreement, the Borrower shall not, directly or indirectly, terminate, cancel or suspend, or permit or consent to any termination, cancellation or suspension of, or enter into or consent to or permit the assignment of the rights or obligations of any party to, any of the Project Documents; provided, however, that prior to the Disbursement Date and without the prior written consent of the Required Secured Parties or Eximbank the Borrower may do, permit to be done or consent to any of the foregoing if (i) the Project Document which is the subject of the proposed termination, cancellation, suspension or assignment is an Insurance Contract (other than an Insurance Contract pertaining to the operation of the Power Plant) pertaining to the construction of the Power Plant and the Administrative Agent, after consultation with the Insurance Consultant, shall have consented thereto or (ii) the Project Document which is the subject of the proposed termination, cancellation, suspension or assignment is a non-material Governmental Approval or an agreement, commitment or understanding described in clause (xv) of the definition of the term "Operating Agreements" set forth in Schedule X hereto and, in each case, the Administrative Agent shall have reasonably determined that such termination, cancellation, suspension or assignment is not reasonably likely to have a Material Adverse Effect and so notified Eximbank. The Borrower shall not, directly or indirectly amend, modify, supplement or waive, or permit or consent to the amendment, modification, supplement or waiver of, or request a waiver of, any of the provisions of, or give any consent under, any of the Project Documents (except for change orders under the Construction Contract or the Supply Contract or Change in the Work and

amendments, modifications, supplements or waivers that, in any such case, have no, or could not reasonably be expected to have any, adverse effect on the rights, benefits, obligations or duties of the Borrower existing on or arising after the Disbursement Date, or the current or prospective operation of any of the Plants or the value of any of the Collateral) without first obtaining the written consent of Eximbank to such proposed or requested amendment, supplement, waiver, or consent (provided, however, that if in any Project Document the consent of the Borrower to an assignment by the other party thereto cannot be unreasonably withheld, the consent of Eximbank to such an assignment shall not be unreasonably withheld). Notwithstanding the foregoing, the Borrower shall not, without the prior written consent of Eximbank (i) directly or indirectly, amend, modify, supplement or waive, or permit or consent to the amendment, modification, supplement or waiver of, (x) any provision of Article 9 of the BOT Agreement or (y) any other provision of the BOT Agreement governing the terms and conditions of, or the events or circumstances giving rise to the Borrower's or PNOC-EDC's right to require, a buyout of the Power Plant (as defined in the BOT Agreement); (ii) enter into or permit or grant any amendment or modification of the BOT Agreement or any supplement to or waiver thereunder which is reasonably likely to have an adverse financial impact on the Borrower (including, without limitation, on the amounts of or timing of payments to the Borrower under the BOT Agreement); (iii) the definitions of Guaranteed Net Plant Steam Rate, Net Plant Steam Rate, Performance Tests, Net Deliverable Capacity Guarantee and Reliability Guarantee, set forth in the Construction Contract; or (iv) Exhibit E to the Construction Contract.

(d) Other than the assignment as security of the Project Documents to the Collateral Trustee as security for the benefit of the Secured Parties, the Borrower will not assign (except with respect to Permitted Liens) any of its rights or obligations under any Project Document without the prior written consent of Eximbank.

(e) The Borrower will not take any action under Article 9 of the BOT Agreement to require a Buyout without the prior written consent of Eximbank.

(f) From and after the Disbursement Date, without the prior written consent of Eximbank, the Borrower will not refund to PNOC-EDC (but may credit to PNOC-EDC) any amount described in the penultimate paragraph of Section 5.4 of the BOT Agreement.

(g) From and after the Disbursement Date, the Borrower shall not claim for itself Force Majeure as provided in Article 14 of the BOT Agreement, Section 22 of the Construction Contract or Section 22 of the Supply Contract without the prior written consent of Eximbank (in consultation with the Independent Engineer).

(i) The Borrower shall not agree to any proposed revised testing protocols in accordance with the final paragraph of Section 13.5 of the Construction Contract without the prior written consent of Eximbank.

Section 8.11. No Other Business. Without the prior written consent of Eximbank and except as contemplated by Section 8.07 hereof, the Borrower will not carry on any business other than in connection with the completion and operation of the Project and will take no action whether by acquisition or otherwise which would constitute or result in any material alteration to the nature of that business or the nature or scope of the Project.

Section 8.12. Abandonment. From and after the Disbursement Date, the Borrower will not abandon or agree to abandon the Project or place it or agree to place it on a "care and maintenance" basis for more than fourteen (14) days in any calendar year, provided, however, that (i) nothing in this Section shall prevent the Borrower from shut-downs necessary for repairs and maintenance at any of the Plants or from putting any of the Plants on a "care and maintenance basis" during any Force Majeure (as defined in the BOT Agreement) not within the control of the Borrower which Force Majeure prevents the Borrower from developing, constructing or operating such Plant; and (ii) nothing in this Section 8.12 shall be deemed to waive or limit in any way the right of Eximbank to declare an Event of Default as provided in Section 9 hereof, including without limitation Sections 9.06 and 9.07 hereof.

Section 8.13. Improper Use. The Borrower will not use, maintain, operate or occupy, or allow the use, maintenance, operation or occupancy of, any portion of the Site or any Plant for any purpose:

(a) which may be dangerous, unless safeguarded as required by Applicable Law (provided, however, that this clause (a) shall not be deemed to prohibit the Borrower from carrying out the Project in accordance with the terms of the BOT Agreement and the Construction Contract in a reasonable and prudent manner);

(b) which violates any Applicable Law in any material respect;

(c) which may constitute a public or private nuisance resulting in a Material Adverse Effect;

(d) which may make void, voidable, or cancelable, or increase the premium of, any insurance then in force with respect to the Site or Project or any part thereof unless, in the case of an increase in premium, the Borrower gives proof of payment of such increase; or

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(e) otherwise than for the intended purpose thereof in the construction, operation and maintenance of the Plants.

Section 8.14. Budgets. From and after the Disbursement Date the Borrower will not make expenditures in any Fiscal Year in excess of the projected annual Operating and Maintenance Costs (including Contingent O&M Amount) set forth in the Annual Budget for such Fiscal Year except for:

(a) emergency operating costs amounts funded with funds available to the Borrower pursuant to payment of priorities SIXTH, SEVENTH, EIGHTH or NINTH of Section 3.02(d)(ii) of the Disbursement Agreement and, to the extent that such funds are not sufficient for such purpose: (i) proceeds of Unsecured Senior Working Capital Indebtedness or Subordinated Secured Working Capital Indebtedness permitted under Section 8.05; (ii) proceeds of Optional Subordinated Loans or Third Party Subordinated Loans permitted under Section 8.05; (iii) proceeds of additional capital contributions to the Borrower; or (iv) withdrawals from the Debt Reserve Cash Collateral Account permitted under Section 3.03(b) of the Disbursement Agreement;

(b) provided no Event of Default has occurred and is continuing, expenditures not to exceed in any Fiscal Year in the aggregate \$400,000 (or the equivalent in other currency) required as a result of casualties for which the Borrower is, in its good faith judgment, insured; provided that (A) the Borrower promptly files a claim or claims for reimbursement under such insurance for any such casualty, (B) the Borrower uses its best efforts to expedite payment of such claims, and (C) the proceeds from any such insurance claims, shall be paid into the Contingency Account; and

(c) provided no Event of Default has occurred and is continuing, non-budgeted payments of amounts for which the Borrower is liable to PNOC-EDC under Article 4.11 of the BOT Agreement, not to exceed, without the consent of

the Required Secured Parties, \$5,700.000.

Section 8.15. Press Releases; Advertising. If the Borrower shall issue, or if the Borrower shall obtain knowledge that any other Person has issued, any press release or other announcement or advertisement that refers to the provision of financing or other support by Eximbank for the Project, the Borrower shall promptly notify Eximbank thereof and promptly deliver to Eximbank a copy of such press release or other announcement or advertisement.

Section 8.16. Employees and Employee Plan. The Borrower shall not adopt, establish, maintain, sponsor, administer, contribute to, participate in, or incur any liability under or obligation to contribute to, any Plan or incur any liability to provide post-

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retirement welfare benefits, except such liability to provide post-retirement welfare benefits as required by Applicable Law.

Section 8.17. Name Changes; Etc. The Borrower shall not change its name without the prior written consent of Eximbank. The Borrower shall not adopt or change any trade name or fictitious business name without the prior written consent of Eximbank. The Borrower shall execute and deliver to Eximbank and the Collateral Trustee any additional documents or certificates necessary or advisable to reflect any permitted adoption of or change in its name, trade name or fictitious business name.

Section 8.18. Equity Ratio. On and after the Disbursement Date, the Borrower shall not permit the Equity Ratio at any time to be less than 25:75 (which, for the avoidance of doubt, shall be calculated in accordance with generally accepted accounting principles as in effect in the United States from time to time).

Section 8.19. Payments on Subordinated Debt. Without the prior written consent of Eximbank, the Borrower will not make any payment or delivery of property or cash to any Person on account of any Subordinated Secured Obligation or other subordinated debt or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any Subordinated Secured Obligations or other subordinated debt now or hereafter outstanding, or set aside any funds for any of the foregoing purposes collectively, "Subordinated Debt Payments") unless:

(i) such Subordinated Debt Payment is permitted by Applicable Law;

(ii) no Default or Event of Default is then in existence (or would be in existence after giving effect to such Subordinated Debt Payment);

(iii) such Subordinated Debt Payment is made only after the Disbursement Date; and

(iv) such Subordinated Debt Payment is made in accordance with the provisions of Section 3.02(d)(ii) of the Disbursement Agreement.

Section 8.20. Limitation on Sale or Re-Export of the Items. The Borrower shall not, without the prior written consent of Eximbank, sell the Items or use or permit the use of the Items in any country other than the Borrower's Country. In no event shall the Borrower sell, use or permit the use of any Item in any Excluded Country.

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SECTION 9. EVENTS OF DEFAULT

Notwithstanding anything herein or in any of the Financing Documents or elsewhere to the contrary, upon the occurrence of any of the following events (each of the following events, an "Event of Default"):

Section 9.01. Payment. The Borrower shall (a) default in the payment when due of any principal of or interest on the Eximbank Note or any other amount owing under this Agreement or the Eximbank Note, (b) default in the payment when due (after giving effect to any grace periods provided in the relevant Financing Document) of any principal of or interest on, or any other amount owing under, any other Financing Document save for any default arising by reason of a failure of the Collateral Trustee to make any payment where funds are available and payable pursuant to the Disbursement Agreement to meet such payment; or

Section 9.02. Representations, Etc. Any representation or warranty confirmed or made in any Project Document by the Borrower or any Obligor which is an Affiliate of the Borrower, or in any writing provided by any of the them in connection with the execution and delivery of, or in connection with any disbursement under any of the Lender Credit Agreement or this Agreement or for a payment of monies from any Account by the Collateral Trustee, shall be found to have been incorrect in any material respect when made or deemed to be made and, if remediable, shall continue to be incorrect for a period of thirty (30) days after note thereof shall have been given to the Borrower by Eximbank; or

Section 9.03. Covenants. (a) The Borrower shall fail to perform or observe any covenant, term or agreement contained in Sections 2.01 (Amount of the Eximbank Credit; Use of Proceeds), 7.03 (Maintenance of Property; Insurance), 7.14 (Debt Reserve Cash Collateral Account), 8.01 (Liens), 8.02 (Consolidation, Merger, Sale of Assets, Etc.), 8.03 (Dividends; Restricted Payments), 8.04 (Leases), 8.05 (Indebtedness), 8.06 (Guarantees), 8.07 (Subsidiaries; Advances, Investments and Loans), 8.10(a), (f) and (g) (Modifications to Partnership Agreement of Borrower; Additional Agreements; Assignments and Modifications of Agreements; Etc.), 8.11 (No Other Business); 8.18 (Equity Ratio); Section 8.19 (Payments on Subordinated Debt); or

(b) The Borrower or any Obligor which is an Affiliate of the Borrower shall fail to perform or observe any other covenant, term or agreement contained in this Agreement or any other Project Document and such failure shall not be remediable or, if remediable, shall continue unremedied for a period of thirty (30) days after the earlier of (i) the date on which such failure shall have first become known to the Borrower and (ii) the date on which written notice thereof shall have been received by the Borrower from Eximbank; provided that if (A) such failure cannot be cured within such thirty (30)

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day period, (B) such failure in the reasonable judgment of the Independent Engineer or Eximbank is susceptible of cure, (C) the Borrower is proceeding with diligence and in good faith to cure such failure, (D) the existence of such failure in the reasonable judgment of Eximbank has not had and is not reasonably likely to have a Material Adverse Effect and (E) Eximbank shall have received an officer's certificate signed by a Financial Officer of the Borrower to the effect of clauses (A), (B) and (C) above, certifying that the existence of such failure has not had and is not reasonably likely to have a Material Adverse Effect and stating what action the Borrower is taking to cure such failure, then, such thirty (30) day cure period shall be extended by up to an additional sixty (60) days as shall be necessary for the Borrower diligently to cure such failure; or

Section 9.04. Default Under Other Agreements. (a) The Borrower shall (i) default in any payment of any Indebtedness For Borrowed Money (other than as provided in Section 9.01) beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness For Borrowed Money was

created or (ii) default (other than in the manner referred to in clause (i)) in the observance or performance of any agreement or condition relating to any Indebtedness For Borrowed Money (other than as provided in Section 9.01) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which such default or other event or condition is to (x) cause any such Indebtedness For Borrowed Money to become due prior to its stated maturity or (y) if such Indebtedness For Borrowed Money ranks pari passu in right of payment with the Eximbank Secured Obligations, permit the Person to whom such Indebtedness For Borrowed Money is owed to declare the same due and payable prior to the stated maturity thereof; or

(b) any Indebtedness For Borrowed Money of the Borrower shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(c) any Obligor (other than PNOC-EDC, Ormat and the BOT Operation Performance Security Issuer) shall (i) default in any payment of any Indebtedness For Borrowed Money in an aggregate principal amount exceeding the equivalent of \$2,000,000 beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness For Borrowed Money was created or (ii) default in the observance or performance of any agreement or condition relating to any Indebtedness For Borrowed Money in an aggregate principal amount exceeding the equivalent of \$2,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause any such Indebtedness For Borrowed Money to become due prior to its stated maturity; or

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(d) Ormat shall (i) default in any payment of any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$4,000,000 beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness For Borrowed Money was created or (ii) default in the observance or performance of any agreement or condition relating to any Indebtedness For Borrowed Money in an aggregate principal amount exceeding \$4,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause any such Indebtedness For Borrowed Money to become due prior to its stated maturity; provided, however, that if one or more of the events described in this clause (d) shall occur after the date on which Ormat shall cease to be an Obligor, the occurrence of such event or events shall not be deemed an Event of Default unless, in the reasonable judgment of the Required Secured Parties, the occurrence of such event or events has had or is reasonably likely to have a material adverse effect on the operations, business, condition (financial or otherwise) or property of the Borrower; or

(e) any indebtedness For Borrowed Money in an aggregate principal amount exceeding the equivalent of \$2,000,000 of any Obligor (other than PNOC-EDC, Ormat and the BOT Operation Performance Security Issuer), or any Indebtedness for Borrowed Money in an aggregate principal amount exceeding \$4,000,000 of Ormat, shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof, and, if such Obligor is the Construction Supplier, the existence of such Indebtedness For Borrowed Money that has been declared due and payable prior to the stated maturity thereof, in the reasonable judgment of Eximbank, has had or is reasonably likely to have a Material Adverse Effect; provided, however, that if one or more of the events described in this clause (e) with respect to the Indebtedness For Borrowed Money of Ormat or Ormat International, as the case may be, shall occur after the date on which Ormat or Ormat International, as the case may be, shall cease to be an Obligor, the occurrence

of such event or events shall not be deemed an Event of Default unless, in the reasonable judgment of Eximbank, the occurrence of such Event or events has had or is reasonably likely to have a Material Adverse Effect; or

(f) a default shall have occurred in the performance of any material obligation by (i) any Obligor (other than the BOT Operation Performance Security Issuer) or the Republic under any of the Project Documents to which such Person is a party and such default shall continue unremedied beyond the period of grace, if any, extended to such Person with respect to such default, as specified in the Project Document under which such obligation was created or (ii) any other party (other than the Persons referred to in clause (i) of this Section 9.04(f)) under any of the Project Documents and the existence of such default in the reasonable judgment of Eximbank has had or is reasonably likely to have a Material Adverse Effect (and has not been cured within 60 days); or

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Section 9.05. Bankruptcy, Etc. (a) There shall have been entered against the Borrower or any Obligor (other than the BOT Operation Performance Security Issuer or PNOC-EDC) a decree or order by a court adjudging the Borrower or such Obligor bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower or such Obligor under any Applicable Law; or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Borrower or such Obligor or of any substantial part of its property or other assets, or ordering the winding up or liquidation of its affairs, or the institution by the Borrower or such Obligor of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it; or the filing by it of a petition or answer or consent seeking reorganization or debt relief under any Applicable Law; or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Borrower or any such Obligor or of any substantial part of its property; or the making by it of an assignment for the benefit of creditors; or the admission by it in writing of its inability to pay its debts generally as they become due; or any other event shall have occurred which under any Applicable Law would have an effect analogous to any of those events listed above in this subsection with respect to the Borrower or any such Obligor; or any corporate action is taken by the Borrower or any such Obligor for the purpose of effecting any of the foregoing; provided that any reorganization or reconstruction of a company while solvent with the prior consent of Eximbank shall not be held to constitute any event mentioned in this paragraph; and provided, further, that in connection with any Obligor, no Event of Default shall be declared under this Section 9.05 if (x) such Person has fully complied and continues to fully comply with all of its obligations under all Project Documents to which such Person is a party and (y) in the reasonable judgment of Eximbank, such Event of Default has not had and is not reasonably likely to have a Material Adverse Effect; or

(b) The General Partner shall convene a meeting of creditors, or shall convene a meeting of its board of directors (or such other applicable controlling body or persons) to determine whether to commence voluntary bankruptcy proceedings; or

Section 9.06. Project Events. (a) The Borrower shall cease to have the right to possess and use all or any portion of the Site; or

(b) any event shall have occurred which entitles the Borrower or PNOC-EDC to give a notice under Section 9.1 of the BOT Agreement; or

(c) the Borrower shall (except as permitted by Section 8.02 hereof) sell or otherwise dispose of any of its interest in the Project; or

(d) an event or circumstance described in subclause (a), (b), (c) or (d) of Section 15.4.1 of the BOT Agreement shall have occurred, it being understood that for purposes of this Section 9.06(d), the words "one-hundred twenty (120)" or "120" contained in subclauses (b) and (c) of Section 15.4.1 of the BOT Agreement shall be replaced with the words "sixty (60)" in each place where such words appear and the words "one hundred fifty (150)" or "150" contained in subclause (d) of Section 15.4.1 of the BOT Agreement shall be replaced by the words "ninety (90)" in each place where such words appear; or

(e) an event or circumstance described in subclause (a), (b) or (c) of Section 15.4.2 of the BOT Agreement shall have occurred, it being understood that for purposes of this Section 9.06(e), the words "one-hundred twenty (120)" contained in subclauses (b) and (c) of Section 15.4.2 of the BOT Agreement shall be replaced with the words "sixty 60" in each place where such words appear; or

(f) the Borrower shall have received notice from PNOC-EDC under Section 15.2(c) of the BOT Agreement and shall have failed to cure the underlying BOT Agreement default giving rise to such notice within 15 days after Borrower's receipt thereof; provided, however, that if following the receipt of such notice and prior to Eximbank taking action pursuant to an Event of Default under this Section 9.06(f), (i) the Borrower and PNOC-EDC shall have agreed in writing to one or more fixed extensions of the period provided for in Section 15.2(c) of the BOT Agreement and (ii) the Borrower shall have provided Eximbank, in the case of each such extension, with an opinion of Philippine counsel reasonably satisfactory to Eximbank to the effect that such extension is legal, valid, binding and enforceable, then an Event of Default under this Section 9.06(f) shall have occurred only if the Borrower shall have failed to cure the underlying BOT Agreement default giving rise to such notice from PNOC-EDC on or prior to the date falling 15 days prior to the expiry of any such extended period; or

Section 9.07. Material Adverse Effect. One or more events, conditions or circumstances (including without limitation Force Majeure as defined in Sections 14.1(a) and 14.1(b) of the BOT Agreement) shall exist or shall have occurred which, in the reasonable judgment of Eximbank is reasonably likely to have a Material Adverse Effect; or

Section 9.08. Project Documents; Security Document. (a) This Agreement or any of the other Financing Documents or any of the BOT Agreement, the Supply Contract, the Construction Contract, the Keystone Agreement or any provision hereof or thereof (i) is or becomes invalid, illegal or unenforceable or any party thereto (other than Eximbank or any Lender Financing Secured Party) shall so assert, or (ii) ceases to be in full force and effect, or shall cease to give the Secured Parties the Liens, rights, powers

and privileges purported to be created thereby or hereby or any party thereto (other than Eximbank or any Lender Financing Secured Party) shall so assert; or

(b) any of the Project Documents (other than the Financing Documents or any of the BOT Agreement, the Supply Contract, the Construction Contract or the Keystone Agreement) or any material provision thereof (i) is or becomes invalid, illegal or unenforceable or any party thereto (other than Eximbank or any Lender Financing Secured Party) shall so assert, and such default shall have continued for a period of thirty (30) days after notice thereof shall have been given to the Borrower by Eximbank, or (ii) ceases to be in full force and effect, or shall cease to give the Secured Parties the Liens, rights, powers and privileges purported to be created thereby such that the interests of the Secured Parties

are adversely affected to a material extent; or

(c) except as permitted by Section 8.01 hereof, the Security or any component part thereof for any reason fails to constitute a valid and perfected first priority Lien or ceases to be in full force and effect or the Borrower or the grantor or pledgor thereof shall so assert; or

Section 9.09. Ownership of the Borrower. (a) Orleyte Company shall cease to be the sole general partner of the Borrower; or

(b) Ormat shall cease to maintain Control (as defined below) of the Borrower or Orleyte Company or, without the prior written consent of Eximbank, one or more sales or other transfers, directly or indirectly, of any limited partnership interest in the Borrower, shall have occurred such that, after giving effect thereto, either (x) Ormat would own, directly or indirectly, less than 66 2/3% of the aggregate partnership interests in the Borrower free and clear of all Liens (other than the Liens created by the Security Documents) or (y) Ormat and any of its Affiliates would have received, directly or indirectly, aggregate gross proceeds on account of the sale or other transfer of limited partnership interests of the Borrower exceeding an amount equal to 40% of the capitalization of the Borrower as at the Disbursement Date (for purposes of this Section 9.09, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, including operating and maintenance decisions, whether through ownership of voting interests, by contract, or otherwise); or

(c) The Borrower shall, without the prior consent of Eximbank, permit or suffer to occur any sale, assignment or transfer of any limited partnership interest in the Borrower, or issue or have outstanding any securities convertible into or exchangeable for limited partnership interests in the Borrower or issue or grant or have outstanding any rights to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreements, arrangements or understandings providing for the issuance (contingent

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or otherwise) of, or any calls, commitments or claims of any character relating to any limited partnership interest in the Borrower; provided, however, that, if at all times 100% of the general and limited partnership interests in the Borrower remain subject to a Lien in favor of the Collateral Trustee pursuant to the terms of the Mortgage, Assignment and Pledge Agreement (or any similar security document acceptable to Eximbank) and the Collateral Trustee remains in possession of all of the certificates evidencing partnership interests in the Borrower together with undated transfer powers endorsed in blank, an Event of Default shall not be deemed to have occurred under this Section 9.09(c) if (i) at any time after the date hereof Orleyte Company sells, assigns or transfers limited partnership interests in the Borrower representing not more than 10% of the aggregate partnership interests in the Borrower to each of (x) Itochu pursuant to the terms of the Itochu MOU and (y) EPDCI (or an Affiliate thereof) on terms no less favorable to Ormat and its Affiliates than those in the Itochu MOU and (ii) at any time from and after the Disbursement Date (A) any sale, assignment or transfer referred to in this Section 9.09(c), (B) full dilution of the limited partnership interests in the Borrower by the methods noted above in this Section 9.09(c) or (C) any combination thereof would not have the effect of reducing below 66 2/3% the aggregate direct or indirect ownership of Ormat in the Borrower; or

Section 9.10. Judgments. One or more judgments or decrees shall be entered (i) against the Borrower or any Partner involving in the aggregate a liability not paid or fully covered by insurance) of \$2,000,000 or more; or (ii) prior to the date on which Ormat shall cease to be an Obligor, against Ormat involving in the aggregate a liability (not paid or fully covered by insurance) of \$4,000,000 or (ii) prior to the date on which Ormat International shall cease to be an Obligor, against Ormat International involving in the aggregate a liability (not

paid or fully covered by insurance) of \$2,000,000 or more; or (iv) prior to the date on which the Construction Contractor shall cease to be an Obligor, against the Construction Contractor involving in the aggregate a liability (not paid or fully covered by insurance) of \$2,000,000 or more, which liability, in the reasonable judgment of the Required Secured Parties, has had or is reasonably likely to have a Material Adverse Effect; or (v) prior to the date on which the Construction Supplier shall cease to be an Obligor, against the Construction Supplier involving in the aggregate a liability (not paid or fully covered by insurance) of \$2,000,000 or more, which liability, in the reasonable judgment of the Required Secured Parties, has had or is reasonably likely to have a Material Adverse Effect; or (vi) prior to the date on which any other Obligor ceases to be an Obligor, against such Obligor involving in the aggregate a liability (not paid or fully discharged by insurance) of \$2,000,000 or more, which liability in the reasonable judgment of the Required Secured Parties has had or is likely to have a Material Adverse Effect; and in any such case all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days after the entry thereof; or

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Section 9.11. Governmental Action. Any government or Governmental Authority shall have condemned, nationalized, seized, or otherwise expropriated all or any substantial part of the property or other assets of the Borrower or of its general or limited partnership interests or shall have assumed custody or control of such property or other assets or of the business or operations of the Borrower or of its general or limited partnership interests or shall have taken any action for the dissolution or disestablishment of the Borrower or any action that would prevent the Borrower or its officers from carrying on its business or operations or a substantial part thereof; or

Section 9.12. Permits. The Borrower or any Obligor shall fail to obtain, renew, maintain or comply in all material respects with any Governmental Approval set forth in Schedule 5.01(t) hereof or any license, approval or consent referred to in Section 5.2(c) of the Lender Credit Agreement; or any such Governmental Approval or license, approval or consent shall be rescinded, terminated, suspended, modified or withheld or shall be determined to be invalid or shall cease to be in full force and effect; or any proceeding shall be commenced by or before any Governmental Authority for the purpose of rescinding, terminating, suspending, modifying or withholding any such Governmental Approval or license, approval or consent and such proceeding is not dismissed within 60 days; and such failure, rescission, determination of invalidity, termination, suspension, modification, withholding, cessation or commencement is reasonably likely to have a Material Adverse Effect; or

Section 9.13. Transfer of Collateral; Event of Loss; Diminution of Property Rights. (a) Title to or any right in all or any part of (i) the Mortgage Collateral, (ii) any of the Plants or (iii) any other collateral purported to be covered by the Security Documents (other than as permitted pursuant to this Agreement, including Section 8.02 hereof) shall become vested in any party other than the party named as owner and/or holder thereof in the applicable Security Document, whether by operation of law or otherwise, or (iv) there shall have occurred an Event of Loss; or

(b) Except as otherwise permitted pursuant to this Agreement, the Borrower hereafter grants any easement or dedication, files any plat, declaration or restriction or enters into any lease or sub-lease concerning the Site or any portion thereof, the Mortgage Collateral or any of the Plants and the effect thereof is determined by Eximbank, in its reasonable discretion, to be material and adverse to the Site or such portion, the Mortgage Collateral, such Plant or Plants or the Borrower; or

Section 9.14. Regulatory Status. The Borrower shall fail to remain continuously exempt from all regulation under PUHCA as a result of being a

"foreign utility company" under Section 33 of PUHCA or otherwise; or

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Section 9.15. ERISA. Any of the following events occur or exist with respect to the Borrower or, in the case of (a) through (e) below, any ERISA Affiliate: (a) any Termination Event with respect to any Plan; (b) any event or circumstance that is reasonably likely to constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the imposition of liability in respect of any Pension Plan (other than a liability to the PBGC for insurance premiums the payment of which is not yet due); (c) any Pension Plan shall have an accumulated funding deficiency as defined in Section 412 of the Code or Section 302 of ERISA; (d) any Plan intended to be qualified under Section 401(a) or 401(k) of the Code shall be disqualified; (e) any Plan shall be subject to an excise tax pursuant to Code Section 4980B or shall fail to comply with Sections 601-606 (inclusive) of ERISA; (f) the Borrower provides employee welfare benefits to retirees other than statutorily required or pursuant to Section 601 et seq. of ERISA and Section 4980B of the Code; or (g) the Borrower incurs liability under or relating to any Plan resulting from a violation of ERISA, the Code and/or any other applicable law, including without limitation the Age Discrimination in Employment Act, the Americans With Disabilities Act and Title VII of the Civil Rights Act, each as amended; and in each case above, such event or condition, individually or in the aggregate, together with all other such events or conditions, if any, is reasonably likely to subject the Borrower to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, or otherwise (or any combination thereof) which in the aggregate has had or is reasonably likely to have a Material Adverse Effect; or the Borrower or any ERISA Affiliate shall fail to pay when due an amount or amounts which it shall have become liable to pay under Title IV or ERISA or as a contribution to a Pension Plan and/or Multiemployer Plan which, as a result, has had or is reasonably likely to have a Material Adverse Effect; or

Section 9.16. Funding Agreement. Ormat International, Inc. shall fail to cause the Affiliated Funding Entities to make any Post-Completion Standby Subordinated Loan or Post-Completion Standby Equity Contribution or shall fail to cause the Affiliated Funding Entities to pay any amount required to be paid by either of them under, or otherwise to comply with any of the terms of, the Funding Agreement required to be performed after the Eximbank Disbursement Date; provided that no Event of Default under this Section 9.16 shall be declared as a result of any such failure of the Affiliated Funding Entities to make a Post-Completion Standby Subordinate Loan or a Post-Completion Standby Equity Contribution if within 30 days after such failure Ormat shall have paid all such defaulted amounts pursuant to the terms of the Post-Completion Ormat Guaranty;

then, (a) in the event that an Event of Default described in Section 9.01(a) with respect to any amount owing to Eximbank shall occur and be continuing on or prior to the Disbursement Date, Eximbank shall have the right to suspend disbursement of the Eximbank Credit in accordance with Section 4.03(a), and (b) in the event that any Event

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of Default (including any Event of Default described in Section 9.01(a) with respect to any amount owing to Eximbank) shall occur, and at any time thereafter, if such Event of Default is continuing on and/or after the Disbursement Date, Eximbank shall have the right to (i) take any actions necessary to cure such Event of Default and/or declare an Event of Default, (ii) declare, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Borrower, the entire amount of Borrower's outstanding Eximbank Secured Obligations to be immediately due and payable, irrespective of any other provision of any Financing Document, whereupon the

same shall be and become immediately due and payable (provided that if an Event of Default specified in Section 9.05 shall have occurred or a Buyout shall have occurred, the entire amount of Borrower's outstanding Eximbank Secured Obligations shall be automatically immediately due and payable without any declaration, presentment, demand, protest or notice or other act of any kind by Eximbank or any of the other Secured Parties whatsoever), and (iii) proceed to enforce or cause or instruct the Collateral Trustee to enforce any remedies provided under any of the Financing Documents. If an event or occurrence constitutes an Event of Default or Default under more than one of the provisions of this Section 9, Eximbank may during the continuance of such Event of Default take all actions and remedies provided hereunder upon expiration of the shortest grace period, if any, applicable to such Default or Event of Default.

SECTION 10. GOVERNING LAW AND JURISDICTION

Section 10.01. Governing Law. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA, AND SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF.

Section 10.02. Submission to Jurisdiction; Service of Process. (a) The Borrower irrevocably agrees that any legal action or proceeding against the Borrower with respect to this Agreement, the Eximbank Note or any Financing Document may be brought in the courts of the State of New York in the County of New York or of the United States for the Southern District of New York and, by execution and delivery of this Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Borrower agrees that a judgment, after exhaustion of all available appeals, in any such action or proceeding shall be conclusive and binding upon the Borrower, and may be enforced in any other jurisdiction, including without limitation the Republic, by a suit upon such judgment, a certified copy of which shall be conclusive evidence of the judgment. The Borrower hereby irrevocably designates, appoints and empowers CT Corporation System, with offices on the date hereof at 1633 Broadway, New York, New

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York 10019, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding. If for any reason such designee, appointee and agent shall cease to be available to act as such, the Borrower agrees to designate a new designee, appointee and agent in New York City on the terms and for the purposes of this provision satisfactory to Eximbank, advise Eximbank thereof, and deliver to Eximbank evidence in writing of the successor agent's acceptance of such appointment. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower, at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. The foregoing provisions constitute, among other things, a special arrangement for service between the parties to this Agreement for the purposes of 28 U.S.C. (section) 1608. Nothing herein shall affect the right of the Collateral Trustee or Eximbank to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in the Republic or in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement, the Eximbank Note or any other Financing Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court

has been brought in an inconvenient forum.

Section 10.03. Waiver of Sovereign Immunity. The Borrower acknowledges and agrees that the activities contemplated by the provisions of this Agreement, the Eximbank Note and the Financing Documents are commercial in nature rather than governmental or public, and therefore acknowledges and agrees that it is not entitled to any right of immunity on the grounds of sovereignty or otherwise with respect to such activities or in any legal action or proceeding arising out of or relating to this Agreement, the Eximbank Note or the other Financing Documents. The Borrower, in respect of itself, its process agents, and its properties and revenues, expressly and irrevocably waives any such right of immunity which may now or hereafter exist (including any immunity from any legal process, from the jurisdiction of any court or from any execution or attachment in aid of execution prior to judgment or otherwise) or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any such action or proceeding, whether in the United States or otherwise.

SECTION 11. MISCELLANEOUS

Section 11.01. Transportation. All items which are financed under the Eximbank Credit and which are exported by ocean vessel must be transported from the United States in vessels of U.S. Registry as required by 46 U.S.C. (section)1241-1 (Public Resolution No. 17 of the 73rd Congress of the United States, as amended), except to the extent that a waiver of this requirement is obtained from the U.S. Maritime Administration ("MARAD"). If shipments are made on non-U.S. vessels without a waiver or contrary to the provisions of the waiver, the Items will not be eligible for financing under the Eximbank Credit or for coverage under the Eximbank Guaranty Agreement.

Section 11.02. Transportation Costs. The costs of ocean or air freight for shipment of any item on a vessel or aircraft of non-U.S. registry pursuant to a waiver from MARAD will constitute Foreign Cost associated with such Item if such costs are included in the Contract Price of such Item. If such freight costs are for shipment of an Item on a vessel or aircraft of U.S. registry, such costs will constitute U.S. Content.

Section 11.03. Insurance. The Borrower shall obtain insurance against marine and transit hazards on all shipments of the Items in an amount not less than the amount of the Disbursements made with respect to those shipments. United States insurers shall be given a nondiscriminatory opportunity to bid for such insurance business related to the Items. The cost of the premiums for such insurance may be included in the U.S. content of the insured Item if the insurance is placed in the United States with a United States company. In all other cases, the cost of the premiums shall be included in the Foreign Cost associated with the Item.

Section 11.04. Disposition of Indebtedness. Eximbank may sell, transfer, pledge, negotiate, grant participations in or otherwise dispose of all or any part of the Borrower's indebtedness under this Agreement and the Eximbank Note to any party, and any such party shall enjoy all the rights and privileges of Eximbank under this Agreement and the Eximbank Note. The Borrower shall, at the request of Eximbank, execute and deliver to Eximbank or to any party that Eximbank may designate any such further instruments as may be necessary or desirable to give full force and effect to the disposition by Eximbank. Notwithstanding anything to the contrary contained herein, the Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of Eximbank.

Section 11.05. Taxes. (a) The Borrower agrees to pay all amounts owing by it to Eximbank under this Agreement, the Eximbank Guarantee Agreement, the Eximbank Note or any other Financing Document free and clear of and without

deduction for any Taxes. The Borrower further agrees:

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(i) that if it is prevented by operation of law from paying any Taxes, then the interest rate or fees required to be paid under this Agreement, the Eximbank Guarantee Agreement, the Eximbank Note or any other Financing Document shall increase by the amount necessary to yield to Eximbank interest, fees or expenses in the amounts provided for in this Agreement, the Eximbank Guarantee Agreement, the Eximbank Note or such other Financing Document after provision for the payment of all such Taxes;

(ii) that it shall at the request of Eximbank execute and deliver to Eximbank such further instruments as may be necessary or desirable to effect the increased in the interest or fees as provided for in clause (i) immediately above, including new Eximbank Notes to be issued in exchange for any Eximbank Note previously issued;

(iii) that it shall hold Eximbank harmless from and against any liabilities with respect to any such Taxes (whether or not properly or legally asserted);

(iv) to provide Eximbank with the original or a certified copy of evidence of the payment of any Taxes by the Borrower as Eximbank may reasonably request, or, if no Taxes have been paid, to provide Eximbank, at Eximbank's request, with a certificate from the appropriate taxing authority or an opinion of counsel acceptable to Eximbank stating that no Taxes are payable.

(v) In the event that it is necessary for Eximbank to cooperate with the Borrower in order for the Borrower to fulfill its obligations under this Section 11.05, Eximbank shall cooperate to the extent necessary, provided Eximbank shall incur no expense or other liability in connection therewith.

(b) In the event Eximbank assigns or transfers its rights, title and interest under this Agreement to a Person which is not a Person entitled to tax exemptions on its assets, revenues and operations substantially similar to the tax exemptions applicable to Eximbank, then the definition of "Taxes" applicable to such Person for purposes of this Agreement shall be the definition of "Covered Taxes" set forth herein.

Section 11.06. Disclaimer. Eximbank shall not be responsible in any way for the performance of the Purchase Contracts, and no claim against the supplier of any Item or any other person with respect to the performance of the Purchase Contracts will affect the obligations of the Borrower under this Agreement, the Eximbank Note or any Financing Document.

Section 11.07. Indemnities and Expenses. (a) The Borrower shall, whether or not the transactions herein contemplated are consummated, pay the reasonable fees and expenses of the Independent Engineer, the Insurance Consultant, Winston & Strawn, special counsel to Eximbank, and Castillo Laman Tan Panteleon & San Jose, special

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Philippine counsel to Eximbank and the law firms referred to in Sections 5.01(b) and 5.02(b), and all reasonable costs and expenses incurred by Eximbank, incurred in connection with (i) the preparation, printing, execution, delivery, administration, registration (where appropriate) or enforcement of this Agreement, the Eximbank Note, the Eximbank Guarantee Agreement and the other Financing Documents and any other documents related thereto (including the Legal Opinions); (ii) any amendment or modification to, preservation of rights under,

or waiver in connection with, the Financing Documents or any such other document; and (iii) the registration (where appropriate) and the delivery of the evidences of Indebtedness relating to the Eximbank Credit and the Disbursement thereof.

(b) The Borrower Shall, whether or not the transactions herein contemplated are consummated, (i) pay and hold Eximbank harmless from and against any and all present and future stamp and other similar taxes and documentary or registration fees with respect to the matters referred to in the foregoing clause (a) and save Eximbank harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to Eximbank) to pay such taxes or fees; and (ii) indemnify Eximbank and each of its respective officers, directors, employees, representatives, attorneys and agents from and hold each of them harmless against any and all liabilities incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not Eximbank is a party thereto) related to the entering into and/or performance of this Agreement, the Eximbank Note, the Eximbank Guarantee Agreement or any other Project Document or the use of the proceeds of the Eximbank Credit or the consummation of any transactions contemplated herein or in any other Project Document, including, without limitation, the reasonable fees and disbursements of counsel selected by such indemnified party incurred in connection with any such investigation, litigation or other proceeding or in connection with enforcing the provisions of this Section 11.07(b) (but excluding any such liabilities, obligations or losses, to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified or its officers, directors, employees, representatives, attorneys or agents, as the case may be as determined by a court of competent jurisdiction). Without limitation to the foregoing provisions of this paragraph, the indemnity provided hereunder shall cover any loss, liability or expense reasonably incurred other than by reason of gross negligence or wilful misconduct on behalf of Eximbank arising out of or in connection with claims by third parties (including without limitation any Lender or the Administrative Agent) to whom a copy of the Information Memorandum has been distributed with the knowledge of the Borrower against Eximbank relating to any alleged inaccuracy of the factual information (taken as a whole) which, for the avoidance of doubt shall not include any information by way of projections, estimates or other expressions of view as to future circumstances (provided that such projections, estimates or other expressions of view are

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expressed in good faith and on the basis of assumptions which when made were viewed by the Borrower in good faith to be reasonable) contained in, or any alleged omission of information which will render such aforesaid factual information (taken as a whole) inaccurate or misleading in a material respect from, the Information Memorandum and the Project Documents. Eximbank shall (1) use reasonable efforts to, upon its becoming aware of any event which may result in the Borrower being required to perform any of its indemnity obligations under this paragraph (b), promptly notify the Borrower (provided that failure to so notify shall not mitigate the obligations of the Borrower hereunder), (2) upon request from the Borrower consult with the Borrower regarding any step (including any step which may mitigate the effect of such event) it proposes to take in respect of such event and (3) consult with the Borrower before entering into any settlement or compromise in relation to any such claims, actions or suits.

(c) Without limitation to the provisions of paragraph (b) above, the Borrower agrees to defend, protect, indemnify and hold harmless Eximbank and each of its officers, directors, employees, representatives, attorneys and agents from and hold each of them harmless against any and all liabilities (including removal and remedial actions), obligation, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements)

imposed on or asserted against any such Persons directly or indirectly based on, or arising or resulting from, (i) the actual or alleged presence of Hazardous Materials on, under or at any of the Plants or any portion of the Site, (ii) any Environmental Claim relating to the Borrower or the Project or arising out of the use of any of the Plants or any portion of the Site, or (iii) the exercise of Eximbank's rights under any of the provisions of this Section regardless of when any such matters arise, but excluding any matter based solely on the gross negligence or willful misconduct of Eximbank or its officers, directors, employees, representatives, attorneys or agents, as the case may be. Eximbank shall (1) use reasonable efforts to, upon its becoming aware of any event which may result in the Borrower being required to perform any of its obligations under this paragraph (c), promptly notify the Borrower (provided that failure to so notify shall not mitigate the obligations of the Borrower hereunder), (2) upon request from the Borrower consult with the Borrower regarding any step (including any step which may mitigate the effect of such event) it proposes to take in respect of such event and (3) consult with the Borrower before entering into any settlement or compromise in relation to any such claims, actions or suits.

(d) To the extent that the undertaking in the preceding paragraphs of this Section may be unenforceable because it is violative of any law or public policy, the Borrower will contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of such undertakings.

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(e) All sums paid and costs incurred by Eximbank with respect to any matter indemnified hereunder shall bear interest at the default rate applicable to the Eximbank Credit from the date so paid or incurred until reimbursed by the Borrower, and all such sums and costs shall be added to the debt and be secured by the Security Documents and shall be immediately due and payable on demand.

Section 11.08. Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, Eximbank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by Eximbank to or for the credit or the account of the Borrower against and on account of the Eximbank Secured Obligations and liabilities of the Borrower to Eximbank under this Agreement or under any of the other Financing Documents, and all other claims of any nature or description arising out of or connected with this Agreement or any other Financing Document, irrespective of whether or not Eximbank shall have made any demand with respect thereto.

Section 11.09. Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, except that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Eximbank.

Section 11.10. No Waiver; Remedies Cumulative. No failure or delay on the part of Eximbank in exercising any right, power or privilege hereunder or under any other Financing Document and no course of dealing between the Borrower and Eximbank shall impair any such right, power or privilege or operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Financing Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Financing Document expressly provided are cumulative and not exclusive of any

rights, powers or remedies which Eximbank would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Eximbank to any other or further action in any circumstances without notice or demand.

Section 11.11. Severability. Any provision of this Agreement, the Eximbank Note and any other Financing Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability but that shall not invalidate the remaining provisions of this

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Agreement, the Eximbank Note or any Financing Document or affect such provision in any other jurisdiction.

Section 11.12. English Language. All documents to be furnished or communications to be given or made under this Agreement or any other Financing Document shall be in the English language.

Section 11.13. Calculations; Computations. All financial calculations to be made under, or for the purposes of, this Agreement shall be determined in accordance with Philippine generally accepted accounting principles, applied on a consistent basis and, except as otherwise required to conform to the definitions contained in Schedule X or any other provisions of this Agreement, shall be calculated from the then most recently issued quarterly financial statements which the Borrower is obligated to furnish to Eximbank from time to time, as provided hereunder; provided, however, that (a) if the relevant quarterly financial statements should be in respect of the last quarter of a Fiscal Year then, at the option of Eximbank, such calculations may instead be made from the audited financial statements for the relevant Fiscal Year, and (b) if there should occur any material adverse change in the financial condition or results of operations of the Borrower after the end of the period covered by the relevant financial statements, then such material adverse change shall also be taken into account in calculating the relevant figures.

Section 11.14. Survival. All indemnities set forth herein shall survive the execution and delivery of this Agreement and the Eximbank Note, the execution, delivery and termination of the Eximbank Guarantee Agreement, and the making and repayment of the Eximbank Credit.

Section 11.15. Amendments. No term or provision of this Agreement may be amended, changed, modified or waived except by an instrument in writing signed by the party against whom such amendment, change, modification or waiver is sought to be enforced.

Section 11.16. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section. 11.17. Notices. Except as otherwise expressly provided herein, (a) all notices and other communications provided for hereunder shall be provided in writing (including telegraphic, telex, facsimile or cable communication) and shall be sent by telecopy, telex, telegraph or cable with the original of such communication dispatched by (if inland) overnight or (if overseas) international courier and, if such courier service is not available, by registered airmail (or, if inland, registered first-class mail) with

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postage prepaid to the Borrower, the Collateral Trustee and Eximbank at their

respective addresses specified below, or at such other address as shall be designated by such party in a written notice to the other parties hereto and (b) all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective seven (7) days after being deposited in the mails in the manner as aforesaid, when delivered to the telegraph company or cable company (if inland), one (1) day or (if overseas) three (3) days after delivery to a courier in the manner as aforesaid, as the case may be, or when sent by telex (with the correct answer back) or telecopier:

Addresses:

If to the Borrower:

ORMAT LEYTE CO. LTD.
Solid Bank Building
8th Floor
777 Paseo de Roxas
Makati City 1200
Philippines
Attn: President
Tel: 011-632-812-5631
Fax: 011-632-812-5638

and with copies to:

ORMAT INTERNATIONAL, INC.

980 Greg Street
Sparks, Nevada 89431
Attn: President
Tel: (702) 356-9029
Fax: (702) 356-9039

with a copy of any notice relating to a dispute to:

Robert E. Giles
Perkins Coie
1201 Third Avenue
40th Floor
Seattle, WA 98101-3099
Tel: (206) 583-8536
Fax: (206) 583-8500

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If to Eximbank:

EXPORT-IMPORT BANK OF THE UNITED STATES
811 Vermont Avenue, N.W.
Washington, D.C. 20571
U.S.A.
Attn: Vice President-
Project Finance (AP069721-Philippines)
Tel: (202) 565-3690
Fax: (202) 565-3695
Telex: RCA 248460 EXBK UR
TRT 197681 EXIM UT
WUI 64319 EXIBANK
WUT 89461 EXIBANK WSH

with a copy of each notice to:

Winston & Strawn
1400 L Street, N.W.
Suite 800

Washington, D.C. 20005
Attn: Administrative Partner
(U.S. Eximbank -- Leyte Field Project)
Tel: (202) 371-5971
Fax: (202) 371-5950

Section 11.18. Judgment Currency. All payments of principal, interest, fees or other amounts due to Eximbank under this Agreement, the Eximbank Note or any other Financing Document shall be made in Dollars, regardless of any law, rule, regulation or statute, whether now or hereafter in existence or in effect in any jurisdiction, which affects or purports to affect such obligations. The obligation of the Borrower in respect of any amount due under this Agreement, the Eximbank Note or any other Financing Document, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), shall be discharged only to the extent of the amount in Dollars that the Person entitled to receive that payment may, in accordance with normal banking procedures, purchase with the sum paid in that other currency (after any premium and costs of exchange) on the Business Day immediately succeeding the day on which that Person receives that payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay such additional amounts, in Dollars, to compensate for the shortfall. Any obligation of the Borrower not discharged by that payment shall continue to be due as a separate and

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independent obligation and shall accrue interest in accordance with Section 3.02 until discharged as provided herein.

Section 11.19. Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 11.20. Prior Agreements Superseded. This Agreement, the Eximbank Guarantee Agreement, the Eximbank Note and the other Financing Documents to which the Borrower is a party shall completely and fully supersede all prior understandings or agreements, both written and oral, among the parties hereto regarding the Eximbank Credit and the Eximbank Guarantee Agreement.

Section 11.21. No Recourse. Except as provided in the last sentence of and the proviso to the penultimate sentence of this Section 11.21, neither any Partner, the Construction Supplier or the Construction Contractor nor their respective shareholders or Affiliates (other than the Borrower), nor its or their respective officers, directors, stockholders, controlling persons or employees (each, a "Non-Recourse Party"), shall have any personal liability for any amounts payable by the Borrower hereunder or under the Eximbank Note or any other Project Document or for the performance of any covenant, agreement or obligation of the Borrower, or for the breach of any representation, warranty or covenant of the Borrower under this Agreement, the Eximbank Note or any other Project Document, agreement, undertaking, certificate or other document delivered by or on behalf of the Borrower in connection with this Agreement, and therefore no judgment or recourse shall be sought or enforced against any Non-Recourse Party for the payment or performance of the obligations of the Borrower under any Project Document or any other such agreement, undertaking, certificate or document executed by the Borrower. Except as provided in the last sentence of this Section 11.21, it is expressly understood that all obligations and liabilities of the Borrower under this Agreement, the Eximbank Note and the other Project Documents to which the Borrower is a party and any other related document, agreement or instrument executed by the Borrower are solely obligations of the Borrower, provided, that such limitation of liability shall not apply to a Non-Recourse Party if and to the extent that such Non-Recourse Party commits fraud or misappropriation of earnings, revenues, profits or proceeds from the Borrower or the Project. Notwithstanding anything herein to

the contrary, nothing herein shall limit, or be construed or deemed to limit, the liability of any Non-Recourse Party under any Project Document to which such Non-Recourse Party is in its individual capacity a party.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed and delivered in the United States as of the date set forth below.

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ORMAT LEYTE CO. LTD.

EXPORT-IMPORT BANK OF THE
UNITED STATES

By ORLEYTE COMPANY
its General Partner

By /s/ Patrick Francois

(Signature)

Name Patrick Francois

(Print)

Title Vice President

(Print)

By /s/ Indecipherable

(Signature)

Name

(Print)

Title

(Print)

Date of Execution: May 13, 1996

Eximbank Credit No. AP069721 Philippines

Exhibit 10.1.7

ORMAT FUNDING CORP.,
AS THE Issuer

BRADY POWER PARTNERS
STEAMBOAT DEVELOPMENT CORP.
STEAMBOAT GEOTHERMAL LLC
ORMAMMOTH INC.
ORNI 1 LLC
ORNI 2 LLC
ORNI 7 LLC,
AS GUARANTORS

ORMESA LLC

\$190,000,000

8 1/4% SENIOR SECURED NOTES DUE DECEMBER 30, 2020

INDENTURE

DATED AS OF FEBRUARY 13, 2004

UNION BANK OF CALIFORNIA, N.A.,
AS TRUSTEE

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INDENTURE dated as of February 13, 2004 among Ormat Funding Corp., a Delaware corporation (including its successors and permitted assigns, the "Issuer"), Brady Power Partners, a Nevada general partnership ("Brady"), Steamboat Development Corp., a Utah corporation ("Steamboat Development"), Steamboat Geothermal LLC, a Delaware limited liability company ("Steamboat Geothermal"), OrMammoth Inc., a Delaware corporation ("OrMammoth"), ORNI 1 LLC, a Delaware limited liability company ("ORNI 1"), ORNI 2 LLC, a Delaware limited liability company ("ORNI 2"), ORNI 7 LLC, a Delaware limited liability company ("ORNI 7"), Ormesa LLC and Union Bank of California, N.A., a national banking association, as trustee (the "Trustee").

The Issuer, the Guarantors (as defined) and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 8 1/4% Senior Secured Notes due December 30, 2020, any Additional Notes (as defined below) and the Exchange Notes (as defined below) issued pursuant to the Registration Rights Agreement:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions.

"Acceptable Letter of Credit" means one or more irrevocable standby letters of credit available for the purpose of drawing in accordance with the Depositary Agreement, and any extensions thereof or any substitute letter of credit therefor in the stated amount contained in such extension or substitute, subject to the limitations set forth in, and permitting draws thereon as contemplated by the Depositary Agreement, (i) issued to the Depositary Agent (for the benefit of the Secured Parties entitled to the benefits of the applicable Account) by a commercial bank having a long-term

unsecured senior debt rating of at least Investment Grade, (ii) payable in immediately available U.S. Dollar funds on any Business Day, (iii) with a minimum term of at least one year, (iv) providing for the amount thereof to be available to the Depositary Agent in multiple drawings conditioned only upon presentation of sight drafts accompanied by the applicable certificate in the form attached to such letter of credit or if the issuing bank ceases to be an Eligible Letter of Credit Provider, (v) transferable to any successor Depositary Agent, the Collateral Agent or a successor Collateral Agent (or if not transferable provides for the amount thereof to be drawn upon by the Depositary Agent upon appointment of a successor Depositary Agent or Collateral Agent), (vi) governed by the laws of the State of New York or California, (vii) does not constitute Indebtedness (directly or indirectly) of the Issuer or any of its Subsidiaries, and is not secured by a Lien on any of the properties of the Issuer or any of its Subsidiaries, and the Issuer certifies to such in an Officer's Certificate and (viii) which provides that it may be drawn not more than thirty days prior to its expiration in the entire amount to be then drawn if the issuing bank does not provide a written extension of the same to the Depositary Agent at least 30 days prior to its then scheduled expiration date.

"Accounts" means the accounts established under the Depositary Agreement.

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"Additional Notes" means any Senior Secured Notes (other than Initial Notes), if any, issued under this Indenture in accordance with Sections 2.05 and 2.15 hereof.

"Additional Project Document" means any contract or agreement entered into after the Closing Date in respect of the ownership, construction, operation, maintenance, modification or administration of a Project that is material to the Issuer or one or more Projects (including a Qualified Project), other than a Financing Document. The replacement of a Project Document that is not a Material Project Document shall be deemed not to be an Additional Project Document.

"Administrative Costs" means all of the Issuer's obligations, now or hereafter existing, to pay administrative fees, costs and expenses to any trustee or agent of the Holders of the Senior Secured Notes or any Permitted Additional Senior Lender, including the Collateral Agent, the Depositary, and the Trustee (including, without limitation, the reasonable fees and expenses of counsel, agents and experts).

"Affiliate" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Agent Member" has the meaning set forth in Section 2.07(c)(v)(B) of this Indenture.

"Annual Period" means the twelve month period commencing on January 1st of each year and ending on December 31st of each year.

"Applicable Law" means any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree or Governmental Approval, or any published directive or requirement which has the force of law, or other governmental restriction which has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, applicable to and/or binding on a given Person or any Plant, as the context may require,

whether in effect as of the Closing Date or thereafter and in each case as amended.

"Authentication Order" means a written order or request signed in the name of the Issuer by the President, a Vice President, the Treasurer or the Assistant Treasurer, and delivered to the Trustee.

"Authorized Officer" or "Authorized Representative" of any Person means the individual or individuals authorized to act on behalf of such Person by the board of directors, managing member, management committee, board of control or any other governing body of

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such Person as designated from time to time in a certificate of such Person with specimen signatures.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership or any committee duly authorized and empowered to take action on behalf of such partnership by the partnership agreement of such partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Brady" means Brady Power Partners, a Nevada general partnership.

"Brady-BLM Geothermal Resources Lease N-10922" means that certain Lease for Geothermal Resources N-10922, dated October 1, 1975, between Brady and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Brady-BLM Geothermal Resources Lease N-40353" means that certain Lease for Geothermal Resources N-40353, dated April 1, 1986, between Brady and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Brady-BLM Geothermal Resources Lease N-40355" means that certain Lease for Geothermal Resources N-40355, dated July 1, 1986, between Brady and the United States of America through the Bureau of Land Management of the Department of the Interior

"Brady-BLM Geothermal Resources Lease N-46566" means that certain Lease for Geothermal Resources N-46566 between Brady and the United States of America through the Bureau of Land Management of the Department of the Interior, dated October 1, 1975.

"Brady/Desert Peak 1 Interconnection Agreement" means that certain Service Connections, Meters and Customer's Facility Exhibit to the Brady Project Power Purchase Agreement, between Brady (as successor to Nevada Geothermal Power Partners) and Sierra Pacific Power Company.

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"Brady Operation and Maintenance Agreement" means that certain Operation and Maintenance Agreement, dated January 1, 2002, between Brady, Western States and Ormat Nevada as Western States' agent.

"Brady Plant" means two geothermal power generating plants located in Churchill County, Nevada (including the Desert Peak 1 Plant) and having a gross generating capacity of 32 MW.

"Brady Project Power Purchase Agreement" means that certain Long Term Agreement for the Purchase and Sale of Electricity, dated October 5, 1990, between Brady (as successors to Nevada Geothermal Power Partners) and Sierra Pacific Power Company, as amended by that certain Amendment to Long Term Agreement for the Purchase and Sale of Electricity, dated July 12, 1991, as modified by that certain Settlement Agreement, dated February 16, 2001, between Sierra Pacific Power Company and Brady, and as further amended by that certain Amendment No. 2 to Long Term Agreement for the Purchase and Sale of Electricity, dated June 24, 2002.

"Brady Settlement Agreement" means that certain Settlement Agreement, dated May 1, 2002, among Brady, ORNI 1 LLC, ORNI 2 LLC, Ormat Nevada, Ormat Technologies, and ConAgra Foods, Inc.

"Business Day" means any day other than a Saturday or Sunday or other day on which banks in New York, New York or Nevada are authorized or required by law or executive order to remain closed.

"Capital Expenditures" means any expenses that are capitalized on the Issuer's balance sheet in accordance with GAAP.

"Capital Stock" means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person including all warrants, options or other rights to acquire any of the foregoing, but excluding from all of the foregoing any debt securities convertible into or exchangeable for Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

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"Cash Flow Available for Debt Service" means, for any period,
(a) all revenues (including interest, Delay Liquidated Damages, and the proceeds

of any business interruption insurance but excluding any other insurance proceeds and any other similar non-recurring receipts) received in such period and deposited in the Revenue Account, less (b) the sum of (x) Operating and Maintenance Expenses for such period plus (y) Administrative Costs payable to the Trustee, the Collateral Agent, the Depositary and any other trustee or agent of the Secured Parties for such period, all as computed on a cash basis.

"Certificated Note" shall mean a certificated Senior Secured Note registered in the name of the Holder thereof and issued in accordance with Section 2.07 hereof, substantially in the form of Exhibit A-1/A-2 hereto except that such Senior Secured Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the Issuer's and the Issuer's Subsidiaries' assets, taken as a whole; (ii) the adoption of a plan relating to the Issuer's liquidation or dissolution; (iii) the consummation of any transaction or series of related transactions (including, without limitation, any merger or consolidation) the result of which is that any Person other than Ormat Nevada or a Related Party, becomes the "beneficial owner" (as such term is defined Rule 13d-3 and Rule 13d-5 under the Exchange Act) directly or indirectly, of 50% or more of the Issuer's voting power; or (iv) the consummation of any transactions or series of related transactions the result of which is that Ormat Nevada and the Related Parties cease to collectively own, directly or indirectly, more than 50% of the Issuer's economic or voting interest; provided, however, that notwithstanding the foregoing, a Change of Control will not be deemed to have occurred if (x) prior to giving effect to the reduction in Ormat Nevada's and/or the Related Parties' collective voting or economic interests in the Issuer, such reduction has been approved by holders of at least 66% of the Senior Secured Notes or (y) prior to giving effect to any other Person becoming the beneficial owner of 50% or more of the Issuer's voting power pursuant to clause (iii) hereof, the transaction resulting in such change in beneficial ownership is approved by holders of at least 66% of the Senior Secured Notes.

"Clearstream" means Citibank, N.A., as operator of Clearstream Banking, S.A.

"Closing Date" means February 13, 2004.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral" means all collateral pledged, or in respect of which a lien is granted, pursuant to this Indenture or the Security Documents.

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"Collateral Agency Agreement" means that certain Collateral Agency Agreement among the Issuer, each of the Issuer's Subsidiaries, the Collateral Agent, the Trustee and the Depositary.

"Collateral Agent" means Union Bank of California, N.A., as collateral agent for the benefit of the Secured Parties, together with its successors and assigns.

"Collection Expenses" means all reasonable out-of-pocket costs or expenses (if any) and, if applicable, reasonable transaction costs, incurred

by the Issuer in connection with the collection, enforcement, negotiation, consummation, settlement, proceedings, administration or other activity related to the receipt and/or collection of the relevant proceeds, as applicable.

"Commercial Operation" means, in connection with the Galena Re-powering, the achievement of certain operational and capability criteria specified for "commercial operation" in the Galena Power Purchase Agreement.

"Commercial Operation Date" means, in connection with the Galena Re-powering, the date upon which Commercial Operation is achieved.

"ConAgra Lease" means that certain Lease, dated May 1, 2002, between Brady and ConAgra Foods, Inc.

"Consolidated OG I Plant Connection Agreements" means the OG I Plant Connection Agreement, the OG IH Plant Connection Agreement, and the OG IE Plant Connection Agreement.

"Contractor" means Ormat Nevada in its capacity as contractor if and when the Galena Re-powering Contract is executed.

"Contractor Guarantor" means Ormat Technologies.

"Control Agreements" means (i) each Control Agreement executed and delivered by the Collateral Agent, the Issuer, certain of the Issuer's Subsidiaries and the bank or institution where the Issuer's checking accounts permitted to be established under this Indenture are held and (ii) each Control Agreement executed and delivered by the Collateral Agent, the Issuer and certain of the Issuer's Subsidiaries in connection with the Security Documents.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 4.02 hereof or such other address as to which the Trustee may give notice to the Issuer.

"Custodian" means, initially, the Trustee, and its successors and assigns or any other custodian performing similar functions.

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"Debt Service Coverage Ratio" means, for any period, the ratio of (i) the sum of all Cash Flow Available for Debt Service for such period to (ii) the aggregate payments of scheduled or accelerated (in accordance with the terms of the Financing Documents) principal, interest, premium, and Liquidated Damages, if any, required to be made under this Indenture and other Financing Documents and in connection with all other Permitted Indebtedness (other than Subordinated Debt) for such period.

"Debt Service Reserve Account" means the account of such name created under the Depositary Agreement.

"Debt Service Reserve Letter of Credit" means an Acceptable Letter of Credit that may be drawn in accordance with Section 3.4 of the Depositary Agreement.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the projected principal, interest and, to the extent that a Registration Default has occurred and is continuing, Liquidated Damages due on the Senior Secured Notes during the succeeding six-month period.

"Deeds of Trust" means, collectively, (i) that certain Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing, dated as of the Closing Date, executed by Steamboat Geothermal, as grantor, for the benefit

of the Collateral Agent, as beneficiary, (ii) on or after the Ormesa Support Date, that certain Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing, to be executed by Ormesa, as Trustor, for the benefit of the Collateral Agent, as beneficiary, (iii) that certain Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing, to be executed by Steamboat Development, as grantor, for the benefit of the Collateral Agent, as beneficiary, in the event the respective Resource Lease Consent is obtained, (iv) that certain Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing, to be executed by Brady Power Partners as grantor, for the benefit of the Collateral Agent, as beneficiary, to the extent any necessary Resource Lease Consents are obtained, (v) a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing to be executed by Mammoth-Pacific, if the Issuer or any Guarantor acquires that portion of the Capital Stock of Mammoth-Pacific that the Issuer and the Guarantors do not own on the Closing Date or the Issuer and the Guarantors otherwise acquire control of 100% of the ownership interest of the Mammoth Plant, and (vi) a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, or the equivalents thereof, to be executed by the Issuer or a Subsidiary of the Issuer that acquires a Qualified Project.

"Default" means an event or condition that, with the giving of notice or lapse of time, or any combination thereof, would become an Event of Default.

"Delay Liquidated Damages" means amounts to be paid by the Contractor pursuant to Section 11.1 of the Galena Re-powering Contract.

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"Depository Agent" means Union Bank of California, N.A., as Depository under the Depository Agreement, together with its successors and assigns.

"Depository Agreement" means the Deposit and Disbursement Agreement, dated as of the Closing Date, among the Issuer, each of the Issuer's Subsidiaries (other than Ormesa prior to the Ormesa Support Date), the Collateral Agent, the Depository and the Securities Intermediary.

"Depository" means, with respect to the Senior Secured Notes issuable or issued in whole or in part in global form, DTC, and any and all successors thereto appointed as depository hereunder and having become such pursuant to the applicable provision of this Indenture.

"Desert Peak 1 Plant" means the geothermal generating plant located in Churchill County, Nevada, owned by Brady and providing, as of the Closing Date, net generating capacity of 6.1 MW.

"Desert Peak Sublease" means that certain sublease, dated as of or before the Closing Date, between Brady and Western States Geothermal Company.

"Distribution Account" means the account of such name created under the Depository Agreement.

"Distribution Conditions" has the meaning set forth in Section 3.8(b) of the Depository Agreement.

"Distribution Date" means any Business Day on or within 60 days after a Scheduled Payment Date, on which the Issuer may make a Restricted Payment in accordance with the terms of this Indenture.

"Distribution Suspense Account" means the account of such name created under the Depository Agreement.

"Dollars" and "\$" means lawful money of the United States.

"DTC" means The Depository Trust Company.

"Eligible Letter of Credit Provider" means a U.S. commercial bank(s) or financial institution(s) or a U.S. branch of a foreign commercial bank(s) or financial institution(s) with an investment grade rating (provided that any such rating shall not be based solely on such bank's or financial institution's foreign currency rating at such time).

"Eminent Domain Proceeds" means all amounts and proceeds (including instruments) received by the Issuer or any Guarantor in respect of any Event of Eminent Domain.

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"Energy Services Agreement" means that certain Energy Services Agreement, dated February 11, 2003, between Imperial Irrigation District and Ormesa.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

"Event of Abandonment" means, with respect to a Plant, the suspension or cessation for a period of at least 120 consecutive days of all or substantially all of the operational and maintenance activities at such Plant; provided, however, that any such suspension or cessation that arises from an Event of Loss, a requirement of law, an event of force majeure, curtailment or failure to be dispatched, or other bona fide business reasons shall not constitute an Event of Abandonment, in each case, so long as the Issuer or the Issuer's applicable Subsidiaries are taking commercially reasonable actions to overcome or mitigate the effects of the cause of suspension or cessation so that maintenance and/or operations, as the case may be, can be resumed. Any period of cessation or suspension shall end on the date that operation and maintenance activities of a substantial nature are resumed.

"Event of Default" means the occurrence of any of the events set forth under Section 5.01 hereof.

"Event of Eminent Domain" means any compulsory transfer or taking or transfer under threat of compulsory transfer or taking of any material part of the Collateral or a Project by any Governmental Authority.

"Event of Loss" means an event which causes all or a portion of the Project to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever, other than an Event of Eminent Domain or a Title Event.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exchange Notes" means (i) the 8 1/4% Senior Secured Notes due 2020, registered under the Securities Act, issued pursuant to this Indenture in connection with an Exchange Offer pursuant to the Registration Rights Agreement and (ii) Additional Notes, if any, issued pursuant to a registration statement filed with the SEC under the Securities Act.

"Exchange Offer" means the exchange and issuance by the Issuer, pursuant to the Registration Rights Agreement, of a principal amount of Exchange Notes (which will be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Initial

Notes or Additional Notes, as the case may be, tendered by Holders thereof in connection with such exchange and issuance.

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"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal fund transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the issuing bank from three federal funds brokers of recognized standing selected by it.

"FERC" means the Federal Energy Regulatory Commission and any successor agency thereto.

"Final Acceptance" means, in connection with the Galena Re-powering, that the Contractor has (i) satisfied or is deemed to have satisfied all of the requirements for Final Acceptance set forth in Section 7.1 of the Galena Re-powering Contract, and (ii) delivered to ORNI 7 the final waivers and releases of Liens.

"Final Acceptance Date" means, in connection with the Galena Re-powering Contract, the date upon which the Contractor has achieved Final Acceptance.

"Final Completion" means, with respect to the Galena Re-powering, that both (a) Final Acceptance has occurred, as certified by the Issuer and concurred with by the Independent Engineer and (b) that Commercial Operation has occurred, as certified by the Issuer and confirmed by the Galena Power Purchaser.

"Final Completion Date" means, with respect to the Galena Re-powering, the date upon which both (a) Final Acceptance has occurred, as certified by the Issuer and concurred with by the Independent Engineer and (b) Commercial Operation has occurred, as certified by the Issuer and confirmed by the Galena Power Purchaser.

"Final Maturity Date" means the latest stated maturity date of any of the Senior Secured Notes.

"Financing Documents" means the Senior Secured Notes, the Guarantees (including those issued pursuant to the Exchange Offer, if and when issued), this Indenture, the Security Documents, the Note Purchase Agreement, the Registration Rights Agreement, the Exchange Notes, the Letters of Credit and any other credit or security agreement executed by a Financing Entity in respect of a Project.

"Financing Entity" means the Issuer, the Guarantors and Ormat Nevada.

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"Fleetwood Geothermal Resources Sublease" means that certain Geothermal Resources Sublease, dated May 31, 1991, between Steamboat Development, as subtenant, and Fleetwood Corporation, as sublandlord, as amended

by the amendment dated June 11, 1991.

"Fluid Supply Agreement" means that certain Fluid Supply Agreement, dated December 15, 2003, between Brady and Western States Geothermal Company.

"FPA" means the Federal Power Act, as amended.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect as of the relevant date of determination.

"Galena Power Purchaser" means the party purchasing power from Steamboat Geothermal under the Galena Power Purchase Agreement.

"Galena Power Purchase Agreement" means a power purchase agreement between ORNI 7 and either Sierra Pacific Power Company or Nevada Power Company, providing for a price of not less than \$.052 kWh (escalating by one percent (1%) on an annual basis) and containing terms no less favorable than those set forth under "Description of Our Principal Contracts -- Steamboat Complex -- Galena Re-powering Documents -- Galena Power Purchase Agreement," in the Offering Memorandum, including without limitation, the obligation of ORNI 7 to deliver electrical energy in the amounts consistent with an expected generation based on a nominal net capacity of 18 MW.

"Galena Re-powering" means the upgrading of the Steamboat Geothermal Plant with the intent to achieve a minimum net electrical output of 18 MW through the replacement of certain equipment at the Steamboat Geothermal Plant and the possible addition of geothermal resources from the Steamboat Development Plant.

"Galena Re-powering Account" means the account of such name created under the Depositary Agreement.

"Galena Re-powering Contract" means the Engineering, Procurement and Galena Re-powering Contract dated as of the Closing Date between the Contractor and ORNI 7.

"Galena Re-powering Letter of Credit" means an Acceptable Letter of Credit having, at all times while such letter of credit is in effect, an amount available to be drawn that, when added to that amount then on deposit in the Galena Re-powering Account, is not less than the Galena Re-powering Requirement at such time.

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"Galena Re-powering Performance Redemption" has the meaning set forth in Section 3.08(d) of this Indenture.

"Galena Re-powering Requirement" means \$19,400,000, or if amounts have been previously withdrawn from the Galena Re-powering Account pursuant to the Depositary Agreement the greater of an amount equal to (i) \$19,400,000 less the sum of the amounts that have been previously withdrawn from the Galena Re-powering Account and (ii) the remaining amount the Independent Engineer certifies is necessary to achieve the Final Completion Date with respect to the Galena Re-powering; provided, however, that if additional amounts are required to be deposited within the Galena Re-powering Account as a result of this clause (ii), the Issuer shall be permitted to transfer amounts from the Distribution Suspense Account into the Galena Re-powering Account in order to satisfy such requirement.

"Geothermal Consultant" means Geothermex, Inc. or another widely recognized independent geothermal engineering firm retained by the Issuer as Geothermal Consultant.

"Geothermal Resources Leases" means the Sierra Pacific Geothermal Resources Lease, the Guisti Geothermal Resources Lease, the Fleetwood Geothermal Resources Sublease, the Magma Geothermal Resources Lease, the Mammoth-BLM Geothermal Resources Lease CA 11667, the Mammoth-BLM Geothermal Resources Lease CA 14408, the Ormesa-BLM Geothermal Resources Lease CA 964, the Ormesa-BLM Geothermal Resources Lease CA 966, the Ormesa-BLM Geothermal Resources Lease CA 1903, the Ormesa-BLM Geothermal Resources Lease CA 6217, the Ormesa-BLM Geothermal Resources Lease CA 6218, the Ormesa-BLM Geothermal Resources Lease CA 6219, the Ormesa-BLM Geothermal Resources Lease CA 17568, the Railway Geothermal Resources Lease, the ConAgra Lease, the Brady-BLM Geothermal Resources Lease N-10922, the Brady-BLM Geothermal Resources Lease N-46566, the Brady-BLM Geothermal Resources Lease N-40353, and the Brady-BLM Geothermal Resources Lease N-40355.

"G1 Power Purchase Agreement" means that certain Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth-Pacific and Southern California Edison, as amended by that certain Amendment No. 1 to the Amended and Restated Power Purchase and Sales Agreement, dated May 18, 1990.

"G2 Interconnection Facilities Agreement" means that certain Interconnection Facilities Agreement, attached to that certain Amendment No. 1 - Power Purchase Contract as Appendix A, dated October 27, 1989, between Mammoth-Pacific and Southern California Edison.

"G2 Power Purchase Agreement" means that certain Power Purchase Contract, dated April 15, 1985, between Mammoth-Pacific and Southern California Edison, as amended by that certain Amendment No. 1 - Power Purchase Contract, dated October 27, 1989, and as amended further by that certain Amendment No. 2 - Power Purchase Contract, dated December 20, 1989.

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"G3 Interconnection Facilities Agreement" means that certain Interconnection Facilities Agreement, dated October 27, 1989, between Mammoth-Pacific and Southern California Edison.

"G3 Power Purchase Agreement" means that certain Power Purchase Contract, dated April 16, 1985, between Mammoth-Pacific (as successor to Santa Fe Geothermal, Inc.), and Southern California Edison, as amended by that certain Amendment No. 1 to the Power Purchase Contract, dated October 27, 1989, between Mammoth-Pacific and Southern California Edison and as amended further by that certain Amendment No. 2 - Power Purchase Contract, dated December 20, 1989.

"Global Note Legend" means the legend set forth in Exhibit A-1/A-2 hereto.

"Global Notes" shall mean a Senior Secured Note that evidences all or part of the Senior Secured Notes and bears the appropriate legend set forth in Exhibit A-1/A-2 (or such legend as may be contemplated by Section 2.02 for such Senior Secured Notes).

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Governmental Approvals" means all governmental approvals,

authorizations, consents, decrees, permits, waivers, privileges and filings with or from all Governmental Authorities required to be obtained or made for the ownership, construction, operation and maintenance of a Project.

"Governmental Authority" means the government of any federal, state, municipal or other political subdivision in which the Projects are located, and any other government or political subdivision thereof exercising jurisdiction over the Projects or any of their assets or any party to any of the Project Documents, including all agencies and instrumentalities of such governments and political subdivisions.

"Guarantee" means each guarantee by a Guarantor of the Issuer's obligations under the Financing Documents pursuant to Article IX or another writing pursuant to which a Guarantor agrees to be bound by the terms applicable to Guarantors set forth in Article IX.

"Guarantor" means (i) each of Brady, Steamboat Development, Steamboat Geothermal, OrMammoth, the ORNI Entities and their respective successors and assigns and (ii) from and after the date of such execution, any of the Issuer's other direct or indirect Subsidiaries that execute a Guarantee (including without limitation, in connection with the acquisition of a Qualified Project) in accordance with the provisions of Sections 4.30 and 4.38 of this Indenture and their respective successors and assigns.

"Guisti Geothermal Resources Lease" means that certain Geothermal Resources Lease, dated June 27, 1988 among Steamboat Development, Bernice Guisti, Judith Harvey and

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Karen Thompson, as Trustees and Beneficiaries of the Guisti Trust, as amended by that certain Amendment to Geothermal Resources Lease dated January 1992, and that certain Second Amendment to Geothermal Resources Lease dated June 25, 1993.

"Hazardous Substance" means any substance, pollutant or contaminant now or hereafter included in such (or any similar) term under any state, federal or local ordinance, statute, law or regulation now in effect or hereafter enacted or amended.

"Holder" means a Person in whose name a Senior Secured Note is registered in the register maintained pursuant to Section 2.07(a).

"IID Water Supply Agreement" means that certain Amended and Restated Water Supply Agreement, dated March 6, 1990, between Ormesa (as successor to Trigor Geothermal Corporation) and the Imperial Irrigation District.

"Indebtedness" of any Person means, at any date, without duplication:

(i) all obligations of such Person for borrowed money;

(ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding "deposit only" endorsements on checks payable to the order of such Person);

(iii) all obligations of such Person to pay the deferred purchase price of property or services (except accounts payable and similar obligations arising in the ordinary course of business shall not be included herein);

(iv) all obligations of such Person as lessee under capital leases to the extent required to be capitalized on the books of such Person in accordance with GAAP;

(v) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person;

(vi) all Indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed;

(vii) all obligations of such Person in respect of interest rate swaps, collars or caps and other interest rate protection arrangements, foreign currency exchange agreements, commodity exchange, commodity future, commodity forward or commodity option agreements, or other interest or exchange rate or commodity hedging arrangements;

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(viii) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; and

(ix) all obligations of others of the type referred to in clauses (i) through (viii) above guaranteed by such Person, whether or not secured by a Lien or other security interest on any asset of such Person.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Independent Consultant" means the Independent Engineer, the Insurance Consultant and the Geothermal Consultant.

"Independent Engineer" means Stone & Webster Management Consultants, Inc., or another widely recognized independent engineering firm retained as Independent Engineer by the Issuer.

"Initial Galena Re-powering Withdrawal Conditions" has the meaning set forth in Section 3.5(d) of the Depositary Agreement.

"Initial Notes" means \$190,000,000 in aggregate principal amount of 8 1/4% Senior Secured Notes due 2020 issued under this Indenture on the Closing Date.

"Initial Purchaser" means Lehman Brothers Inc.

"Insurance Consultant" means Marsh USA, Inc., or its successors; provided that such successor is another nationally recognized independent insurance consultant.

"Interconnection Agreements" means the Steamboat 1/1A Interconnection Agreement, Steamboat 2/3 Interconnection Agreement, the Mammoth Interconnection Facilities Agreements, the Ormesa Interconnection Agreements, and the Brady/Desert Peak 1 Interconnection Agreement.

"Interest Payment Date" means each June 30 and December 30 commencing June 30, 2004 and concluding on the Final Maturity Date.

"Investment Grade" means a rating of Baa3 or better by Moody's and BBB- or better by S&P (or an equivalent rating by another nationally recognized credit rating agency if one or more of such corporations are not in

the business of rating long-term obligations of commercial banks at the time of issuance); provided, that such rating is not on review for possible downgrade or on negative watch by any such agency.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course

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of business), purchases or other acquisitions for consideration of Indebtedness, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Kilowatt" or "KW" means one thousand watts.

"Kilowatt-hours" or "kWh" means a unit of electrical energy equal to one kilowatt of energy supplied or taken from an electric circuit steadily for one hour.

"Letter of Credit" means the Debt Service Reserve Letter of Credit, the Galena Re-powering Letter of Credit or the Ormesa Repayment Letter of Credit, as the case may be.

"Letter of Transmittal" means the letter of transmittal to be prepared by the Issuer and sent to all Holders of the Initial Notes and Additional Notes for use by such Holders in connection with the Exchange Offer.

"Lien" means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, security interest, charge, lien (statutory or other), preference, priority or other collateral agency agreement of any kind or nature whatsoever which has the substantial effect of constituting a security interest, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign.

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Loss Proceeds" means all proceeds from an Event of Loss received by the Issuer or any Guarantor, including, without limitation, insurance proceeds or other amounts actually received, except proceeds of business interruption insurance.

"Magma Geothermal Resources Lease" means that certain Geothermal Lease, dated August 31, 1983, between Mammoth-Pacific and Magma Power Company, as amended by amendments dated April 30, 1987, January 1, 1990, and April 12, 1991.

"Make-Whole Premium" means a premium equal to the excess, if any, of (a) the present value of all scheduled principal and interest payments on all Senior Secured Notes to be redeemed (discounted at a rate equal to the yield to maturity of U.S. Treasury securities having an average life equal to the Remaining Average Life of the Senior Secured Notes, plus 50 basis points) over (b) the principal amount of the Senior Secured Notes to be redeemed.

"Mammoth-BLM Geothermal Resources Lease CA 11667" means that

certain Geothermal Resources Lease CA 11667, dated March 1, 1982, between Mammoth-Pacific and the United States of America through the Bureau of Land Management of the Department of the Interior.

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"Mammoth-BLM Geothermal Resources Lease CA 14408" means that certain lease for Geothermal Resources CA 14408, dated February 1, 1985, between Mammoth-Pacific and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Mammoth-BLM Site License" means that certain License for Electric Power Plant Site CA 21918, dated July 26, 1989, between Mammoth-Pacific and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Mammoth Enhancement" means the investment in additional equipment and other enhancements at the Mammoth Project that are designed to increase output at the Mammoth Plant by 3.6 MW.

"Mammoth Enhancement Redemption" has the meaning set forth in Section 3.08(e) of this Indenture.

"Mammoth Interconnection Facilities Agreements" means the G2 Interconnection Facilities Agreement and the G3 Interconnection Facilities Agreement.

"Mammoth Operation and Maintenance Agreement" means that certain Plant Operating Services Agreement, dated January 1, 1995, between Ormat Nevada (as successor to Pacific Power Plant Operations) and Mammoth-Pacific.

"Mammoth-Pacific" means Mammoth-Pacific, L.P. (California), a California limited partnership.

"Mammoth-Pacific LP Agreement" means that certain Amended and Restated Agreement of Limited Partnership of Mammoth-Pacific dated January 26, 1990, among CD Mammoth Lakes I, Inc., CD Mammoth Lakes II, Inc. and OrMammoth, as amended by the amendment dated June 13, 1995.

"Mammoth Plant" means the three geothermal power generating plants, denominated the G1, G2 and G3 plants located in Mammoth Lakes, California that are owned by Mammoth-Pacific (and in which OrMammoth has a 50% partnership interest) and having a gross generating capacity of 35 MW.

"Mammoth Power Purchase Agreements" means the G1 Power Purchase Agreement, the G2 Power Purchase Agreement and the G3 Power Purchase Agreement.

"Material Adverse Effect" means a material adverse effect on (i) the Issuer's or any of the Issuer's Subsidiaries' results of operations or financial condition (taken as a whole), (ii) the validity or priority of the Liens on the Collateral or Guarantees, (iii) the Issuer's or any of the Issuer's Subsidiaries' ability (taken as a whole) to observe and perform any of the Issuer's or any of the Issuer's Subsidiaries' material obligations under the Transaction Documents to which the Issuer or any of the Issuer's Subsidiaries is a party or (iv) the ability of the

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Trustee or the Collateral Agent to enforce any of the payment or other material obligations of the Issuer, any Guarantor or Ormat Nevada under the Financing Documents to which the Issuer, the Guarantors or Ormat Nevada are parties, as the case may be.

"Material Project Documents" means the Power Purchase Agreements, the Operation and Maintenance Agreements, the Interconnection Agreements, the Geothermal Resources Leases, the Site Licenses, the Mammoth-Pacific LP Agreement, the IID Water Supply Agreement, the Fluid Supply Agreement, the Desert Peak Sublease, the Brady Settlement Agreement, the Galena Re-powering Contract and any Additional Project Document.

"Megawatt" or "MW" means one million watts.

"Megawatt-hours" or "MWh" means one thousand KWh.

"Meyburg Geothermal Resources Lease" means that certain Geothermal Resources Lease, between ORNI 7, as lessee, and ORNI 6, as lessor.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Net Available Amount" means, with respect to any proceeds, such proceeds net of the related Collection Expenses.

"Note Purchase Agreement" means the Note Purchase Agreement among the Issuer, the Guarantors and the Initial Purchaser for the sale and purchase of the Senior Secured Notes.

"Offering" means the offering of the Senior Secured Notes described herein.

"Offering Memorandum" means that certain offering memorandum dated February 6, 2004, relating to the offer of the Senior Secured Notes for sale.

"Officer's Certificate" means a certificate signed by the Issuer's Authorized Representative.

"OG I Plant Connection Agreement" means that certain Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, between Ormesa (as successor to Ormesa Geothermal) and the Imperial Irrigation District.

"OG I Power Purchase Agreement" means that certain Power Purchase Contract, dated July 18, 1984, between Ormesa (as successor to Republic Geothermal, Inc.) and Southern California Edison, as amended by that certain Amendment No. 1 to the Power Purchase Contract, dated December 23, 1988, between Ormesa (as successor to Ormesa Geothermal) and Southern California Edison.

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"OG I Transmission Service Agreement" means that certain Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated October 3, 1989, between Ormesa (as successor to Ormesa Geothermal) and the Imperial Irrigation District.

"OG IE Plant Connection Agreement" means that certain Plant Connection Agreement for the Ormesa IE Geothermal Power Plant, dated October 21, 1988, between Ormesa (as successor to Ormesa IE) and the Imperial Irrigation District.

"OG IH Plant Connection Agreement" means that certain Plant Connection Agreement for the Ormesa IH Geothermal Power Plant, dated October 3, 1989, between Ormesa (as successor to Ormesa IH) and the Imperial Irrigation District.

"OG II Plant Connection Agreement" means that certain Plant Connection Agreement for the Ormesa Geothermal Plant No. 2, dated May 26, 1987, between Ormesa (as successor to Ormesa Geothermal II) and the Imperial Irrigation District.

"OG II Power Purchase Agreement" means that certain Power Purchase Contract, dated June 13, 1984, between Ormesa (as successor to Ormat Systems Inc.) and Southern California Edison.

"OG II Transmission Service Agreement" means that certain Transmission Service Agreement for the Ormesa II Geothermal Power Plant, dated August 25, 1987, between Ormesa (as successor to Ormesa Geothermal II) and the Imperial Irrigation District.

"Operating and Maintenance Expenses" means, for any period, all amounts disbursed by or on behalf of the Issuer or any Subsidiary of the Issuer in such period for operation, maintenance, administration, repair (other than repair done in response to a casualty event), or improvement of a Project, including, without limitation, premiums on insurance policies, property and other taxes, litigation expenses and costs, payments under leases, royalty and other land use agreements, and fees, expenses, and any other payments required under the Project Documents; provided, "Operating and Maintenance Expenses" shall not include (i) any payment made in respect of the Financing Documents or with respect to any Indebtedness, (ii) any payment or dividends or other distributions to Ormat Nevada or any of the Issuer's other Affiliates other than payments under Project Documents, (iii) any tax paid or payable by any of the Issuer's direct or indirect equity owners with respect to the Issuer's income or receipts or (iv) any amounts for construction related to the Galena Re-powering.

"Operating Budget" means the annual budget of Operating and Maintenance Expenses for the Projects, as prepared in good faith by the Issuer for each fiscal year, or part thereof, of the Issuer, showing such costs by category and, where applicable, by Project.

"Operating Subsidiaries" means all of the Issuer's Subsidiaries other than OrMammoth unless OrMammoth purchases the partnership interests of Mammoth-Pacific it does not currently own.

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"Operation and Maintenance Agreements" means the Steamboat Complex Operation and Maintenance Agreement, the Mammoth Operation and Maintenance Agreement, the Ormesa Operation and Maintenance Agreement, and the Brady Operation and Maintenance Agreement.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 10.05 hereof. The counsel may be an employee of or counsel to the Issuer, any Affiliate of the Issuer or the Trustee.

"Organizational Documents" means as to any Person, the articles of incorporation, by laws, partnership agreement, limited liability company agreement, operating agreement or other organizational or governing documents of such Person.

"OrMammoth" means OrMammoth Inc., a Delaware corporation.

"Ormat Nevada" means Ormat Nevada Inc., a Delaware corporation.

"Ormat Nevada Subordinated Loan" means a subordinated Credit Agreement between the Issuer and Ormat Nevada that constitutes Subordinated Debt.

"Ormat Technologies" means Ormat Technologies, Inc., a Delaware corporation.

"Ormesa" means Ormesa LLC, a Delaware limited liability company.

"Ormesa-BLM Geothermal Resources Lease CA 964" means the Geothermal Resources Lease CA 964, dated September 1, 1974, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Geothermal Resources Lease CA 966" means the Geothermal Resources Lease CA 966, dated August 1, 1974, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Geothermal Resources Lease CA 1903" means the Geothermal Resources Lease CA 1903, dated September 1, 1974, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Geothermal Resources Lease CA 6217" means the Geothermal Resources Lease CA 6217, dated July 1, 1979, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Geothermal Resources Lease CA 6218" means the Geothermal Resources Lease CA 6218, dated July 1, 1979, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

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"Ormesa-BLM Geothermal Resources Lease CA 6219" means the Geothermal Resources Lease CA 6219, dated July 1, 1979, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Geothermal Resources Lease CA 17568" means the Geothermal Resources Lease CA 17568, dated July 1, 1979, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Site License CA 17129" means that certain License for Electric Power Plant Site CA 17129, dated August 21, 1985, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Site License CA 20172" means that certain License for Electric Power Plant Site CA 20172, dated July 21, 1987, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Site License CA 22079" means that certain License for Electric Power Plant Site CA 22079, dated July 24, 1989, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Site License CA 22405" means that certain License for Electric Power Plant Site CA 22405, dated June 7, 1988, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa-BLM Site License CA 24678" means that certain License for Electric Power Plant Site CA 24678, dated September 18, 1989, between Ormesa and the United States of America through the Bureau of Land Management of the Department of the Interior.

"Ormesa Credit Agreement" means the Credit Agreement dated December 31, 2002 among Ormesa, United Capital as Administrative Agent and Collateral Agent, and the lenders party thereto from time to time.

"Ormesa Interconnection Agreements" means the Consolidated OG I Plant Connection Agreements, the OG I Transmission Service Agreement, the OG II Plant Connection Agreement and the OG II Transmission Service Agreement.

"Ormesa Loan Repayment Account" means the account of such name created under the Depositary Agreement.

"Ormesa Operation and Maintenance Agreement" means that certain Operation and Maintenance Agreement, dated April 15, 2002, between Ormesa and Ormat Nevada.

"Ormesa Plant" means the six geothermal power generating plants located in East Mesa, Imperial Valley, California, owned by Ormesa and having a gross generating capacity of 94 MW.

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"Ormesa Power Purchase Agreements" means the OG I Power Purchase Agreement and the OG II Power Purchase Agreement.

"Ormesa Repayment Letter of Credit" means an Acceptable Letter of Credit having, at all times such letter of credit is in effect, an amount available to be drawn that, when added to the amount of cash then on deposit in the Ormesa Loan Repayment Account, is in an amount not less than the Ormesa Repayment Requirement.

"Ormesa Repayment Requirement" means an amount equal to \$15,500,000, which is equal to the aggregate principal amount outstanding under the Ormesa Credit Agreement on the Closing Date less cash on deposit in the "debt service reserve account" under the Ormesa Credit Agreement and amounts actually repaid under the Ormesa Credit Agreement in 2004; provided, however, that with respect to the aggregate principal amount paid on September 30, 2004, such amount shall not be reduced to an amount less than 102% of the remaining aggregate principal amount outstanding under the Ormesa Credit Agreement less cash on deposit in the "debt service reserve account" under the Ormesa Credit Agreement on such date.

"Ormesa Support Date" means the earliest to occur of (i) January 31, 2005; (ii) any other date as of which the amount payable in respect of the Ormesa Credit Agreement has been paid in full; and (iii) any other date as of which Ormesa is no longer prohibited from granting liens pursuant to the Ormesa Credit Agreement.

"ORNI 6" means ORNI 6 LLC, a Delaware limited liability company.

"ORNI 7" means ORNI 7 LLC, a Delaware limited liability company.

"ORNI Entities" means ORNI 1 LLC, a Delaware limited liability company, ORNI 2 LLC, a Delaware limited liability company and ORNI 7.

"Outstanding" in connection with the Senior Secured Notes, means, as of the time in question, all Senior Secured Notes authenticated and delivered under this Indenture, except (i) Senior Secured Notes theretofore canceled or required to be canceled under this Indenture; (ii) Senior Secured Notes for which provision for payment shall have been made in accordance with this Indenture; and (iii) Senior Secured Notes in substitution for which other Senior Secured Notes have been authenticated and delivered pursuant to this Indenture.

"Overdue Principal" shall mean, as of any Payment Date, all principal of any Senior Secured Note which has become due and payable and not been punctually paid or duly provided for when and as due and payable, whether as a result of insufficient available funds or otherwise.

"Paying Agent" has the meaning set forth in Section 2.07(a) of this Indenture.

"Payment Date" means any Interest Payment Date or Principal Payment Date.

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"Performance Guarantee Tests" means the performance tests conducted in accordance with the Galena Re-powering Contract to demonstrate and verify that the Steamboat Geothermal Facility has satisfied the Performance Guarantees and certain other performance criteria.

"Performance Guarantees" has the meaning given in the Galena Re-powering Contract.

"Performance Liquidated Damages" means the liquidated damages payable by the Contractor to Steamboat Geothermal pursuant to the Galena Re-powering Contract as a consequence of the failure of the Steamboat Geothermal Facility to meet certain of the Performance Guarantees.

"Permitted Additional Senior Lender" means a holder of any Senior Secured Obligations other than the Senior Secured Notes.

"Permitted Indebtedness" has the meaning set forth in Section 4.18 of this Indenture.

"Permitted Investments" means an investment in any of the following: (i) direct obligations of the Department of the Treasury of the United States of America; (ii) obligations of any federal agencies which obligations are backed by the full faith and credit of the United States of America; (iii) commercial paper rated in any one of the two highest rating categories by Moody's or S&P; (iv) investment agreements with banks (foreign and domestic), broker/dealers, and other financial institutions rated at the time of bid in any one of the three highest rating categories by Moody's and S&P; (v) repurchase agreements with banks (foreign and domestic), broker/dealers, and other financial institutions rated at the time of bid in any one of the three highest rating categories by Moody's and S&P, provided, that (1) collateral is limited to the securities specified in clauses (i) and (ii) above, (2) the margin levels for collateral must be maintained at a minimum of 102% including

principal and interest, (3) the Collateral Agent shall have a first priority perfected security interest in the collateral, (4) the collateral will be delivered to a third party custodian, designated by the Issuer, acting for the benefit of the Collateral Agent and all fees and expenses related to collateral custody will be the responsibility of the Issuer, (5) the collateral must have been or will be acquired at the market price and marked to market weekly and collateral level shortfalls cured within 24 hours and (6) unlimited right of substitution of collateral is allowed provided that substitution collateral must be permitted collateral substituted at a current market price and substitution fees of the custodian shall be paid by the Issuer; (vi) forward purchase agreements delivering securities specified in clauses (i) and (iii) above with banks (foreign and domestic), broker/dealers, and other financial institutions maintaining a long-term rating on the day of bid no lower than investment grade by both S&P and Moody's (such rating may be at either the parent or subsidiary level); and (vii) money market funds rated "AAAm" or "AAAm-G" or better by S&P.

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"Permitted Liens" means (a) the rights and interests of the Collateral Agent and any other Secured Party as provided in the Financing Documents; (b) Liens for any tax, either secured by a bond or other reasonable security or not yet due or being contested in good faith and by appropriate proceedings, so long as (i) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of the Projects, the sites of the Project or any easements, as the case may be, title thereto or any interest therein and shall not interfere in any material respect with the use of any Project, any Project sites or any easements, (ii) a bond or other reasonable security has been posted or provided in such manner and amount as to assure that any taxes determined to be due will be promptly paid in full when such contest is determined or (iii) adequate reserves have been provided therefor to the extent required by and in accordance with GAAP; (c) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens, arising in the ordinary course of business or in connection with the development, construction, operation and/or maintenance of any Project, either for amounts not yet due or for amounts being contested in good faith and by appropriate proceedings so long as (i) the Issuer reasonably determines that such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of any Project, any Project sites or any easements, as the case may be, title thereto or any interest therein and shall not interfere in any material respect with the use or disposition of any Project, any Project sites or any easements, or (ii) a bond or adequate cash reserves have been provided therefor to the extent required by and in accordance with GAAP; (d) Liens arising out of judgments or awards so long as enforcement of such Lien has been stayed and an appeal or proceeding for review is being prosecuted in good faith and for the payment of which adequate reserves, bonds or other reasonable security have been provided or are fully covered by insurance; (e) title exceptions as reflected in the Title Policies other than delinquent taxes and monetary liens which are to be paid on the Closing Date; (f) Liens, deposits or pledges to secure statutory obligations; (g) Liens, deposits or pledges to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or for purposes of like general nature in the ordinary course of its business, not to exceed \$5 million in the aggregate at any time, and with any such Lien to be released as promptly as practicable; (h) other Liens incident to the ordinary course of business that are not incurred in connection with the obtaining of any loan, advance or credit and that do not in the aggregate materially impair the use of the Issuer's or the Issuer's Subsidiaries' property or assets or the value of such property or assets for the purposes of such business; (i) involuntary Liens as contemplated by the Financing Documents and the Project Documents (including a lien of an attachment or execution) securing a charge or obligation on any of the Issuer's property, either real or personal, whether now or hereafter owned, in the aggregate sum of less than \$3 million; (j) until the Ormesa Support Date, the Liens in favor of the lenders under the Ormesa Credit Agreement; and (k) servitudes, easements, rights-of-way, restrictions, minor defects or

irregularities in title and such other encumbrances or charges against real property or interests therein as of a nature generally existing with respect to properties of similar character and which do not in a material way interfere with the value or use thereof or the Issuer's business.

"Person" means any individual, sole proprietorship, corporation, partnership, joint venture, limited liability partnership, limited liability company, trust, unincorporated association, institution, Governmental Authority or any other entity.

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"Place of Payment" when used with respect to the Senior Secured Notes, shall mean the office or agency maintained pursuant to Section 4.02.

"Plants" means the Brady Plant, the Ormesa Plant, the Steamboat Geothermal Plant, the Steamboat Development Plant, the Mammoth Plant and geothermal power generating facilities acquired after the Closing Date that constitute Qualified Projects.

"Pledge and Security Agreements" means each of the Pledge and Security Agreements, to be executed by the Issuer, each of the Guarantors and the Collateral Agent.

"Power Purchase Agreements" means the Steamboat 1 Plant Power Purchase Agreement, the Steamboat 1A Plant Power Purchase Agreement, the Steamboat 2/3 Project Power Purchase Agreements, the Galena Power Purchase Agreement, the Mammoth Power Purchase Agreements, the Ormesa Power Purchase Agreements, the Brady Project Power Purchase Agreement and any power purchase agreements relating to a Qualified Project at the time such Qualified Project is acquired by the Issuer or a Guarantor.

"Predecessor Notes" with respect to any particular Senior Secured Note, shall mean any previous Senior Secured Note evidencing all or a portion of the same debt as that evidenced by such particular Senior Secured Note; for the purposes of this definition, any Senior Secured Note authenticated and delivered pursuant to Section 2.08 in lieu of a lost, destroyed or stolen Senior Secured Note shall be deemed to evidence the same debt as the lost, destroyed or stolen Senior Secured Note.

"Principal Payment Date" when used with respect to any Senior Secured Obligations means the date on which all or a portion of the principal of such Senior Secured Obligations become due and payable as provided in this Indenture or any other agreement governing such Senior Secured Obligations, whether on a scheduled date for payment of principal, on a Redemption Date, the Final Maturity Date, a date of declaration of acceleration, or otherwise.

"Private Placement Legend" means the legend referenced in Section 2.02 to be placed on all Senior Secured Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"Project" means each Plant together with the related Project Documents, governmental approvals relating to the Plant or Project Documents, and any other item relating to the Plant, including any improvements to, and the operation of the Plant and all activities related thereto.

"Project Costs" means, with respect to the Galena Re-powering, without duplication, all costs and expenses paid, incurred or to be incurred by Steamboat Geothermal to complete the development, design, engineering, acquisition, construction, assembly, inspection, testing, completion and start-up of the Galena Re-powering in the manner contemplated under the Galena Re-powering Contract, including, without limitation, (i) Operating and

Expenses of the Galena Re-powering prior to Final Acceptance, (ii) amounts payable in respect of options for, or the granting of, necessary easements, (iii) amounts payable in respect of obtaining or maintaining Governmental Approvals, and (iv) amounts payable in respect of acquiring initial spare parts.

"Project Documents" means the Material Project Documents and any additional agreements relating to the Projects.

"Projections" means certain projections at the Closing Date of the Projects' revenues and the costs associated therewith including certain assumptions by the Issuer.

"Prudent Industry Practices" shall mean, at a particular time, (i) any of the practices, methods and acts engaged in or approved by a significant portion of the electricity generating industry operating in the United States at such time, or (ii) with respect to any matter to which clause (i) does not apply, any of the practices, methods and acts which, in the exercise of reasonable judgment at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. "Prudent Industry Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts having due regard for, among other things, manufacturers' warranties and the requirements of any Governmental Authority of competent jurisdiction.

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended.

"Punch List Items" means those items which must be completed by the Contractor under the Galena Re-powering Contract after achieving the Final Acceptance Date, performance of which will not interrupt, disrupt or interfere to any significant extent with the operation of the Steamboat Geothermal Facility.

"QIB means a "qualified institutional buyer" as defined in Rule 144A.

"Qualified Project" means a (a) a fully constructed and operational geothermal power plant located within the United States of America (other than the Mammoth Project), (b) as to which electricity will be sold under long-term power purchase agreements that have been approved by the applicable public utility commission or similar governmental body with a counterparty that has a long-term issuer rating of not less than BBB- by S&P and Baa3 by Moody's and (c) is acquired by the Issuer or a Guarantor and the Collateral Agent is granted a first priority pledge of all of the Capital Stock of any Guarantor that acquires such Qualified Project or the Guarantor acquiring such Qualified Project provides a first priority lien with respect to collateral with respect to such Qualified Project that is consistent with that set forth under the second paragraph of "Description of the Notes--Security" in the Offering Memorandum.

"Qualifying Facility" means a facility which is a qualifying facility within the meaning of the Public Utility Regulatory Policies Act of 1978 (and all rules and regulations

adopted thereunder) and which meets the criteria defined in Title 18, Code of Federal Regulations, Sections 292.201 through 292.207.

"Quarterly Period" means each calendar quarter; provided, however, that the first Quarterly Period shall commence on the Closing Date and shall end on March 31, 2004.

"Railway Geothermal Resources Lease" means that certain Geothermal Resource Lease (SPL-6292), dated October 10, 1984, between Brady, as tenant, and The Burlington Northern and Santa Fe Railway Company, as landlord, as amended by the amendment dated December 5, 1991.

"Redemption Account" means the account of such name created under the Depositary Agreement.

"Redemption Date" means the date on which the Issuer redeems or shall redeem any Senior Secured Notes in accordance with this Indenture.

"Registrar" has the meaning specified in Section 2.07(a).

"Registration Default" has the meaning set forth in Section 5 of the Registration Rights Agreement.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of the Closing Date, by and among the Issuer and the Guarantors and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements among the Issuer and the Guarantors and the other parties thereto, as such agreements may be amended, modified or supplemented from time to time, relating to rights given by the Issuer to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

"Regular Record Date" for the interest or principal payable on any Payment Date on the Senior Secured Notes means the date specified for that purpose as contemplated by Section 2.09 (whether or not a Business Day).

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Global Note" means the Temporary Regulation S Global Note or the Regulation S Unrestricted Global Note, as applicable.

"Regulation S Unrestricted Global Note" has the meaning specified in Section 2.01.

"Related Party" means (a) Ormat Industries, Ltd. and Ormat Technologies, Inc., (b) any direct or indirect controlling stockholder or controlling member or a more than 50%

owned subsidiary of Ormat Nevada or (c) any trust, corporation, partnership,

limited liability company or other entity, of which the beneficiaries, stockholders, partners, members or Persons holding more than a 50% controlling interest are Ormat Nevada and/or such other Persons referred to in the immediately preceding clause (a) or (b).

"Remaining Average Life" means, with respect to any Senior Secured Note, the principal of which is to be redeemed (the "Called Principal"), the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment (as defined below) with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the date on which such Called Principal is to be redeemed (the "Settlement Date") and the scheduled due date of such Remaining Scheduled Payment. For purposes of this definition, the term "Remaining Scheduled Payments" means, with respect to the Called Principal of any Senior Secured Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"Renewable Energy Credits" means all renewable energy credits, offsets or other benefits allocated, assigned or otherwise awarded or certified to the Issuer or any of the Issuer's Subsidiaries by any Governmental Authority in connection with any of the Projects; provided, that the foregoing shall not include any federal, state, and/or local production tax credits and/or investment tax credits specific to investments in renewable energy production and delivery facilities (if any) or any environmental credits, offsets, or other similar benefits allocated, assigned or otherwise awarded to the Issuer or any of the Issuer's Subsidiaries by any Governmental Authority or received in any other manner based in whole or in part on the fact that any of the Projects constitutes a "renewable energy system" (as defined under any Applicable Law) or the like, including emissions credits or allowances, such as credits available because such Project does not produce carbon dioxide or other emissions when generating electric energy.

"Required Holders" means, at any time, Persons that at such time hold not less than 51% in aggregate principal amount of the Outstanding Senior Secured Notes.

"Resource Lease Consents" means (i) with respect to ORNI 1, LLC, ORNI 2, LLC, and Brady the consents of each of David P. Frase, Timothy Frase and Stacey Frase, and James W. Roberts, Trustee of the James W. Roberts Revocable Trust dated August 24, 1996 under the Grant of Easement Agreement, dated March 27, 1998; and of The Burlington Northern and Santa Fe Railway Company under the Railway Geothermal Resources Lease, and (ii) with respect to ORNI 7, LLC and Steamboat Development the consents of each of Fleetwood Corporation under the Fleetwood Geothermal Resources Lease; Dorothy A. Towne and the Trust of Dorothy A. Towne under a geothermal resources lease dated May 31, 1991; and Bernice Guisti, Judith Harvey, and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust under the Guisti Geothermal Resources Lease.

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"Responsible Officer" means, with respect to knowledge of any default under this Indenture, the chief executive officer, president, chief financial officer, general counsel, principal accounting officer, treasurer, assistant treasurer, or any vice president of the Issuer, or other officer of the Issuer who in the normal performance of his or her operational duties would have knowledge of the subject matter relating to such default.

"Responsible Trust Officer" means, when used with respect to the Trustee, the Depositary or the Collateral Agent, any officer within the Corporate Trust Office of the Trustee, the Depositary or the Collateral Agent

(or any successor group of the Trustee, Depositary or Collateral Agent, as applicable) including any Managing Director, Principal, Vice President, Assistant Vice President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, Controller, General Counsel, Associate Corporate Counsel or any other officer of the Trustee, the Depositary or the Collateral Agent customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restoration Sub-Account" means one or more accounts of such name created under the Depositary Agreement in connection with an Event of Loss or Event of Eminent Domain.

"Restricted Global Note" has the meaning set forth in Section 2.01 hereto.

"Restricted Note" has the meaning specified in Section 2.02.

"Restricted Payment" means, with respect to any Person, (i) the declaration and payment of distributions, dividends or any other payment made in cash, property, obligations or other notes, (ii) any payment of the principal of, or interest or premium, if any, on, any Subordinated Debt, (iii) the making of any loans or advances to any Affiliate (other than Permitted Indebtedness), (iv) any purchase, redemption, acquisition or retirement for value (including, without limitation in connection with any merger or consolidation of the Issuer) of any of the Issuer's Capital Stock or (v) any Investment in any Person other than a Guarantor; provided, however, that the term "Restricted Payments" shall not include (v) proceeds of this offering in the amount of \$78,500,000 utilized for the acquisition of Steamboat Development, \$33,500,000 utilized for the acquisition of a 50% interest in Mammoth-Pacific and the repayment of \$14,500,000 due to Ormat Nevada, (w) cash released from any Account as a result of the provision of an Acceptable Letter of Credit as provided for in the Financing Documents, (x) cash released from the Ormesa Loan Repayment Account as permitted under Section 3.7(b) of the Depositary Agreement, (y) payments made to any Affiliate of such Person for goods and services purchased or procured in accordance with the terms of this Indenture or (z) the use of proceeds from Indebtedness incurred in accordance with (I) clause (b)(y) under Section 4.18 hereof to purchase that portion of the of the Capital Stock of Mammoth-Pacific that the Issuer does not own as of the Closing Date or (II) clause (h) under Section 4.18 hereof to purchase a Qualified Project.

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"Restricted Period" has the meaning set forth in Section 2.01.

"Revenue Account" means the account of such name created under the Depositary Agreement.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 144A Global Note" means restricted, permanent global notes in fully registered form issued to qualified institutional buyers under Rule 144A.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities

Act.

"Scheduled Payment Date" means each June 30 and December 30, commencing on June 30, 2004 and ending on December 30, 2020.

"SEC" means the United States Securities and Exchange Commission.

"Secured Parties" means the Trustee, the Holders, the Collateral Agent, the holders of additional Permitted Indebtedness (other than Permitted Indebtedness of the type described in clause (vi) in the definition thereof), in each case to the extent such party (or an agent on such party's behalf) is or becomes a party to the Collateral Agency Agreement.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities Intermediary" means Union Bank of California, N.A., until a successor replaces it in accordance with the applicable provisions of the Depositary Agreement and thereafter means the successor serving thereunder in such capacity.

"Security Documents" means, collectively, the Depositary Agreement, the Deeds of Trust, the Collateral Agency Agreement, the Pledge and Security Agreements, the Control Agreements, the Third Party Consents and any other document providing for any lien of the Secured Parties, pledge, encumbrance, mortgage or security interest on any or all of the Issuer's assets or the ownership interests thereof or the Issuer's Subsidiaries' assets and the ownership interests thereof.

"Senior Secured Notes" means the Initial Notes and, unless the context otherwise requires, the Additional Notes including any Exchange Notes.

"Senior Secured Obligations" means, collectively, without duplication: (i) all of the Issuer's Indebtedness, financial liabilities and obligations, of whatsoever nature and however evidenced (including, but not limited to, principal, interest, premium, fees, reimbursement

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obligations, penalties, indemnities and legal and other expenses, whether due after acceleration or otherwise) to the Secured Parties in their capacity as such under the applicable Financing Document or any other agreement, document or instrument evidencing, securing or relating to such Indebtedness, financial liabilities or obligations, in each case, direct or indirect, primary or secondary, fixed or contingent, now or hereafter arising out of or relating to any such agreements; (ii) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; and (iii) in the event of any proceeding for the collection or enforcement of the obligations described in clauses (i) and (ii) above, after an Event of Default has occurred and is continuing and unwaived, the expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights under the Security Documents, together with reasonable attorneys' fees and court costs.

"Series Supplemental Indenture" means an indenture supplemental to this Indenture entered into by the Issuer, the Trustee and the Guarantors, if applicable, for the purpose of establishing, in accordance with

this Indenture, the title, form and terms of Senior Secured Notes of any series.

"Shelf Registration Statement" means the shelf registration statement issued by the Issuer in connection with the offer and sale of Senior Secured Notes pursuant to a Registration Rights Agreement.

"Sierra Pacific Geothermal Resources Lease" means that certain Geothermal Resources Lease, dated November 18, 1983, between Steamboat Geothermal and Sierra Pacific Power Company, as amended by the amendments dated January 7, 1985, October 29, 1988, and October 2, 1989.

"Site Licenses" means the Mammoth-BLM Site License, the Ormesa-BLM Site License CA 17129, the Ormesa-BLM Site License CA 22405, the Ormesa-BLM Site License CA 24678, the Ormesa-BLM Site License CA 22079, and the Ormesa-BLM Site License CA 20172.

"Special Record Date" for the payment of any Overdue Interest or Overdue Principal shall mean a date fixed by the Trustee pursuant to Section 2.09.

"Steamboat Complex Operation and Maintenance Agreement" means that certain Amended and Restated Operation and Maintenance Agreement, dated December 8, 2003, among ORNI 7, LLC, Steamboat Geothermal LLC, Steamboat Development (as of the Closing Date) and Ormat Nevada, Inc.

"Steamboat Development" means Steamboat Development, a Utah corporation.

"Steamboat Development Plant" means the two geothermal power generating plants located in Steamboat Hills, Nevada, having a gross generating capacity of 32 MW and owned by Steamboat Development

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"Steamboat Geothermal" means Steamboat Geothermal LLC, a Delaware limited liability company.

"Steamboat Geothermal Plant" means the two geothermal power generating plants located in Steamboat Hills, Nevada, having a gross generating capacity of 10 MW and owned by Steamboat Geothermal.

"Steamboat 1 Plant Power Purchase Agreement" means that certain Agreement for the Purchase and Sale of Electricity, dated November 18, 1983, between Steamboat Geothermal LLC (as successor to Geothermal Development Associates) and Sierra Pacific Power Company, as amended by that certain Amendment to Agreement for the Purchase and Sale of Electricity, dated March 6, 1987.

"Steamboat 1A Plant Power Purchase Agreement" means that certain Long-Term Agreement for the Purchase and Sale of Electricity, dated October 29, 1988, between Steamboat Geothermal LLC (as successor to Far West Capital, Inc.) and Sierra Pacific Power Company.

"Steamboat 2 Plant Power Purchase Agreement" means that certain Long-Term Agreement, dated January 24, 1991, between Steamboat Development (as successor to Far West Capital, Inc.) and Sierra Pacific Power Company, as amended by that certain Amendment to Long-Term Agreement, dated October 29, 1991, and as further amended by that certain Amendment to Long-Term Agreement, dated October 29, 1992.

"Steamboat 1/1A Interconnection Agreement" means that certain

Special Facilities Agreement, dated October 29, 1988, between Sierra Pacific Power Company and Steamboat Geothermal (as successor to Far West Capital, Inc.).

"Steamboat 2/3 Interconnection Agreement" means that certain Special Facilities Agreement, dated April 24, 1992, between Sierra Pacific Power Company and Steamboat Development (as successor to Far West Capital, Inc.).

"Steamboat 2/3 Project Power Purchase Agreements" means the Steamboat 2 Plant Power Purchase Agreement and the Steamboat 3 Plant Power Purchase Agreement.

"Steamboat 3 Plant Power Purchase Agreement" means that certain Long-Term Agreement for the Purchase and Sale of Electricity, dated January 18, 1991, between Steamboat Geothermal Development (as successor to Far West Capital, Inc.) and Sierra Pacific Power Company.

"Subordinated Debt" means Indebtedness incurred pursuant to a Subordinated Loan Agreement.

"Subordinated Debt Provider" means a Person providing loans pursuant to a Subordinated Loan Agreement.

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"Subordinated Loan Agreement" means a binding agreement providing nonrecourse, unsecured debt financing to the Issuer on the terms and conditions set forth in Exhibit D to this Indenture.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Third Party Consents" means each consent to assignment, among certain counterparties to a Material Project Document, the Issuer and/or the Issuer's applicable Subsidiary and the Collateral Agent.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. (sections) 77aaa-77bbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Title Event" means the existence of any defect of title or Lien or encumbrance on a Project (other than Permitted Liens) in effect on the Closing Date that entitles the Collateral Agent to make a claim under the policy or policies of title insurance required pursuant to the Financing Documents.

"Title Event Proceeds" means all amounts and proceeds (including instruments) in respect of any Title Event.

"Title Policies" means (i) each of the mortgagee title

insurance policies delivered by a title company of national standing or its Affiliates insuring to the Lien of the Deeds of Trust or (ii) for those Projects which do not have Deeds of Trust, the preliminary title report delivered by a title company of national standing or its Affiliates.

"Transaction Documents" means the Project Documents and the Financing Documents.

"Trustee" means Union Bank of California, N.A., until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter means the successor serving thereunder in such capacity.

"Unassigned Leases" means (i) that certain Grant of Easement between David P. Frase, Timothy Frase and Stacey Frase, and James W. Roberts, Trustee of the James W. Roberts Revocable Trust, dated August 24, 1996, as grantor, and Brady Power, as grantee, dated March 27, 1998; (ii) the Railway Geothermal Resources Lease; (iii) the Fleetwood Geothermal Resources Sublease; (iv) that certain Geothermal Resources Lease dated May 31, 1991 between Dorothy A. Towne and the Trust of Dorothy A. Towne, as landlord, and Fleetwood Corporation, as tenant; and (v) that certain Geothermal Resources Lease dated June 27, 1988, as amended by that certain Amendment to Geothermal Resources Lease dated January 1992, and that certain Second Amendment to Geothermal Resources Lease dated June 25, 1993 between Bernice Guisti, Judith Harvey, and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as landlord, and Steamboat Development Corp., as tenant.

"Unrestricted Global Note" means a permanent global Senior Secured Note in the form of Exhibit A-1 attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary, representing Senior Secured Notes that do not bear the Private Placement Legend.

"U.S. Person" means a U.S. person as defined in Rule 902(o) under the Securities Act.

"Work" means all obligations, duties and responsibilities undertaken by the Contractor and its subcontractors in accordance with the Galena Re-powering Contract, including the design, engineering, manufacturing, procurement, construction, start-up and performance testing of the Galena Plant in connection with the Galena Re-powering.

"Wholly Owned Subsidiary" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

Section 1.02 Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.13
"Applicable Procedures"	2.07(c)(v)(B)
"Beneficial Owner"	4.03
"Checking Account".....	4.30
"Combined Brady Output"	4.06(c)
"Covenant Defeasance".....	7.03

"Debtor Relief Law".....	5.01
"Issuer".....	Preamble
"Legal Defeasance".....	7.02

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"Overdue Interest".....	2.09
"Temporary Regulation S Global Note".....	2.01
"Transfer"	2.07(b)
"Trustee".....	Preamble
"Withdrawal Certificate"	4.42

Section 1.03 Trust Indenture Act Provisions. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Senior Secured Notes;

"indenture security holder" means a Holder of a Senior Secured Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Senior Secured Notes means the Issuer and any successor obligor upon the Senior Secured Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular;

(e) references to a Person shall include such Person's permitted successors and assigns;

(f) provisions apply to successive events and transactions;

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(g) unless otherwise expressly specified, any agreement, contract or document defined or referred to herein shall mean such agreement, contract or document as in effect as of the date hereof, as the same may thereafter be amended, supplemented and/or otherwise modified from time to time in accordance with the terms of this Indenture and the other Transaction Documents and shall include any agreement, contract or document in substitution or replacement of any of the foregoing entered into in accordance with the terms of this Indenture and the other Transaction Documents; and

(h) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

ARTICLE II

THE SENIOR SECURED NOTES

Section 2.01 Form Generally. The Senior Secured Notes of each series shall be in substantially the form set forth in Exhibit A-1/A-2 or in such other form as shall, subject to Section 2.05, be established by or pursuant to an Officer's Certificate of the Issuer or in one or more Series Supplemental Indentures relating to the Senior Secured Notes of such series, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor or as may, consistently herewith, be determined by the officers executing such Senior Secured Notes as evidenced by their execution thereof.

The Certificated Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the Authorized Officers executing such Certificated Notes, as evidenced by their execution of such Certificated Notes.

Restricted Notes shall bear the applicable legends as set forth in Exhibit A-1/A-2 and as provided in Section 2.02.

Senior Secured Notes offered and sold in their initial distribution in reliance on Rule 144A shall be issued in the form of one or more Global Notes (each a "Restricted Global Note") in definitive, fully registered form without interest coupons, substantially in the form set forth in Exhibit A-1, or in such other form as shall, subject to Section 2.05, be established by or pursuant to an Officer's Certificate of the Issuer or in one or more indentures supplemental hereto, with such applicable legends as are provided for in Exhibit A-1. Such Global Notes shall be registered in the name of the Depository for such Global Notes or its nominee and deposited with the Trustee, at the Corporate Trust Office of the Trustee, as custodian for such Depository, duly executed on behalf of the Issuer and authenticated by the Trustee as herein provided. The aggregate principal amount of any Restricted Global Note may from time to time be increased or

decreased by adjustments made on the records of the Trustee, as custodian for the Depository for such Global Note, as provided in Section 2.07, which

adjustments shall be conclusive as to the aggregate principal amount of any such Global Notes. Except as agreed by the Issuer, no Restricted Global Note shall be issued except as provided in this paragraph to evidence Senior Secured Notes offered and sold in their initial distribution in reliance on Rule 144A.

Senior Secured Notes offered and sold in their initial distribution in reliance on Regulation S shall be issued initially in the form of one or more temporary Global Notes (a "Temporary Regulation S Global Note") in definitive, fully registered form without interest coupons, substantially in the form set forth in Exhibit A-2, or in such other form as shall, subject to Section 2.05, be established by or pursuant to an Officer's Certificate of the Issuer or in one or more indentures supplemental hereto, with such applicable legends as are provided for in Exhibit A-2. Such Temporary Regulation S Global Notes shall be registered in the name of the Depository for such Global Notes or its nominee and deposited with the Trustee, at the Corporate Trust Office of the Trustee, as custodian for such Depository, duly executed by the Issuer and authenticated by the Trustee as herein provided, for credit to the respective accounts of beneficial owners of such Global Notes (or to such other accounts as they may direct) at Euroclear or Clearstream. Beneficial interests in any Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Within a reasonable period of time after the expiration of the Restricted Period (as defined below), any Temporary Regulation S Global Note will be exchanged for a permanent Regulation S Global Note (the "Regulation S Unrestricted Global Note," and together with the Temporary Regulation S Global Note, the "Regulation S Global Note") substantially in the form set forth in Exhibit A-1 with such applicable legends as are provided for in Exhibit A-1, but without the Restricted Notes legend set forth in Exhibit A-1, upon delivery to the Depository of certification of non-United States ownership and compliance with Regulation S. The Regulation S Unrestricted Global Note will be deposited with the Trustee at the Corporate Trust Office of the Trustee, as custodian for the Depository and registered in the name of the nominee of the Depository. Clearstream and Euroclear will hold beneficial interests in the Regulation S Unrestricted Global Note on behalf of their participants through their respective depositories, which in turn will hold such beneficial interests in the Regulation S Unrestricted Global Note in participants' securities accounts in the depositories' names on the books of the Depository. The aggregate principal amount of any Temporary Regulation S Global Note and any Regulation S Unrestricted Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository for such Global Note, as provided in Section 2.07, which adjustments shall be conclusive as to the aggregate principal amount of any such Global Note. As used herein, the term "Restricted Period", with respect to Global Notes offered and sold in reliance on Regulation S, means the period of 40 consecutive days beginning on and including the later of (i) the day on which the Senior Secured Notes are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S (according to a written notice to the Issuer and the Trustee by the underwriter(s), if any, of the offering of such Senior Secured Notes) and (ii) the date of the closing of the offering of such Senior Secured Notes. Except as agreed by the Issuer, no Temporary Regulation S Global Note or Regulation S Unrestricted Global Note shall

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be issued except as provided in this paragraph to evidence such Senior Secured Notes offered and sold in their initial distribution in reliance on Regulation S.

Section 2.02 Legends on Restricted Notes. All Senior Secured Notes issued pursuant to this Indenture (including Senior Secured Notes issued upon registration of transfer, in exchange for or in lieu of such Senior Secured

Notes) shall be "Restricted Notes" and shall bear the applicable legend(s) setting forth restrictions on transfer provided in Exhibit A-1/A-2 (the "Private Placement Legend"); provided, however, that the term "Restricted Notes" shall not include (i) Temporary Regulation S Global Notes or Regulation S Unrestricted Global Notes, (ii) Senior Secured Notes as to which such restrictive legend(s) shall have been removed pursuant to Section 2.07 and (iii) Senior Secured Notes issued upon registration of transfer of, in exchange for, or in lieu of, Senior Secured Notes that are not Restricted Notes.

Section 2.03 Amount of Senior Secured Notes. The aggregate principal amount of Senior Secured Notes which may be outstanding at any time is unlimited, subject to compliance with Section 4.18 hereof.

The Senior Secured Notes may be issued in one or more series. There shall be established in one or more Series Supplemental Indentures, prior to the issuance of Senior Secured Notes of any series:

(a) the title of the Senior Secured Notes of such series (which shall distinguish the Senior Secured Notes of such series from all other Senior Secured Notes) and the form or forms of Senior Secured Notes of such series;

(b) any limit upon the aggregate principal amount of the Senior Secured Notes of such series that may be authenticated and delivered under this Indenture (except for Senior Secured Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Senior Secured Notes of such series pursuant to Sections 2.06, 2.07, 2.08, 3.06 or 8.09 and except for Senior Secured Notes that, pursuant to the last paragraph of Section 2.05, are deemed never to have been authenticated and delivered hereunder);

(c) the date or dates on which the principal of the Senior Secured Notes of such series is payable, the amounts of principal payable on such date or dates and the Regular Record Date for the determination of Holders to whom principal is payable; and the date or dates on or as of which the Senior Secured Notes of such series shall be dated, if other than as provided in Section 2.05;

(d) the rate or rates at which the Senior Secured Notes of such series shall bear interest, or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable and the Regular Record Date for the determination of Holders to

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whom interest is payable; and the basis of computation of interest, if other than as provided in Section 2.12;

(e) if other than as provided in Section 4.02, the place or places where (i) the principal of, interest and Liquidated Damages, if any, on Senior Secured Notes of such series shall be payable, (ii) Senior Secured Notes of such series may be surrendered for registration of transfer or exchange and (iii) notices and demands to or upon the Issuer in respect of the Senior Secured Notes of such series and this Indenture may be served;

(f) the price or prices at which, the period or periods within

which and the terms and conditions upon which Senior Secured Notes of such series may be redeemed, in whole or in part, at the option of the Issuer;

(g) the obligation, if any, of the Issuer to redeem, purchase or repay Senior Secured Notes of such series pursuant to any sinking fund or analogous provision or at the option of a Holder thereof and the price or prices at which and the periods or periods within which and the terms and conditions upon which Senior Secured Notes of such series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligations;

(h) if other than minimum denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof, the denominations in which Senior Secured Notes of such series shall be issuable;

(i) the restrictions or limitations, if any, on the transfer or exchange of the Senior Secured Notes of such series;

(j) the obligation, if any, of the Issuer to file a registration statement with respect to the Senior Secured Notes of such series or to exchange the Senior Secured Notes of such series for Senior Secured Notes registered pursuant to the Securities Act;

(k) any other terms of such series (which terms shall not be inconsistent with the provisions of this Indenture); and

(l) any trustees, authenticating or paying agents, warrant agents, transfer agents or registrars with respect to the Senior Secured Notes of such series.

Section 2.04 Denominations. The Senior Secured Notes shall be issuable only in registered form without coupons and in denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof. Any repayments (either scheduled or pursuant to any redemption) of any Senior Secured Note shall be made only in the denomination or integral multiple thereof set forth above.

Section 2.05 Execution, Authentication, Delivery and Dating. The Senior Secured Notes shall be executed on behalf of the Issuer by an Authorized Representative of the

Issuer. The signature of any of these officers on the Senior Secured Notes may be manual or facsimile.

Senior Secured Notes bearing the manual or facsimile signature of individuals who were at the time of execution the Authorized Representative of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Senior Secured Notes or did not hold such offices at the date of such Senior Secured Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Senior Secured Notes (with Guarantees endorsed thereon), if applicable, of any series executed by the Issuer to the Trustee for authentication, together with a Authentication Order for the authentication and delivery of such Senior Secured Notes, and the Trustee in accordance with the Authentication Order shall authenticate and deliver such Senior Secured Notes. The Trustee shall authenticate and deliver:

(i) on the Closing Date, an aggregate principal amount of \$190,000,000 8 1/4% Senior Secured Notes Due 2020, (ii) Additional Notes for an original issue in an aggregate principal amount specified in an Authentication Order pursuant to this Section 2.05 and (iii) Exchange Notes for issue only in an Exchange Offer pursuant to a Registration Rights Agreement, for a like principal amount of Initial Notes or Additional Notes, in each case upon an Authentication Order of the Issuer signed by an Authorized Officer of the Issuer. Such order will specify the amount of the Senior Secured Notes to be authenticated and the date on which the original issue of the Senior Secured Notes is to be authenticated. If the form or terms of the Senior Secured Notes have been established by or pursuant to an Officer's Certificate of the Issuer or a Supplemental Indenture as permitted by Section 2.01 in authenticating such Senior Secured Notes, and accepting any additional responsibilities under this Indenture in relation to such Senior Secured Notes, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating,

(a) that such form has been established in conformity with the provisions of this Indenture;

(b) that such terms have been established in conformity with the provisions of this Indenture; and

(c) that such Senior Secured Notes, when authenticated and delivered by the Trustee and issued by the Issuer in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms (subject to customary qualifications or exceptions).

The Trustee shall not be required to authenticate such Senior Secured Notes if the issue of such Senior Secured Notes pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Senior Secured Notes and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

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Except as otherwise provided in the Series Supplemental Indenture relating to the Senior Secured Notes of a series, each Senior Secured Note of such series shall be dated the date of its authentication.

No Senior Secured Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Senior Secured Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature of an Authorized Officer, and such certificate upon any Senior Secured Note shall be conclusive evidence, and the only evidence, that such Senior Secured Note has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Senior Secured Note shall have been authenticated and delivered hereunder but never issued and sold by the Issuer, and the Issuer shall deliver such Senior Secured Note to the Trustee for cancellation as provided in Section 2.11, for all purposes of this Indenture such Senior Secured Note shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 2.06 Temporary Senior Secured Notes. Pending the preparation of definitive Senior Secured Notes, the Issuer may execute, and upon Authentication Order the Trustee shall authenticate and deliver, temporary Senior Secured Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Senior Secured Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other

variations as the officers of the Issuer executing the same may determine, as evidenced by their execution of such Senior Secured Notes.

If temporary Senior Secured Notes are issued, the Issuer will cause definitive Senior Secured Notes to be prepared without unreasonable delay. After the preparation of definitive Senior Secured Notes, the temporary Senior Secured Notes shall be exchangeable for definitive Senior Secured Notes upon surrender of the temporary Senior Secured Notes at the office or agency of the Issuer in a Place of Payment, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Senior Secured Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Senior Secured Notes of any authorized denominations and of like tenor and aggregate principal amount. Until so exchanged, the temporary Senior Secured Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Senior Secured Notes.

Section 2.07 Registration, Registration of Transfer and Exchange.

(a) General. The Issuer shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Senior Secured Notes and for transfers of Senior Secured Notes. The Trustee is hereby appointed "Registrar" for the purpose of registering Senior Secured Notes and transfers of Senior Secured Notes as herein provided. The Issuer also shall cause to be kept an office or agency where Senior Secured Notes may be presented for payment

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("Paying Agent") and where notices and demands to or upon the Issuer in respect of the Senior Secured Notes may be served.

Notwithstanding anything to the contrary set forth herein, the Trustee shall not be required and shall have no obligation to monitor compliance with any federal or state securities laws.

Upon surrender for registration of transfer of any Senior Secured Note at the office or agency of the Issuer in a Place of Payment, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Senior Secured Notes, of any authorized denominations and of like tenor and aggregate principal amount.

At the option of the Holder, Senior Secured Notes may be exchanged for other Senior Secured Notes, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Senior Secured Notes to be exchanged at such office or agency. Whenever any Senior Secured Notes are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Senior Secured Notes which the Holder making the exchange is entitled to receive.

All Senior Secured Notes issued upon any registration of transfer or exchange of Senior Secured Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture as the Senior Secured Notes surrendered upon such registration of transfer or exchange.

Every Senior Secured Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the

Issuer and the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Senior Secured Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that maybe imposed in connection with any registration of transfer or exchange of Senior Secured Notes, other than exchanges pursuant to Section 2.06 or Section 3.06 not involving any transfer.

If the Senior Secured Notes are to be redeemed in part, the Issuer shall not be required (A) to issue, register the transfer of, or exchange, any Senior Secured Notes during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Senior Secured Notes selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing or (B) to register the transfer of or exchange any Senior Secured Note so selected for redemption in whole or in part, except the unredeemed portion of any Senior Secured Note being redeemed in part.

(b) Restricted Notes.

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Every Restricted Note shall be subject to the restrictions on offers, Transfers and exchanges provided in the applicable legend(s) required to be set forth on the face of each Restricted Note pursuant to Exhibit A-1/A-2 and Section 2.02, unless such restrictions on Transfer shall be waived by the written consent of the Issuer, and the Holder of each Restricted Note, by such Holder's acceptance thereof, agrees to be bound by such restrictions on Transfer. Whenever any Restricted Note is presented or surrendered for registration of Transfer or for exchange for a Senior Secured Note registered in a name other than that of the Holder, such Restricted Note must be accompanied by an appropriately completed certificate in substantially the form set forth in Exhibit B, in the case of Transfer, or, in the case of any exchange, Exhibit C or as contemplated by Section 2.13(c) (which may be attached to or set forth in the Restricted Note), appropriately completed, dated the date of such surrender and signed by the Holder of such Restricted Note, as to compliance with such restrictions on Transfer, unless the Issuer shall have notified the Trustee in writing pursuant to this Section 2.07 that there is an effective registration statement under the Securities Act with respect to such Restricted Note. The Registrar shall not be required to accept for such registration of Transfer or exchange any Restricted Note not so accompanied by a properly completed certificate.

Except as otherwise provided in the preceding paragraph, if Senior Secured Notes are issued upon the Transfer, exchange or replacement of Senior Secured Notes bearing a legend or legends setting forth restrictions on Transfer, or if a request is made to remove such legend(s) on a Senior Secured Note, the Senior Secured Notes so issued shall bear such legend(s) or such legend(s) shall not be removed, as the case may be, unless the transferor delivers to the Issuer such satisfactory evidence (which may include an opinion of independent counsel experienced in matters of United States securities law as may be reasonably satisfactory to the Issuer), as may be reasonably required by the Issuer, that neither such legend(s) nor the restrictions on Transfer set forth therein are required to ensure that Transfers thereof comply with the provisions of Rule 144A or Rule 144 or Regulation S or that such Senior Secured Notes are not restricted securities within the meaning of Rule 144. Upon provision of such satisfactory evidence to the Issuer, the Trustee, at the written direction of the Issuer set forth in an Officer's Certificate of the Issuer, shall authenticate and deliver a Senior Secured Note that does not bear such legend(s). In the absence of bad faith on its part, the Trustee may conclusively rely upon such direction of the Issuer in authenticating and

delivering a Senior Secured Note that does not bear such legend(s).

After a Transfer of any Initial Notes pursuant to and during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Notes, all requirements pertaining to legends relating to the restrictions on Transfer relating to the Securities Act on such Initial Note will cease to apply, the requirements requiring that any such Initial Note issued to certain Holders be issued in global form will cease to apply, and a certificated Initial Note or an Initial Note in global form, in each case without restrictive Transfer legends, will be available to the transferee of the Holder of such Initial Notes upon exchange of such transferring Holder's certificated Initial Note or appropriate directions to Transfer such Holder's interest in the Global Note, as applicable.

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Upon the consummation of an Exchange Offer with respect to the Initial Notes, all requirements pertaining to such Initial Notes that Initial Notes issued to certain Holders be issued in global form will still apply with respect to Holders of such Initial Notes that do not exchange their Initial Notes, and Exchange Notes in certificated or global form, in each case without the restrictive securities legend relating to the restrictions on Transfer relating to the Securities Act set forth in Exhibit A-1/A-2 hereto will be available to Holders that exchange such Initial Notes in such Exchange Offer.

Upon registration of Transfer of or exchange of Senior Secured Notes that are no longer Restricted Notes, the Issuer shall execute, and the Trustee shall authenticate and deliver, a Senior Secured Note that does not bear restrictive legends.

As used in this Section 2.07(b), the term "Transfer" encompasses any sale, pledge or other transfer of any Senior Secured Notes referred to herein.

(c) Global Notes. This Section 2.07(c) shall apply to Global Notes.

(i) Each Global Note authenticated under this Indenture shall be registered in the name of the Depository designated for such Global Note or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Note shall constitute a single Global Note for all purposes of this Indenture. The Senior Secured Notes may be represented by one or more Global Notes, and such Global Notes may be Restricted Global Notes, Temporary Regulation S Global Notes or Regulation S Unrestricted Global Notes, or any combination thereof.

(ii) Notwithstanding any other provision in this Indenture, no Global Note may be exchanged in whole or in part for Senior Secured Notes registered, and no transfer of a Global Note in whole or in part may be made, in the name of any Person other than the Depository for such Global Note or a nominee thereof unless (A) such Depository (1) has notified the Issuer that it is unwilling or unable to continue as Depository for such Global Note or (2) has ceased to be a clearing agency registered under the Exchange Act, and, in either case, a successor Depository is not appointed within 90 days thereof, (B) the Issuer executes and delivers to the Trustee a Authentication Order providing that such Global Note shall be so transferable, registrable and exchangeable, or (C) there shall have occurred and be continuing an Event of Default with respect to the Global Notes. Any Global Note exchanged pursuant to subclause (A) above shall be so exchanged in whole and not in part and any Global Note exchanged pursuant to subclause (B) or (C) above may be exchanged in whole or from time to

time in part as directed by the Depository for such Global Note. Notwithstanding any other provision in this Indenture, a Global Note to which the restriction set forth in the second preceding sentence shall have ceased to apply may be transferred only to, and may be registered and exchanged for Senior Secured Notes registered only in the name or names of, such Person or Persons as the Depository for such Global Note shall have directed and no transfer thereof other than such a transfer may be registered.

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(iii) Subject to clause (ii) above, any exchange of a Global Note for other Senior Secured Notes may be made in whole or in part, and all Senior Secured Notes issued in exchange for a Global Note or any portion thereof shall be registered in such name or names as the Depository for such Global Note shall direct.

(iv) Every Senior Secured Note authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Note or any portion thereof, whether pursuant to this Section 2.07, Section 2.06, 2.09 or 3.06 or otherwise shall be authenticated and delivered in the form of, and shall be, a Global Note, unless such Senior Secured Note is registered in the name of a Person other than the Depository for such Global Note or a nominee thereof.

(v) Notwithstanding any other provision of this Indenture or of the Senior Secured Notes, transfers of interests in a Global Note of the kind described in Section 2.01 and in subclauses (B), (C), (D) and (E) of this clause (v) below shall be made only in accordance with this clause (v), and all transfers of an interest in a Temporary Regulation S Global Note shall comply with subclause (F) of this clause (v). The provisions of this clause (v) providing for transfers of Senior Secured Notes or beneficial interests in Global Notes to Persons who wish to take delivery in the form of beneficial interests in a Restricted Global Note, Temporary Regulation S Global Note or Regulation S Unrestricted Global Note shall only apply if there is a Restricted Global Note, Temporary Regulation S Global Note or Regulation S Unrestricted Global Note, as the case may be.

(A) Transfer of Global Note. A Global Note may not be transferred, in whole or in part to any Person other than the Depository or a nominee thereof, and no such transfer to any such other Person may be registered; provided that this subclause (A) shall not prohibit any transfer of a Senior Secured Note that is issued in exchange for a Global Note but is not itself a Global Note. No transfer of a Senior Secured Note to any Person shall be effective under this Indenture or the Senior Secured Notes unless and until such Senior Secured Note has been registered in the name of such Person. Nothing in this Section 2.07 shall prohibit or render ineffective any transfer of a beneficial interest in a Global Note effected in accordance with the other provisions of this Section 2.07(c)(v).

(B) Restricted Global Note to Regulation S Global Note. If the holder of a beneficial interest in a Restricted Global Note wishes at any time to transfer such interest to a person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such transfer may be effected, subject to the rules and procedures of the Depository for such Global Note, Euroclear and Clearstream, in each case to the extent applicable (the "Applicable Procedures"), only in accordance with the

provisions of this Section 2.07(c)(v)(B). Upon receipt by the Trustee, as Registrar, at the Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from a member of, or participant in, the Depository for such Restricted Global Note (each, an "Agent Member") directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in a Regulation S Global Note in a principal amount equal to that of the beneficial interest in the Restricted Global Note to be so transferred, (2) a written order given in accordance with the Applicable

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Procedures containing information regarding the account of the Agent Member (and the Euroclear or Clearstream account, as the case may be) to be credited with, and the account of the Agent Member to be debited for, such beneficial interest and (3) an appropriately completed certificate in substantially the form set forth in or contemplated by Section 2.13(a) given by the holder of such beneficial interest, the Trustee, as Registrar, shall instruct the Depository for such Notes to reduce the principal amount of the Restricted Global Note, and to increase the principal amount of the Regulation S Global Note, by the principal amount of the beneficial interest in the Restricted Global Note to be so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (which shall be the Agent Member for Euroclear or Clearstream or both, as the case may be) a beneficial interest in the Regulation S Global Note having a principal amount equal to the amount by which the principal amount of the Restricted Global Note was reduced upon such transfer.

(C) Regulation S Global Note to Restricted Global Note. If the holder of a beneficial interest in a Regulation S Global Note wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Restricted Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.07(c)(v)(C). Upon receipt by the Trustee, as Registrar, at the Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from an Agent Member directing the Trustee, as Registrar, to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Note equal to that of the beneficial interest in the Regulation S Global Note to be so transferred, (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member to be credited with, and the account of the Agent Member (or, if such account is held for Euroclear or Clearstream, the Euroclear or Clearstream account, as the case may be) to be debited for, such beneficial interest and (3) with respect to a transfer of a beneficial interest in the Regulation S Global Note, an appropriately completed certificate in substantially the form set forth in or contemplated by Section 2.13(b) given by the holder of such beneficial interest, the Trustee, as Registrar, shall instruct the Depository for such Regulation S Global Note to reduce the principal amount of the Regulation S Global Note and to

increase the principal amount of the Restricted Global Note, by the principal amount of the beneficial interest in the Regulation S Global Note to be so transferred, and to credit or cause to be credited to the account of the

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Person specified in such instructions a beneficial interest in the Restricted Global Note having a principal amount equal to the amount by which the principal amount of the Regulation S Global Note was reduced upon such transfer.

(D) Restricted Note (other than a Restricted Global Note) to Global Note. If the Holder of a Restricted Note (other than a Restricted Global Note) wishes at any time to transfer such Restricted Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Restricted Global Note or an Unrestricted Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.07(c)(v)(D). Upon receipt by the Trustee, as Registrar, at the Corporate Trust Office of (1) the Restricted Note to be transferred, (2) written instructions given in accordance with the Applicable Procedures from an Agent Member directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Note or the Unrestricted Global Note, as the case may be, in a principal amount equal to the principal amount of the Restricted Note to be so transferred, (3) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member (and, in the case of any transfer pursuant to Regulation S, the Euroclear or Clearstream account for which such Agent Member's account is held or, if such account is held for Euroclear or Clearstream, the Euroclear or Clearstream account, as the case may be) to be credited with such beneficial interest and (4) an appropriately completed certificate in substantially the form set forth in or contemplated by Section 2.13(c) (which may be attached to or set forth in the Restricted Note), the Trustee, as Registrar, shall cancel the Restricted Note, the Issuer shall execute, and the Trustee shall authenticate and deliver, a new Definitive Note for the principal amount, if any, of the Restricted Note not so transferred, registered in the name of the Holder transferring such Restricted Note, and the Trustee shall instruct the Depository for such Notes to increase the principal amount of the Restricted Global Note or the Unrestricted Global Note, as the case may be, by the principal amount of the Restricted Note so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (which, in the case of any increase of the principal amount of an Unrestricted Global Note as the result of a transfer pursuant to Regulation S, shall be the Agent Member for Euroclear or Clearstream or both, as the case may be) a corresponding principal amount of the Restricted Global Note or the Unrestricted Global Note. The transfer of a Restricted Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note may be effected only in accordance with Regulation S or Rule 144A (as evidenced by the certificate delivered pursuant to Section 2.13(c)).

(E) Other Exchanges. In the event that a Global Note or any portion thereof is exchanged for Senior Secured Notes other than Global Notes, the Trustee, as Registrar, shall instruct the Depository for the Global Note to reduce

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the principal amount of the Global Note by the principal amount of the Notes other than Global Notes issued upon such exchange. Such other Notes may in turn be exchanged (on transfer or otherwise) for beneficial interests in a Global Note (if any are then outstanding) only in accordance with such procedures, which shall be substantially consistent with the provisions of subclauses (A) through (D) above (including the certification requirements intended to insure that transfers of beneficial interests in a Global Note comply with Rule 144A, Rule 144 or Regulation S, as the case may be) and any other procedures as may be from time to time adopted by the Issuer and the Trustee.

(F) Interests in Temporary Regulation S Global Note to be Held Through Euroclear or Clearstream. Until the termination of the Restricted Period with respect to Senior Secured Notes represented by a Temporary Regulation S Global Note, interests in any Temporary Regulation S Global Note may be held only through Agent Members acting for and on behalf of Euroclear and Clearstream, provided that this subclause (F) shall not prohibit any transfer in accordance with subclause (D) of this Section 2.07(c)(v).

Section 2.08 Mutilated, Destroyed, Lost and Stolen Senior Secured Notes. If any mutilated Senior Secured Note is surrendered to the Trustee, the Issuer shall execute and, upon the Issuer's written request, the Trustee shall authenticate and deliver a new definitive Senior Secured Note, of like tenor and aggregate principal amount and equal face amount of principal, registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such Senior Secured Note, in exchange and substitution for such Senior Secured Note (upon surrender and cancellation thereof); provided, that the applicant for such new Senior Secured Note shall furnish to the Issuer and to the Trustee such reasonable bond or indemnity as may be required by them to save each of them harmless.

If there shall be delivered to the Issuer and the Trustee (a) evidence to their satisfaction of the destruction, loss or theft of any Senior Secured Note and (b) such bond or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Issuer or the Trustee that such Senior Secured Note has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Trustee shall authenticate and deliver a new definitive Senior Secured Note, of like tenor and aggregate principal amount and equal face amount of principal registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such Senior Secured Note, in lieu of and substitution for such Senior Secured Note.

In case any such mutilated, destroyed, lost or stolen Senior Secured Note has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Senior Secured Note, pay such Senior Secured Note (without surrender thereof, except in the case of a mutilated Senior Secured Note) if the applicant for such payment shall furnish to the Issuer and the Trustee such reasonable bond or indemnity as they may require to

them harmless, and in case of destruction, loss or theft, evidence to the satisfaction of the Issuer and the Trustee of the destruction, loss or theft of such Senior Secured Note.

Upon the issuance of any new Senior Secured Note under this Section 2.08, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Senior Secured Note issued pursuant to this Section 2.08 in lieu of any destroyed, lost or stolen Senior Secured Note shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Senior Secured Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Senior Secured Notes duly issued hereunder.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Senior Secured Notes.

Section 2.09 Payments; Interest Rights Preserved. Interest on any Senior Secured Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Senior Secured Note (or one or more Predecessor Senior Secured Notes) is registered at the close of business on the Regular Record Date for such interest.

Any interest or Liquidated Damages on any Senior Secured Note which is payable; but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Overdue Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Overdue Interest may be paid by the Issuer, at its election in each case, as provided in clause (a) or (b) below:

(a) The Issuer may elect to make payment of any Overdue Interest to the Persons in whose names the Senior Secured Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Overdue Interest, which shall be set in the following manner. The Issuer shall notify the Trustee in writing of the amount of Overdue Interest proposed to be paid on each Senior Secured Note and the date of the proposed payment, and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Overdue Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Overdue Interest as in this clause (a) provided. Thereupon, the Issuer shall fix a Special Record Date for the payment of such Overdue Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly, in the name and at the expense of the Issuer, mail a written notice of the proposed

payment of such Overdue Interest and the Special Record Date therefor to be given to each Holder of Senior Secured Notes, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Overdue Interest and the Special Record Date therefor having been so mailed, such Overdue Interest shall be paid to the Persons in whose names the Senior Secured Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Issuer may make payment of any Overdue Interest on the Senior Secured Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Senior Secured Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Issuer to the Trustee of the proposed payment pursuant to this clause (b), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.09, each Senior Secured Note delivered under this Indenture upon registration of transfer of, or in exchange for, or in lieu of, any other Senior Secured Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Senior Secured Note.

All payments of principal, premium, or Liquidated Damages, if any, and interest on Senior Secured Notes will be made by check or, with respect to Senior Secured Notes the Holders of which have provided the Issuer with wire transfer instructions, will be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Unless such designation is revoked in writing, any designation made by such Holder with respect to such Senior Secured Notes will remain in effect with respect to any future payments with respect to such Senior Secured Notes payable to such Holder. The Issuer will indemnify and hold the Trustee and the Paying Agent harmless against any loss, liability or expense (including attorneys' fees) resulting from any act or omission to act on the part of the Trustee, the Paying Agent or any such Holder in connection with any such designation or which the Paying Agent or Trustee may incur as a result of making any payment in accordance with any such designation.

All payments of principal, premium or Liquidated Damages, if any, on the Senior Secured Notes shall be made upon presentation and surrender thereof at the office or agency of the Issuer maintained for such purpose in the Borough of Manhattan, The City of New York.

Section 2.10 Persons Deemed Owners. Prior to due presentment of a Senior Secured Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer or the Trustee shall treat the Person in whose name such Senior Secured Note is registered as the owner of such Senior Secured Note for the purpose of receiving payment of principal of and any premium or Liquidated Damages and (subject to Section 2.09) any interest on such Senior Secured Note and for all other purposes whatsoever, whether or not such Senior Secured Note be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.11 Cancellation. All Senior Secured Notes surrendered for payment, redemption, registration of transfer or exchange shall,

if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Issuer may at any time deliver to the Trustee for cancellation any Senior Secured Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee for cancellation) any Senior Secured Notes previously authenticated hereunder which the Issuer has not issued and sold, and all Senior Secured Notes so delivered shall be promptly canceled by the Trustee. No Senior Secured Notes shall be authenticated in lieu of or in exchange for any Senior Secured Notes canceled as provided in this Section 2.11, except as expressly permitted by this Indenture. All canceled Senior Secured Notes held by the Trustee shall be disposed of as directed by an Authentication Order.

Section 2.12 Computation of Interest. Except as otherwise provided in the Series Supplemental Indenture relating to the Senior Secured Notes of a series, interest on the Senior Secured Notes of such series shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.13 Certification Forms. (a) Whenever any certification is to be given by a beneficial owner of a portion of a Restricted Global Note pursuant to Section 2.07(c)(v)(D) in connection with the initial transfer of a beneficial interest in a Restricted Global Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such certification shall be provided substantially in the form set forth in Exhibit C hereto.

(b) Whenever any certification is to be given by a beneficial owner of a portion of a Regulation S Global Note pursuant to Section 2.07(c)(v)(D) in connection with the initial transfer of a beneficial interest in the Regulation S Global Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Note, such certification shall be provided substantially in the form set forth in Exhibit C hereto.

(c) Whenever any certification is to be given by a beneficial owner of a Restricted Note or Holder of a Restricted Note (other than a Restricted Global Note) pursuant to Section 2.07(b) in connection with the transfer or exchange of a Restricted Note, such certification shall be provided substantially in the form set forth in Exhibit B (which may be attached to or set forth on the Restricted Note).

Section 2.14 CUSIP Numbers. The Issuer in issuing the Senior Secured Notes may use "CUSIP" or "ISIN" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" or "ISIN" numbers in notices of redemption as a convenience to Holders; provided that the Trustee shall assume no responsibility for the accuracy of such numbers and any such redemption shall not be affected by any defect in or omission of such numbers.

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Section 2.15 Issuance of Additional Notes. The Issuer shall be entitled, subject to its compliance with Section 4.18 hereof, to issue Additional Notes under this Indenture with identical terms as the Initial Notes issued on the Closing Date, other than with respect to the date of issuance and issue price. The Initial Notes issued on the Closing Date, any Additional Notes and all Exchange Notes issued in exchange therefor will be treated as a single class for all purposes under this Indenture.

With respect to any Additional Notes, the Issuer will set forth in a resolution of the Board of Directors of the Issuer and an Officers' Certificate, copies of which will be delivered to the Trustee, the following information:

(i) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(ii) the issue price, the issue date and the CUSIP number of such Additional Notes; provided, however, that no Additional Notes may be issued at a price that would cause such Additional Notes to have "original issue discount" within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended; and

(iii) whether such Additional Notes will be Transfer Restricted Securities or will be issued in the form of Exchange Notes.

ARTICLE III

REDEMPTION AND PREPAYMENT

Section 3.01 Notices to Trustee. If the Issuer elects to redeem Senior Secured Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee and Paying Agent, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the Redemption Date, (iii) the principal amount of Senior Secured Notes to be redeemed and (iv) the redemption price.

Section 3.02 Selection of Senior Secured Notes to Be Redeemed. If less than all of the Senior Secured Notes are to be redeemed at any time, selection of Senior Secured Notes for redemption will be made by the Trustee on a pro rata basis; provided that no Senior Secured Notes of \$1,000 or less will be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the Redemption Date to each Holder of Senior Secured Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to such Senior Secured Note will state the portion of the principal amount thereof to be redeemed. A new Senior Secured Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Senior Secured Note. Senior Secured Notes called for redemption become due on

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the date fixed for redemption. Unless the Issuer defaults in payment of the redemption price, interest and Liquidated Damages, if any, will cease to accrue on Senior Secured Notes or portions of them called for redemption on and after the Redemption Date.

The Trustee shall promptly notify the Issuer in writing of the Senior Secured Notes selected for redemption and, in the case of any Senior Secured Note selected for partial redemption, the principal amount thereof to be redeemed. Senior Secured Notes and portions of Senior Secured Notes selected shall be in denominations of \$1,000 and integral multiples of \$1,000; except that if all of the Senior Secured Notes of a Holder are to be redeemed, the entire outstanding amount of Senior Secured Notes held by such Holder, even if not a multiple of \$1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Senior Secured Notes called for redemption also apply to portions of Senior Secured Notes called for redemption.

Section 3.03 Notice of Redemption. At least 30 days but not more than 60 days before a Redemption Date, the Issuer shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Senior

Secured Notes are to be redeemed at its registered address.

The notice shall identify the Senior Secured Notes to be redeemed and shall state:

(a) the Redemption Date;

(b) the redemption price;

(c) if any Senior Secured Note is being redeemed in part, the portion of the principal amount of such Senior Secured Note to be redeemed and that, after the redemption date upon surrender of such Senior Secured Note, a new Senior Secured Note or Senior Secured Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Senior Secured Note;

(d) the name, address and telephone number of the Paying Agent;

(e) that Senior Secured Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Issuer defaults in making such redemption payment, interest and Liquidated Damages, if any, on Senior Secured Notes called for redemption ceases to accrue on and after the Redemption Date;

(g) the paragraph of the Senior Secured Notes and/or Section of this Indenture pursuant to which the Senior Secured Notes called for redemption are being redeemed; and

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(h) the CUSIP number (provided that the Issuer may state that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Senior Secured Notes).

At the Issuer's request, the Trustee or the Paying Agent shall give the notice of redemption in the Issuer's name and at its expense; provided, however, that the Issuer shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 Effect of Notice of Redemption. Once notice of redemption is mailed in accordance with Section 3.03 hereof, Senior Secured Notes called for redemption become irrevocably due and payable on the Redemption Date at the redemption price. A notice of redemption may not be conditional.

Section 3.05 Deposit of Redemption Price. One Business Day prior to the Redemption Date, the Issuer shall deposit with the Trustee or with the Paying Agent (other than the Issuer or an Affiliate of the Issuer) money sufficient to pay the redemption price of and accrued interest and Liquidated Damages, if any, on, all Senior Secured Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Issuer any money deposited with the Trustee or the Paying Agent by the Issuer in excess of the amounts necessary to pay the redemption price of, and accrued interest and Liquidated Damages, if any, on, all Senior Secured Notes to be redeemed.

If the Issuer complies with the provisions of the preceding paragraph and the other provisions of this Article III, on and after the Redemption Date, interest and Liquidated Damages, if any, shall cease to accrue

on the Senior Secured Notes or the portions of Senior Secured Notes called for redemption. If a Senior Secured Note is redeemed on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name such Senior Secured Note was registered at the close of business on such record date. If any Senior Secured Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuer to comply with the preceding paragraph, interest and Liquidated Damages, if any, shall be paid on the unpaid principal, from the Redemption Date until such principal is paid, and to the extent lawful on any interest, and Liquidated Damages, if any, not paid on such unpaid principal, in each case at the rate and in the manner provided in the Senior Secured Notes and in Section 4.01 hereof.

Section 3.06 Senior Secured Notes Redeemed in Part. Upon surrender of a Senior Secured Note that is redeemed in part, the Issuer shall issue and, upon the Issuer's written request, the Trustee shall authenticate for the Holder at the expense of the Issuer a new Senior Secured Note equal in principal amount to the unredeemed portion of the Senior Secured Note surrendered.

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Section 3.07 Optional Redemption.

(a) The Senior Secured Notes shall be redeemable at the Issuer's option at any time and from time to time, in whole or in part, upon not less than 30 nor more than 60 days' notice to the Trustee and each Holder of Senior Secured Notes, at a redemption price equal to the outstanding principal amount thereof plus accrued interest and Liquidated Damages, if any, plus the Make-Whole Premium, such redemption price to be set forth in the notice to the Trustee. In no event shall the sum of the redemption price plus the Make-Whole Premium ever be less than 100% of the Senior Secured Notes being redeemed plus accrued and unpaid interest thereon to the Redemption Date. Unless the Issuer defaults in payment of the redemption price, on and after the Redemption Date interest and Liquidated Damages, if any, shall cease to accrue on the Senior Secured Notes or portions thereof called for redemption.

(b) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08 Mandatory Redemption.

(a) The Senior Secured Notes shall be subject to mandatory redemption, in whole or in part, at a redemption price equal to the principal amount of the Senior Secured Notes being redeemed plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date, if the Issuer or any Subsidiary receives more than \$5.0 million of Loss Proceeds or Eminent Domain Proceeds because of an Event of Loss or an Event of Eminent Domain and:

(i) the Issuer determines that all or such portion of the applicable Plant cannot be rebuilt, repaired or restored to permit operations on a commercially reasonable basis, or the Issuer determines not to rebuild, repair or restore the applicable Plant or such portion, in which case the Issuer shall have to use the Net Available Amount of such proceeds for such redemption; or

(ii) only a portion of the applicable Plant is capable of being rebuilt, repaired or restored on a commercially reasonable basis and the Issuer determines to so rebuild, repair or restore, in which case the Issuer will have to use only the amount of such Loss Proceeds or Eminent Domain Proceeds not used to rebuild, repair or restore such Plant for such redemption, except as set forth in the immediately

following paragraph.

If the Issuer or any Subsidiary receives less than \$5 million of Loss Proceeds or Eminent Domain Proceeds or has less than \$5 million remaining after rebuilding, repairing or restoring a portion of the applicable Plant because of an Event of Loss or Event of Eminent Domain the Issuer will cause such amounts to be deposited into the Revenue Account.

(b) If the Issuer or any Subsidiary (a) receives more than \$5.0 million of Title Event Proceeds in connection with a Title Event and is unable to remedy the Title Event, or (b) has more than \$5.0 million of Title Event Proceeds remaining after remedying the Title Event, the Issuer will have to use the Net Available Amount of such proceeds, to the extent not

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used to cure the Title Event, on a pro rata basis to redeem the Senior Secured Notes at a redemption price equal to the principal amount of the Senior Secured Notes being redeemed plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date. If the Issuer or any Subsidiary receives less than \$5 million of Title Event Proceeds in connection with a Title Event or has less than \$5 million remaining after remedying a Title Event the Issuer will cause such amounts to be deposited into the Revenue Account.

(c) If on or prior to September 30, 2005, the Issuer has not satisfied the Initial Galena Re-powering Account Withdrawal Conditions, then the Issuer will have to use the proceeds of the Galena Re-powering Account to redeem Senior Secured Notes at a price equal to 101% of the principal amount of Senior Secured Notes being redeemed plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date.

(d) If Final Completion is not achieved by March 31, 2006 or the Galena Re-powering does not result in a minimum net electrical output of 18 MW as determined in accordance with performance tests conducted pursuant to the Galena Re-powering Contract (as certified by the Independent Engineer), then from and after March 31, 2006, the Issuer will not be able to make any Restricted Payments until the Issuer has used any amounts the Issuer receives as Performance Liquidated Damages and amounts in the Distribution Suspense Account to redeem or has otherwise redeemed (a "Galena Re-powering Performance Redemption") Senior Secured Notes in an amount equal to the product of (x) \$1,100,000 times (y) the difference between (i) 18 MW minus (i) the actual number of Megawatts of the Galena Re-powering as demonstrated by the Performance Guarantee Tests and certified by the Independent Engineer. The Issuer will redeem the Senior Secured Notes in connection with a Galena Re-powering Performance Redemption at a price equal to 101% of the principal amount of the Senior Secured Notes required to be redeemed plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date.

(e) If, as of January 1, 2006, the Mammoth Enhancement has not improved the net electrical output of the Mammoth Plant by at least 3.6 MW (as certified by the Independent Engineer), then from and after January 1, 2006, the Issuer will not be able to make any Restricted Payments until the Issuer has used amounts in the Distribution Suspense Account to redeem or has otherwise redeemed (a "Mammoth Enhancement Redemption") Senior Secured Notes in an amount equal to the product of (x) \$1,100,000 times (y) the difference between (i) 3.6 MW minus (ii) the actual number of Megawatts that the Mammoth Enhancement increases the net electrical output of the Mammoth Plant. The Issuer shall redeem the Senior Secured Notes in connection with a Mammoth Enhancement Redemption at a price equal to 101% of the principal amount of the Senior Secured Notes required to be redeemed plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date.

In the event that any Senior Secured Obligations (other than the Senior Secured Notes) are required to be redeemed before their scheduled maturity pursuant to documents governing such Senior Secured Obligations for any reason not otherwise giving rise to a redemption of the Senior Secured Notes, the Issuer shall offer to repurchase the Senior Secured

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Notes on a pro rata basis with the other Senior Secured Obligations as are required to be redeemed at a redemption price equal to the principal amount of the Senior Secured Notes the Issuer offers to repurchase plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date, but without any premium.

Other than as specifically provided in this Section 3.08, any purchase or redemption pursuant to this Section 3.08 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

ARTICLE IV

COVENANTS

The Issuer and each of the Issuer's Subsidiaries (other than Ormesa LLC, which shall only be subject to these covenants prior to the Ormesa Support Date to the extent compliance therewith would not violate the Ormesa Credit Agreement) shall be subject to the following covenants.

Section 4.01 Payment of Senior Secured Notes. The Issuer shall pay or cause to be paid the principal of, premium, if any, interest and Liquidated Damages, if any, on the Senior Secured Notes on the dates and in the manner provided on Exhibits A-1 and A-2 attached hereto including the Schedule of Principal Payments set forth on Schedule I attached thereto. Principal, premium, if any, interest and Liquidated Damages, if any, shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a Subsidiary or an Affiliate thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuer in immediately available funds and designated for and sufficient to pay all principal, premium, if any, interest and Liquidated Damages, if any, then due.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Senior Secured Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) and Liquidated Damages, if any, at the same rate to the extent lawful.

Section 4.02 Maintenance of Office or Agency. The Issuer shall maintain in the Borough of Manhattan, the City of New York, and in such other places, if any, as shall be specified for the Senior Secured Notes of any series in the related Series Supplemental Indenture an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Senior Secured Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuer in respect of the Senior Secured Notes and this Indenture may be served. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to

furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Senior Secured Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the Corporate Trust Office of the Trustee as the initial office or agency of the Issuer where the Senior Secured Notes may be presented or surrendered in accordance with the foregoing.

Section 4.03 Reporting Requirements. Whether or not required by the SEC, so long as any Senior Secured Notes are outstanding, the Issuer shall furnish to the Trustee for mailing to the Holders (directly to any Beneficial Owner (as such term is defined Rule 13d-3 and Rule 13d-5 under the Exchange Act) with notice of ownership on file with the Trustee), within the time periods specified in the SEC's rules and regulations:

(a) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Issuer were required to file such Forms, including a "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Issuer's certified independent accountants; and

(b) all current reports that would be required to be filed with the SEC on Form 8-K if the Issuer were required to file such reports.

In addition, following the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, whether or not required by the SEC, the Issuer shall file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to prospective investors upon request. In addition, the Issuer and the Guarantors agree that they shall furnish to the Holders and to prospective investors, upon the request of such Holders, the information required to be delivered pursuant to Rule 144(d)(4) under the Securities Act so long as the Senior Secured Notes are not freely transferable under the Securities Act.

Notwithstanding the foregoing, the Issuer shall not be required to present financial information (i) for itself or any Subsidiary for any period prior to September 30, 2003 that is not presented in

the Offering Memorandum or (ii) pursuant to Rule 3-16 of Regulation S-X, in each

case, unless required to do so by the SEC in connection with the Exchange Offer.

The receipt by the Trustee of any such reports and documents pursuant to this Section 4.03 shall not constitute notice or constructive notice of any information contained in such documents or determinable from information contained in such documents, including the Issuer's compliance with any covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officers' Certificate).

Section 4.04 Delivery of Notices to Trustee. The Issuer shall, and shall cause each of its Subsidiaries to, so long as any of the Senior Secured Notes are outstanding, deliver to the Trustee and the Collateral Agent, forthwith upon any officer becoming aware of any Default, Event of Default, Event of Loss, Event of Eminent Domain or Title Event or, an Officers' Certificate specifying with particularity any such Default, Event of Default, Event of Loss, Event of Eminent Domain or Title Event and, if applicable, what action the Issuer is taking or proposes to take with respect thereto.

Section 4.05 Stay, Extension and Usury Laws. The Issuer covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of its obligations under this Indenture and the Senior Secured Notes; and the Issuer (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.06 Restrictions on Sale of Assets. The Issuer shall not nor shall the Issuer permit any of its Subsidiaries to sell, lease (as lessor) or transfer (as transferor) any property or assets (other than to a Guarantor) except:

(a) in the ordinary course of business; or

(b) property which is worn out, obsolete or no longer useful or necessary in connection with the operation of a Project as certified by the Issuer, including the 50% undivided interest of Mammoth-Pacific in those certain BLM geothermal resource leases CA 14414, CA 14405, CA 14406, CA 14407 and CA 11672 or the interest of Steamboat Development in that certain BLM Right of Way N-77428 or as a result of the lapse of geothermal leases due to the failure to commence commercial production of geothermal resources under such leases; or

(c) property comprising the Desert Peak 1 Plant and related real estate rights if the Issuer improves the output of the other facility currently located at the Brady Plant or adds a facility on the Brady site so that the overall output of the facilities located at Brady equals or exceeds the aggregate of (i) the then current output of the Desert Peak 1 Plant plus (ii) the current

output of the other facility currently located at the Brady Plant (the aggregate of (i) and (ii) referred to as the "Combined Brady Output"); provided, that prior to any such sale, lease or transfer, (i) the Geothermal Consultant shall have certified that after giving effect to such sale, lease or transfer, the Brady Plant has the necessary geothermal resources to enable the Brady Plant to produce the Combined Brady Output through the Final Maturity Date (subject to normal geothermal resource degradation in an amount no worse than that which is

projected for the Desert Peak 1 Plant) and (ii) the power purchase agreement pursuant to which the Brady Plant operates at such time continues to be in full force and effect after giving effect to such sale, lease or transfer and provides for delivery of output not less than the Combined Brady Output.

The Collateral Agent shall be obligated to release the Lien of the Security Documents upon the Issuer's transfer of any property or assets in compliance with this covenant and receipt by the Collateral Agent of an Officer's Certificate stating that such transfer is in compliance with this covenant.

Section 4.07 Insurance. The Issuer shall, and shall cause each of its Subsidiaries to, maintain or cause to be maintained business interruption insurance, casualty insurance, including flood and earthquake coverage, and primary and excess liability insurance, as well as customary worker's compensation (upon hiring of employees) and automobile insurance and such other insurance, if any, as is generally carried by companies engaged in similar businesses and owning similar properties in the same general areas and financed in a similar manner. To the extent any such casualty insurance covers both the Issuer, its Subsidiaries and/or a Project, on the one hand, and any other owner and/or plant, on the other hand, the Issuer shall ensure that it has specifically designated as applicable solely to it, its Subsidiaries and the Projects "all risk" property insurance coverage in an amount based upon the estimated full replacement value of the Plants (provided that earthquake and flood coverages may be subject to an annual aggregate limit with respect to the Issuer and its Affiliates' facilities of not less than \$5 million with respect to flood and \$10 million with respect to earthquake) and business interruption insurance in an amount of not less than the maximum fixed expenses projected over any four month period during the succeeding twelve month period (including, without limitation, debt service expenses). The Issuer shall not, nor shall the Issuer permit any of its Subsidiaries to, reduce or change such insurance coverages if the Insurance Consultant determines that such reduction or cancellation would not be reasonable under the circumstances and the insurance coverages sought to be reduced or changed are available on commercially reasonable terms or that another level of coverage greater than that proposed by the Issuer is available on commercially reasonable terms (in which case such coverage may be reduced to the higher of such available levels). The Issuer shall, and the Issuer shall cause each of its Subsidiaries (other than Ormesa prior to the Ormesa Support Date) to, cause the Collateral Agent to be named as loss payee and/or as an additional insured, as appropriate; all insurance policies shall provide for at least 30 days' written notice to the Collateral Agent of a cancellation (except cancellation due to failure to pay premiums, which may be on no less than 10 days prior written notice to the Collateral Agent) or reduction in the amount of coverage or of a material change in coverage.

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Section 4.08 Governmental Approvals; Title. The Issuer shall, and shall cause each of its Subsidiaries to, at all times (i) obtain and maintain in full force and effect the Governmental Approvals and other consents and approvals required at any time in connection with the Issuer's business and (ii) preserve and maintain good and valid title to our properties and assets (subject to no Liens other than Permitted Liens), except in each case where the failure to do so in clause (i) or (ii) could not reasonably be expected to have a Material Adverse Effect.

Section 4.09 Limitation on Nature of Business. The Issuer shall not, and shall not permit or cause any of its Subsidiaries to, engage or enter into any business other than, directly or indirectly the ownership,

operation and maintenance of the Plants and activities incidental thereto.

Section 4.10 Prohibition on Merger or Other Fundamental Changes. The Issuer shall not, nor shall it permit any of its Subsidiaries to, enter into any transaction of merger or consolidation, sell all or substantially all of its or their respective assets to any other Person (other than a merger, consolidation or sale to or into the Issuer or any of the Guarantors), change its or their respective forms of organization or its or their respective businesses, liquidate or dissolve its or their self (or suffer any liquidation or dissolution) or discontinue its or their respective businesses. The Issuer shall not, nor shall it permit any of its Subsidiaries to, purchase or otherwise acquire all or substantially all of the assets of any other Person (other than (x) the acquisition of the Capital Stock of Mammoth-Pacific that the Issuer does not own as of the Closing Date, (y) an acquisition by the Issuer or a Guarantor of assets of another Guarantor and (z) the acquisition of a Qualified Project in accordance with the terms of this Indenture).

Section 4.11 Restricted Payments. The Issuer shall not, nor shall it permit or cause any of its Subsidiaries to, make any Restricted Payments, except (i) if the Issuer meets the Distribution Conditions set forth in Section 3.8(b) of the Depositary Agreement and has satisfied Sections 3.08 (d) and (e) hereof, if applicable, and (ii) Restricted Payments made by any of its Subsidiaries; provided, that such Restricted Payments in the case of clause (ii) are made to the Issuer or a Guarantor.

Section 4.12 Revenue Account. The Issuer shall, and it shall cause each of its Subsidiaries (other than Ormesa prior to the Ormesa Support Date) to, take all actions as may be necessary to cause all revenues actually received by them from the Projects or otherwise to be deposited in the Revenue Account to the extent required by the Depositary Agreement. The Issuer shall, and shall cause its Subsidiaries (other than Ormesa prior to the Ormesa Support Date) to (x) provide irrevocable written instruction to each power purchaser related to a Project, to pay all revenues paid under power purchase agreements with respect to the Projects directly into the Revenue Account (other than with respect to the Mammoth Plant; provided, however, if at any time the Issuer or any Guarantor acquires that portion of the Capital Stock of Mammoth-Pacific that the Issuer does not own as of the Closing Date or the Issuer otherwise acquires control of 100% of the Mammoth Project, the Issuer shall, or the Issuer shall cause such Guarantor, as the case may be, to arrange for all revenues paid under power purchase agreements with respect to the Mammoth Project to be paid directly into the Revenue Account), (y) use

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commercially reasonable efforts to arrange for all other revenues to be paid directly into the Revenue Account and (z) cause any other revenues received by the Issuer or any of its Subsidiaries to be promptly paid into the Revenue Account.

Section 4.13 Transactions with Affiliates. The Issuer shall not, and shall not permit any of its Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its respective properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any of its respective Affiliates (each, an "Affiliate Transaction"), unless:

(a) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person; and

(b) the Issuer delivers to the Trustee:

(i) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$5 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the Board of Directors; and

(ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$25 million, a positive opinion as to the fairness to the Issuer of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing. The Trustee shall have no obligation to review the fairness opinion, but shall hold such opinion for the benefit of the Holders.

The following items shall not be deemed to be Affiliate Transactions and, therefore, shall not be subject to the provisions of the prior paragraph:

(a) any employment agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Subsidiaries in the ordinary course of business;

(b) transactions between or among the Issuer and/or its Wholly-Owned Subsidiaries;

(c) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Issuer;

(d) Restricted Payments that do not violate the provisions of Section 4.11 of this Indenture;

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(e) loans or advances to employees in the ordinary course of business not to exceed \$1.0 million in the aggregate at any one time outstanding;

(f) transactions pursuant to written agreements with the Issuer's Affiliates in place as of the date of this Indenture;

(g) the transfer of the 50% undivided interest of OrMammoth in those certain BLM geothermal resource leases CA 14414, CA 14405, CA 14406, CA 14407 and CA 11672 or the interest of Steamboat Development in that certain BLM Right of Way N-77428 to any Affiliate of the Issuer;

(h) any amendments, modifications or replacements of, or waivers under, any written agreement described under clause (f) of this paragraph that is not a Material Project Document; provided that no such amendment, modification or waiver alters any such agreement in a manner than is materially adverse to the interests of Holders; and

(i) any agreement to do anything set forth in items (a) through (h) of this paragraph.

Section 4.14 Exercise of Rights. The Issuer shall not, and shall not permit any of its Subsidiaries to, exercise, or fail to exercise, its

or their respective rights under the Project Documents in a manner which could reasonably be expected to result in a Material Adverse Effect with respect to the Issuer or the applicable Subsidiary. The Issuer shall, and shall cause each of its Subsidiaries to, diligently pursue all rights to distributions or dividends and Loss Event Proceeds, Eminent Domain Proceeds and Title Proceeds upon the occurrence of a Loss Event, an Event of Eminent Domain or a Title Event, as the case may be.

Section 4.15 Termination or Amendment to Material Project Documents. The Issuer shall not, and shall not permit any of its Subsidiaries to, terminate, amend in any material adverse respect, replace, modify in any material adverse respect or assign, other than pursuant to the Security Documents (or consent to any of the foregoing) any of the Material Project Documents to which the Issuer or they are a party, provided that (x) Material Project Documents may be terminated so long as the Issuer enters into one or more replacement agreements, and (y) the Issuer's Subsidiaries may terminate Material Project Documents with respect to the rights and obligations of the Desert Peak 1 Plant if the Issuer improves the output of the Brady Plant and otherwise complies with the provisions set forth in Section 4.06(c) of this Indenture.

Section 4.16 Additional Project Documents. The Issuer shall not, and shall not permit any of its Subsidiaries to, enter into any Additional Project Documents (a) if entering into such document could reasonably be expected to result in a Material Adverse Effect, provided, however, that nothing in the foregoing is intended to preclude the Issuer or any of its Subsidiaries from entering into agreements to sell Renewable Energy Credits in connection with any Project as contemplated by the terms of the Project Documents or required by Applicable Law or (b) if entering into any such Additional Project Document constituting power purchase agreements,

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fuel supply and transportation agreements, transmission agreements and other agreements, contracts or other arrangements for the purchase of fuel for, or the sale of electricity from, the Project results in the breach of, or conflict with the terms of, any then-existing power purchase agreement.

Section 4.17 Performance of Project Documents. The Issuer shall, and shall cause each of its Subsidiaries to, perform and observe their respective covenants and obligations under all of the Project Documents, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. Section 4.18 Limitations on Indebtedness. The Issuer shall not create, incur or suffer to exist any Indebtedness except the following Indebtedness (collectively, "Permitted Indebtedness"):

(a) Indebtedness represented by the Senior Secured Notes to be issued on the Closing Date and the Exchange Notes to be issued pursuant to the Registration Rights Agreement;

(b) Indebtedness incurred by the Issuer to (x) make capital improvements to a Project that are required by law or the terms of the Project Documents, and (y) purchase that portion of the Capital Stock of Mammoth-Pacific that the Issuer does not own as of the Closing Date; provided, that:

(i) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is proposed to be incurred or would result from the incurrence of such additional Indebtedness; and

(ii) (1) the Issuer's calculations demonstrate that after giving effect to the incurrence of such additional Indebtedness, the minimum projected Debt Service Coverage Ratio for each Annual Period (each such period taken as a single accounting period) following the Quarterly Period in which such additional Indebtedness is incurred through the Final Maturity Date (provided, however, (x) with respect to Indebtedness incurred within one year of the Final Maturity Date, the period tested shall be a period commencing on the first day of the Quarterly Period immediately following such incurrence and ending on the Final Maturity Date, and (y) with respect to the Annual Period in which such Indebtedness is incurred (unless such Indebtedness is incurred on the first day of such Annual Period), the first period tested shall be the period commencing with the first day of the Quarterly Period immediately following such incurrence and ending on the last day of the Annual Period in which such Indebtedness is incurred), shall not be less than 1.40 to 1.0; and (2) the Issuer shall have delivered a certificate to the Collateral Agent confirming the foregoing clause (b)(i) and clause (b)(ii)(1) and stating that the Capital Expenditures proposed by the Issuer conform to such legal or Project Document requirements;

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(c) Indebtedness incurred by the Issuer to make discretionary capital improvements to a Project, provided, that:

(i) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is proposed to be incurred or would result from the incurrence of such additional Indebtedness; and

(ii) (1) the Issuer's calculations demonstrate that (x) the minimum projected Debt Service Coverage Ratio for each Annual Period through the Final Maturity Date and (y) the average projected Debt Service Coverage Ratio for the Annual Periods through the Final Maturity Date, equals or exceeds the projected Debt Service Coverage Ratio for the corresponding Annual Period or Annual Periods, as the case may be, immediately prior to the incurrence of such additional Indebtedness and the making of any such capital improvement (provided, however, (i) with respect to Indebtedness incurred within one year of the Final Maturity Date, the period tested shall be a period commencing on the first day of the Quarterly Period immediately following such incurrence and ending on the Final Maturity Date, and (ii) with respect to the Annual Period in which such Indebtedness is incurred (unless such Indebtedness is incurred on the first day of such Annual Period), the first period tested shall be the period commencing with the first day of the Quarterly Period immediately following such incurrence and ending on the last day of the Annual Period in which such Indebtedness is incurred) and (2) the Issuer shall have delivered a certificate to the Collateral Agent confirming the foregoing clause (c)(i) and clause (c)(ii)(1);

(d) additional Indebtedness incurred by the Issuer not to exceed an aggregate principal amount outstanding at any time of \$10 million;

(e) Subordinated Debt;

(f) Indebtedness incurred by the Issuer in order to refinance existing Indebtedness incurred pursuant to clause (b), (c) or (e) above, provided, (1) such refinancing Indebtedness has an average life equal to or greater than the average life of the Indebtedness being refinanced, (2) the aggregate amount of such refinancing Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and (3) to the extent that the original incurrence of the refinanced Indebtedness was subject to certain conditions and requirements pursuant to this Indenture, such refinancing Indebtedness shall comply with all of the conditions and requirements applicable to the refinanced Indebtedness;

(g) Indebtedness outstanding under the Ormesa Credit Agreement prior to the Ormesa Support Date; and

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(h) additional Senior Secured Notes issued by the Issuer to purchase not more than one Qualified Project through the Final Maturity Date of the Senior Secured Notes; provided, that:

(i) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is proposed to be incurred or would result from the incurrence of such additional Indebtedness;

(ii) no Indebtedness (other than the Senior Secured Notes and Subordinated Debt issued under the Ormat Nevada Subordinated Loan) is incurred or assumed in connection with the purchase of the Qualified Project;

(iii) (1) the Issuer's calculations demonstrate that the minimum projected Debt Service Coverage Ratio for each Annual Period (each such period taken as a single accounting period) following the Quarterly Period in which such additional Indebtedness is incurred through the Final Maturity Date (provided, however, (i) with respect to Indebtedness incurred within one year of the Final Maturity Date, the period tested shall be the period commencing on the first day of the Quarterly Period immediately following such incurrence and ending on the Final Maturity Date, and (ii) with respect to the Annual Period in which such Indebtedness is incurred (unless such Indebtedness is incurred on the first day of such Annual Period), the first period tested shall be the period commencing with the first day of the Quarterly Period immediately following such incurrence and ending on the last day of the Annual Period in which such Indebtedness is incurred), shall not be less than 1.55 to 1.0, and (2) the Issuer shall have delivered a certificate to the Collateral Agent confirming the foregoing clauses (h)(i), (h)(ii), and clause (h)(iii)(1) and stating that the Project acquired is a Qualified Project.

Section 4.19 Limitation on Indebtedness of Subsidiaries. The Issuer shall not permit any of its Subsidiaries to create, incur or suffer to exist any Indebtedness other than (i) Indebtedness owed to the Issuer represented by an intercompany note and (ii) Indebtedness represented by the Guarantees.

Section 4.20 Limitations on Guarantees. The Issuer shall not, and shall not permit any of its Subsidiaries to, contingently or otherwise, be or become liable in connection with any Guarantee, except for (i) endorsements and similar obligations in the ordinary course of business and (ii) Guarantees of the Senior Secured Notes.

Section 4.21 Prohibitions on Other Obligations or Assignments. The Issuer shall not, and shall not permit any of its Subsidiaries to, assign any of its or its Subsidiaries' respective rights or obligations under any Financing Document.

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Section 4.22 Books and Records, Inspection. The Issuer shall, and shall cause each of its Subsidiaries to, maintain books and records in accordance with GAAP and provide the Trustee, the Collateral Agent and the Independent Engineer with reasonable inspection rights with respect to the Projects and such books and records.

Section 4.23 Maintenance of Existence. The Issuer shall, and shall cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve and keep in full force and effect its and their (i) existence and good standing under the laws of their respective states of organization, in accordance with their organizational documents (as the same may be amended from time to time), (ii) qualification to do business in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as conducted or proposed to be conducted makes such qualification necessary and (iii) powers, rights (charter and statutory), privileges, licenses and franchises with respect to the Projects except where the failure to maintain any of the foregoing in clause (iii) could not reasonably be expected to have a Material Adverse Effect.

Section 4.24 Additional Documents; Filings and Recordings. The Issuer shall, and shall cause each of its Subsidiaries to, execute and deliver, as requested by the Trustee or the Collateral Agent, such other documents as shall reasonably be necessary or advisable in order to effect or protect the rights and remedies of the Trustee or the Collateral Agent, as the case may be, granted or provided for by the Security Documents to which the Issuer is a party and to consummate the transactions contemplated therein. The Issuer shall, at its own expense, take all reasonable actions (a) that are requested by the Trustee or the Collateral Agent, or (b) that an Authorized Officer of the Issuer has actual knowledge are necessary as a legal matter, to establish, maintain and perfect the first priority security interests of Trustee and the Collateral Agent in the Collateral, subject to Permitted Liens. Without limiting the generality of the foregoing, the Issuer shall execute or cause to be executed and shall file or cause to be filed such financing statements, continuation statements, and fixture filings and such mortgages, or deeds of trust in all places necessary or advisable to establish, maintain and perfect the Liens purported to be provided for in the Security Documents, subject to Permitted Liens.

Section 4.25 Dividend and Other Payment Restrictions Affecting Subsidiaries. The Issuer shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any of its Subsidiaries to:

(a) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any of its Subsidiaries;

(b) make loans or advances to the Issuer or any of its

(c) transfer any of its properties or assets to the Issuer or any of its Subsidiaries.

However, the preceding restrictions shall not apply to encumbrances or restrictions existing under or by reason of:

(a) any of the Financing Documents;

(b) Applicable Law;

(c) customary non-assignment provisions in contracts, agreements, leases, permits or licenses entered into or issued in the ordinary course of business and consistent with past practices;

(d) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clauses (a) and (c) of the preceding paragraph;

(e) Indebtedness incurred pursuant to clause (f) of the definition of Permitted Indebtedness; provided that the restrictions contained in the agreements governing such Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(f) Liens securing Indebtedness otherwise permitted to be incurred under Section 4.27 that limit the right of the debtor to dispose of the assets subject to such Liens or to use the proceeds of any such disposition; and

(g) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Section 4.26 Budget And Expenditures. The Issuer shall, and shall cause each of its Subsidiaries to, deliver, at its own expense, an annual Operating Budget to the Trustee, the Collateral Agent and the Independent Engineer at least 30 days prior to the beginning of each fiscal year of the Issuer.

Section 4.27 Limitation on Liens. The Issuer shall not, and shall not permit any of its Subsidiaries to, grant, create, incur or suffer to exist any Liens upon any of its or their assets, except for the Permitted Liens.

Section 4.28 Compliance With Laws. The Issuer shall, and shall cause each of its Subsidiaries to, comply with all applicable laws and Governmental Approvals, except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.29 Operation and Maintenance. The Issuer shall, and shall cause each of its Subsidiaries to, at all times maintain and operate each Project in compliance with Prudent Industry Practices.

Section 4.30 Additional Subsidiaries; Bank Accounts. The Issuer shall own at all times, directly or indirectly, 100% of the issued and outstanding Capital Stock of each of its Subsidiaries. The Issuer shall own at all times directly or indirectly, not less than 50% of the issued and outstanding Capital Stock of Mammoth-Pacific. The Issuer shall not, and shall not permit any of its Subsidiaries to, acquire or create any additional Subsidiaries; provided, however, this shall not limit the Issuer's ability or the ability of any Guarantor to create a Wholly-Owned Subsidiary that becomes a Guarantor in accordance with Article IX of the Indenture by execution of a Supplemental Indenture in the form of Exhibit G hereto on or prior to the date of acquisition, to (i) acquire the Capital Stock of Mammoth-Pacific that the Issuer does not own as of the Closing Date or (ii) acquire a Qualified Project in accordance with the terms of this Indenture. The Issuer shall not, and shall not permit any of its Subsidiaries to, establish any bank account other than the Accounts and not more than two checking accounts (each, a "Checking Account"), provided that the Secured Parties shall have a perfected security interest in such Checking Accounts pursuant to an agreement which is reasonably satisfactory to the Collateral Agent.

Section 4.31 Maintenance of Water Supply; Access Rights. The Issuer shall, and shall cause its Subsidiaries to, at all times maintain in full force and effect the agreements and other arrangements to ensure that (i) the Projects have a constant and continuous supply of water to the extent necessary to permit the operation of the Projects at levels contemplated in the Projections and (ii) the Projects have such real estate rights as may be necessary to ensure the ingress to and egress from each of the Projects.

Section 4.32 No Abandonment. The Issuer shall, and shall cause its Subsidiaries not to permit the occurrence of any Event of Abandonment.

Section 4.33 Consents to Assignment of Unassigned Leases Additional Project Documents. The Issuer shall, and shall cause its Subsidiaries to, use its commercially reasonable efforts to obtain executed consents to the assignment of each Unassigned Lease and each Additional Project Document.

Section 4.34 Loans. The Issuer shall not, and shall not permit its Subsidiaries to, make any loan or advance other than in the ordinary course of business (other than a loan or advance to a Guarantor that constitutes Indebtedness owed to the Issuer and that is represented by an intercompany note); provided, however, the Issuer may direct the investment of funds on deposit in the accounts in Permitted Investments in accordance with the terms of the Financing Documents.

Section 4.35 Amendments to Organizational Documents. The Issuer shall not, and shall cause its Subsidiaries not to, amend, modify or supplement its or their Organizational

Documents except such amendments as (i) could not reasonably be expected to result in a Material Adverse Effect and (ii) could not reasonably be expected to adversely affect any provisions of such organizational documents that relate to the bankruptcy remoteness of the Issuer.

Section 4.36 Removal of Independent Consultant. The Issuer shall not remove or otherwise replace any of the Independent Consultants; provided that any Independent Consultant may be replaced or removed by the Issuer at any time (i) in the event that any such Independent Consultant shall have become incapable of acting or performing its services, or otherwise fails to perform its function as the Independent Consultant in the manner contemplated

by this Indenture and the other Financing Documents, or shall have been adjudged bankrupt or insolvent, or a receiver of such Independent Consultant or of its property shall have been appointed, or any public office shall have taken control or charge of such Independent Consultant or its property or affairs for the purpose of rehabilitation, conservation or liquidation at any time or (ii) so long as the Issuer shall have certified to the Trustee (which certification shall have been delivered by an Authorized Representative of the Issuer) that the replacement Independent Consultant being retained to perform the services of the removed or replaced Independent Consultant is properly qualified to perform such services at least to the same degree, extent and quality as the replaced or removed Independent Consultant and the same could not reasonably be expected to materially adversely affect the rights of the Holders.

Section 4.37 Payments for Consent. The Issuer shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Obligations for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of any Financing Document unless such consideration is offered to be paid and is paid to all Holders of Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.38 Limitations on Ormesa. On the Ormesa Support Date, the Issuer shall cause Ormesa to provide a Lien on substantially all of its property in favor of the Collateral Agent (including, without limitation, the consent of Southern California Edison) pursuant to the terms of the Security Agreement and to execute a Guarantee in accordance with Article IX of this Indenture by execution of a Supplemental Indenture in the form of Exhibit G hereto. The Issuer shall not grant any Liens on the Capital Stock it holds of Ormesa except to the Collateral Agent and shall not permit Ormesa to incur any Indebtedness or become subject to any Lien other than the Liens contemplated in this Section 4.38 and Liens under the Ormesa Credit Agreement.

Section 4.39 Limitation on Issuance and Sale of Capital Stock of Subsidiaries. The Issuer shall not permit any of its Subsidiaries to transfer, convey, sell or otherwise dispose of Capital Stock in any of its Subsidiaries to any Person, other than the Issuer or one of the Guarantors.

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Section 4.40 Maintenance of Qualifying Facility Status. The Issuer shall, and shall cause each of its Operating Subsidiaries to, operate and maintain each Plant as a Qualifying Facility.

Section 4.41 Payment of taxes and claims. The Issuer shall and shall cause each of its Subsidiaries to pay and discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, could reasonably be expected to give rise to a Lien upon any of its properties; and (c) except as prohibited under the Financing Documents, all of its other Indebtedness as it shall become due; provided, however, neither the Issuer nor its Subsidiaries shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings, as to which adequate reserves have been established in accordance with GAAP, unless the failure to make such payment (i) could reasonably be expected to give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could reasonably be expected to have a Material Adverse Effect.

Section 4.42 Repayment of Ormesa Credit Agreement. As consideration for the Lien and Guarantees to be provided by Ormesa pursuant to Section 4.38 hereof, a portion of the proceeds of the Initial Notes shall be

deposited in the Ormesa Repayment Account and the Issuer shall use its commercially reasonable efforts to cause the Ormesa Credit Agreement to be repaid in full with proceeds from the Ormesa Repayment Account or otherwise in accordance with the Depositary Agreement and cause all liabilities of Ormesa under the Ormesa Credit Agreement to be discharged on or prior to January 31, 2005.

Section 4.43 Provision of Additional Liens. The Issuer shall cause Liens to be provided in favor of the Collateral Agent and the relevant Guarantor shall become party to the Security Documents with respect to (i) the Mammoth Plant if, at any time, the Issuer or one of the Guarantors acquires that portion of the Capital Stock of Mammoth-Pacific that the Issuer or the Guarantors do not own as of the Closing Date, or the Issuer or one of the Guarantors otherwise acquires control of 100% of the interests in the Mammoth Plant and (ii) a Qualified Project upon an acquisition of a Qualified Project.

Section 4.44 Galena Re-powering. The Issuer shall, and shall cause its Subsidiaries to, use their commercially reasonable efforts to effect the Galena Re-Powering.

Section 4.45 Title Policies. The Issuer shall use its commercially reasonable efforts to remove any survey exceptions with respect to Title Policies.

Section 4.46 Preservation of Liens. The Issuer shall take all actions and shall cause its Subsidiaries to take all actions necessary to preserve the validity, perfection and priority of the Liens and security interests in the Collateral created pursuant to the Security Documents.

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Section 4.47 Title Reports. In connection with all real estate over which the Collateral Agent holds a Deed of Trust, the Issuer shall provide to the Collateral Agent a title report and title policy, including endorsements, or title opinion in form and substance satisfactory to the Collateral Agent, and evidence that the Deed of Trust has been filed for recording; provided, that, subject to Section 4.45 hereof, such title policies may contain a survey exception.

ARTICLE V

DEFAULTS AND REMEDIES

Section 5.01 Events of Default. The following events constitute an "Event of Default" under this Indenture:

(a) the failure to pay or cause to be paid any principal of, interest, premium, Liquidated Damages, if any, fees or any other obligations on the Senior Secured Notes for five or more days after the same becomes due and payable, whether by scheduled maturity or required prepayment or by acceleration or otherwise;

(b) any representation or warranty made by the Issuer, any Subsidiary or Ormat Nevada under any Financing Document shall prove to have been untrue or misleading as of the time made, confirmed or furnished and the fact, event or circumstance that gave rise to such inaccuracy has had or could reasonably be expected to result in a Material Adverse Effect and such fact, event or circumstance shall continue to be uncured for 30 or more days from the date a Responsible Officer of the Issuer, such Subsidiary or Ormat Nevada, as the case may be, obtains knowledge thereof; provided, that if the Issuer, such Subsidiary or Ormat Nevada, as the case may be, commences efforts to cure such fact, event or circumstance within such 30-day period, the Issuer, such Subsidiary or Ormat Nevada, as the case may be, may continue to effect such cure

and such misrepresentation will not be deemed an Event of Default for an additional 90 days so long as the Issuer, such Subsidiary or Ormat Nevada, as the case may be, is diligently pursuing such cure;

(c) the failure by the Issuer or any Subsidiary to perform or observe any covenant contained in Sections 4.06, 4.07, 4.09, 4.10, 4.11, 4.15, 4.16, 4.18, 4.19, 4.20, 4.23, 4.27 and 4.46 and such failure shall continue uncured for 30 or more days after a Responsible Officer of the Issuer obtains knowledge thereof;

(d) the failure by the Issuer, any Subsidiary or Ormat Nevada to perform or observe any of the other covenants in the Financing Documents that the Issuer, such Subsidiary or Ormat Nevada is a party to (other than such failures described in clause (a) or (c) above) and such failure shall continue uncured for 30 or more days after a Responsible Officer of the Issuer, any Subsidiary or Ormat Nevada, as the case may be, obtains knowledge thereof; provided that if the Issuer, any Subsidiary or Ormat Nevada, as the case may be, commence efforts to cure such default within such 30-day period, the Issuer, any Subsidiary or Ormat Nevada, as the case may

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be, may continue to effect such cure of the default and such default will not be deemed an Event of Default for an additional 90 days so long as the Issuer, any Subsidiary or Ormat Nevada, as the case may be, is diligently pursuing such cure;

(e) the Issuer or any Subsidiary of the Issuer:

- (i) admits in writing its inability, or is generally unable, to pay its debts as the debts become due or makes a general assignment for the benefit of creditors; or
- (ii) commences any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any applicable liquidation, conservatorship, bankruptcy, moratorium, arrangement, adjustment, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time (collectively, "Debtor Relief Law"); or
- (iii) in any involuntary case, proceeding or other action commenced against it which seeks to have an order for relief (injunctive or otherwise) entered against it, as debtor, or seeks reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any Debtor Relief Law, (A) fails to obtain a dismissal of such case, proceeding or other action within ninety (90) days of its commencement, or (B) converts the case from one chapter of the Bankruptcy Reform Act of 1978, as amended, to another chapter, or (C) is the subject of an order for relief that remains unstayed and in effect for a period of ninety (90) days; or
- (iv) has a trustee, receiver, custodian or other official appointed for or to take possession of all or any part of its property or has any court take

jurisdiction of any of its property, which action remains undismissed for a period of ninety (90) days;

(f) the entry of one or more final and non-appealable judgment or judgments for the payment of money in excess of \$10.0 million (exclusive of judgment amounts covered by insurance) against the Issuer or any Subsidiary, which remain unpaid or unstayed for a period of 60 or more consecutive days;

(g) an event of default under any Permitted Indebtedness (other than Indebtedness referred to in clause (a) above) that results in Indebtedness in excess of \$10.0 million becoming due and payable prior to its stated maturity;

(h) any Governmental Approval required for the operation of any Project or any material portion thereof owned by the Issuer or any Subsidiary is revoked, terminated,

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withdrawn or ceases to be in full force and effect if such revocation, termination, withdrawal or cessation has had or could reasonably be expected to have a Material Adverse Effect and such revocation, termination, withdrawal or cessation is not cured within 60 days following the occurrence thereof;

(i) any Material Project Document or Third Party Consent or any material provision thereof (i) ceases to be valid and binding and in full force and effect prior to its stated maturity date other than as a result of an amendment or termination permitted under this Indenture or (ii) a party thereto fails to perform or observe any of its covenants or obligations thereunder or makes any material misrepresentation thereunder and such event has had or could reasonably be expected to have a Material Adverse Effect; provided that, in any such event no such event shall be an Event of Default if within 180 days from the occurrence of any such event, (a) such Material Project Document or Third Party Consent or material provision thereof is reinstated as a valid and binding agreement among the parties thereto, (b) any breaching party resumes performance and otherwise cures such misrepresentation or failure to perform or observe its covenants or obligations under the Material Project Documents or Third Party Consents or (c) in the case of Material Project Documents, the Issuer enters into an Additional Project Document in replacement thereof, as permitted under this Indenture;

(j) any of the Security Documents or any other Financing Document ceases to be in full force and effect or any Lien granted therein ceases to be a valid and perfected Lien in favor of the Secured Parties on the Collateral described therein with the priority purported to be created thereby; provided, however, that the Issuer shall have 10 days after any of the Issuer or its Subsidiaries' Responsible Officers obtains knowledge thereof to cure any such cessation or to furnish to the Trustee, the Collateral Agent or the Depositary all documents or instruments required to cure any such cessation;

(k) the occurrence of a Change of Control; or

(l) the failure of Ormesa to prepay all of the amounts outstanding under the Ormesa Credit Agreement on or prior to January 31, 2005 or the failure of the Issuer to cause Ormesa to comply with its obligations under Sections 4.20 and 4.38 of this Indenture.

Section 5.02 Enforcement of Remedies

(a) If one or more Events of Default have occurred and are continuing, then:

(i) in the case of an Event of Default described in clause (e) above with respect to the Issuer, the entire outstanding principal amount of the Senior Secured Notes, all interest and Liquidated Damages, if any, accrued and unpaid thereon, and all premium, if any, and other amounts payable under this Indenture, if any, shall automatically become due and payable without presentment, demand, protest or notice of any kind; or

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(ii) in the case of an Event of Default described in:

- (A) clause (a) above, upon the written direction of the Holders of no less than 25% in aggregate principal amount of the Outstanding Senior Secured Notes, the Trustee shall declare the outstanding principal amount of the Senior Secured Notes to be accelerated and due and payable and all interest and Liquidated Damages, if any, accrued and unpaid thereon, and all premium, if any, and other amounts payable under this Indenture, if any, to be due and payable; or
- (B) clause (b), (c), (d), (e) (with respect to our Subsidiaries), (f), (g), (h), (i), (j), (k) or (l) above, upon the written direction of the Required Holders, the Trustee shall declare the outstanding principal amount of the Senior Secured Notes to be accelerated and due and payable and all interest and Liquidated Damages, if any, accrued and unpaid thereon, and all premium, if any, and other amounts payable under this Indenture, if any, to be due and payable.

(b) At any time after the principal of the Senior Secured Notes has become due and payable upon a declared acceleration, and before any judgment or decree for the payment of the money so due, or any portion thereof, has been entered, the Required Holders, by written notice to the Issuer and the Trustee, shall rescind and annul such declaration and its consequences if:

(i) there has been paid to or deposited with the Trustee a sum sufficient to pay

- (A) all overdue interest and Liquidated Damages, if any, on the Senior Secured Notes,
- (B) the principal of and premium, if any, on any Senior Secured Notes that have become due (including overdue principal) other than by such declaration of acceleration and interest thereon at the respective rates provided in the Senior Secured Notes for overdue principal;
- (C) to the extent that payment of such interest is lawful, interest upon overdue interest and Liquidated Damages, if any, at the respective rates provided in the Senior Secured Notes for overdue interest; and

- (D) all sums paid or advanced by the Trustee and the Collateral Agent and the reasonable compensation, expenses, disbursements, and

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advances of the Trustee, the Depositary, the Collateral Agent and their respective agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Senior Secured Notes that has become due solely by such acceleration, have been cured or waived in accordance with this Indenture.

(c) If an Event of Default has occurred and is continuing and an acceleration has occurred, the Trustee may (as the Required Holders request) direct the Collateral Agent to take possession of any or all of the Collateral or to exercise any or all other rights of the Secured Parties under the Security Documents.

If an Event of Default occurs and is continuing and is actually known to a Responsible Officer of the Trustee, the Trustee will mail to each Holder notice of the Event of Default within 30 days after the occurrence thereof. Except in the case of an Event of Default in payment of principal of, interest, premium or Liquidated Damages, if any, on any Senior Secured Note, the Trustee may withhold the notice to the Holders if the Trustee in good faith determines that withholding the notice is in the interest of the Holders.

If an Event of Default relating to failure to pay amounts owed on the Senior Secured Notes has occurred and is continuing, the Trustee may declare the principal amount of the Outstanding Senior Secured Notes, all interest accrued and unpaid thereon, and all premium and Liquidated Damages, if any, and other amounts payable under the Senior Secured Notes and this Indenture, if any, to be due and payable notwithstanding the absence of written direction from Holders of at least 25% in aggregate principal amount of the Outstanding Senior Secured Notes directing the Trustee in writing to accelerate the principal maturity of the Senior Secured Notes, unless the Required Holders direct the Trustee not to accelerate the maturity of such Senior Secured Notes, if in the good faith exercise of its discretion the Trustee determines that such action is necessary to protect the interests of the Holders.

In addition, if one or more of the Events of Default referred to in clause (a)(ii)(B) of this Section 5.02 has occurred and is continuing, the Trustee may declare the entire principal amount of the Outstanding Senior Secured Notes, all interest accrued and unpaid thereon, and all premium and Liquidated Damages, if any, and other amounts payable under the Senior Secured Notes and this Indenture, if any, to be due and payable notwithstanding the absence of written direction from the Required Holders directing the Trustee to accelerate the maturity of the Senior Secured Notes, unless the Required Holders direct the Trustee not to accelerate the maturity of the Senior Secured Notes, if in the good faith exercise of its discretion the Trustee determines that such action is necessary to protect the interests of the Holders.

Section 5.03 Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, interest, premium, and Liquidated Damages, if any, on the Senior Secured Notes or to enforce the performance of any provision of the Senior Secured Notes or this Indenture.

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The Trustee may maintain a proceeding even if it does not possess any of the Senior Secured Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Senior Secured Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 5.04 Waiver of Past Defaults. Required Holders by notice to the Trustee may on behalf of the Holders of all of the Senior Secured Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, Liquidated Damages if any, or interest on, the Senior Secured Notes; provided, however, that the Required Holders may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 5.05 Control by Majority. The Required Holders have the right to direct the time, place and method of conducting any proceeding for any right or remedy available to the Trustee or exercising any trust or power conferred on the Trustee in this Indenture.

Section 5.06 Limitation on Suits. A Holder of a Senior Secured Note may pursue a remedy with respect to this Indenture or the Senior Secured Notes only if:

- (a) the Holder of a Senior Secured Note gives to the Trustee written notice of a continuing Event of Default;
- (b) the Holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes make a written request to the Trustee to pursue the remedy;
- (c) such Holder of a Senior Secured Note or Holders of Senior Secured Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;
- (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and
- (e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Senior Secured Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Senior Secured Note may not use this Indenture to prejudice the rights of another Holder of a Senior Secured Note or to obtain a preference or priority over another Holder of a Senior Secured Note.

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Section 5.07 Rights of Holders of Senior Secured Notes to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder of a Senior Secured Note to receive payment of principal, premium, Liquidated Damages if any, and interest on the Senior Secured Notes, on or after the respective due dates expressed in the Senior Secured Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 5.08 Collection Suit by Trustee. If an Event of Default specified in Section 5.01(a) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuer for the whole amount of principal of, premium, Liquidated Damages if any, and interest remaining unpaid on the Senior Secured Notes and interest on overdue principal and, to the extent lawful, interest, Liquidated Damages and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 5.09 Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Senior Secured Notes allowed in any judicial proceedings relative to the Issuer (or any other obligor upon the Senior Secured Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Senior Secured Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.10 Priorities. If the Trustee collects any money pursuant to this Article, it shall be applied to amounts owed with respect to all Senior Secured Notes and will be applied ratably to the Holders of Senior Secured Notes in the following order from time to time (to the extent such order does not conflict with Section 5 of the Collateral Agency Agreement),

on the date or dates fixed by the Trustee: (i) first, to the payment of all amounts due to the Trustee or any predecessor Trustee under this Indenture; (ii) second; (A) in case the unpaid principal amount of the Outstanding Senior Secured Notes has not become due, to the payment of any overdue interest, (B) in case the unpaid principal amount of a portion of the Outstanding Senior Secured Notes has become due, first to the payment of accrued interest and Liquidated Damages, if any, on all Outstanding Senior Secured Notes for overdue principal, premium, Liquidated Damages if any, and overdue interest, and next to the payment of the overdue principal on all Senior Secured Notes or (C) in case the unpaid principal amount of all the Outstanding Senior Secured Notes has become due, first to the payment of the whole amount then due and unpaid upon the Outstanding Senior Secured Notes for principal, premium, Liquidated Damages if any, and interest, together with interest for overdue principal, premium, Liquidated Damages if any, and overdue interest; and (iii) third, in case the

unpaid principal amount of all the Outstanding Senior Secured Notes has become due, and all of the outstanding principal, premium, Liquidated Damages if any, interest and other amounts owed in connection with the Senior Secured Notes have been fully paid, any surplus then remaining will be paid to the Issuer, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders of Senior Secured Notes pursuant to this Section 5.10.

Section 5.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Senior Secured Note pursuant to Section 5.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Senior Secured Notes.

ARTICLE VI

TRUSTEE

Section 6.01 Duties of Trustee.

(a) If an Event of Default actually known to a Responsible Trust Officer has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own grossly negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Trust Officer, unless it is proved

that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 6.02 Rights of Trustee.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

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(b) Before the Trustee acts or refrains from acting, it may require and shall be entitled to an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the advice, promptly confirmed in writing thereafter, of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys, custodians, nominees and agents and shall not be responsible for the misconduct or negligence of any agent, attorney, custodian or nominee appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) In no event shall the Trustee be required to take notice of any default or breach hereof or any Event of Default hereunder, except for

Events of Default specified in Section 5.01(a) hereof, unless and until the Trustee shall have received from a Holder or from the Issuer express written notice of the circumstances constituting the breach, default or Event of Default and stating that said circumstances constitute an Event of Default hereunder.

(h) If the Trustee is acting as Paying Agent, Registrar, Collateral Agent, Depositary Agent or Securities Intermediary hereunder, the rights and protections afforded to the Trustee pursuant to this Article VI (other than the Trustee's right to require, and entitlement to, an Opinion of Counsel pursuant to Section 6.02(b) hereof) will also be afforded to such Paying Agent, Registrar, Collateral Agent, Depositary Agent and Securities Intermediary.

Section 6.03 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Senior Secured Notes and may otherwise deal with the Issuer or any Affiliate of the Issuer with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 6.10 and 6.11 hereof.

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Section 6.04 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Senior Secured Notes, it shall not be accountable for the Issuer's use of the proceeds from the Senior Secured Notes or any money paid to the Issuer or upon the Issuer's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Security Documents, the Senior Secured Notes or any other document in connection with the sale of the Senior Secured Notes or pursuant to this Indenture other than its certificate of authentication.

The Trustee makes no representations as to and shall not be responsible for the existence, genuineness, value, sufficiency or condition of any of the Collateral or as to the security afforded or intended to be afforded thereby, hereby or by any Security Document, or for the validity, perfection, priority or enforceability of the Liens or security interests in any of the Collateral created or intended to be created by any of the Security Documents, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Trustee, for the validity of the title of the Issuer to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

References to the Trustee in this Section 6.04 shall include the Trustee in its role as a Collateral Agent.

Section 6.05 Notice of Defaults. If a Default or Event of Default occurs and is continuing and if it is actually known to a Responsible Trust Officer, or if appropriate notice is provided in writing in accordance with Section 6.02(g), as applicable, the Trustee shall mail to Holders of Senior Secured Notes a notice of the Default or Event of Default within 30 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, Liquidated Damages, if any, or interest on any Senior Secured Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Trust Officers in good faith determines that withholding the notice is in the interests of the Holders of the Senior Secured Notes.

Section 6.06 Reports by Trustee to Holders of the Senior Secured Notes.

(a) Within 60 days after each May 15 beginning with the May 15 following the date hereof, and for so long as any Senior Secured Notes remain outstanding, the Trustee shall mail to the Holders of the Senior Secured Notes a brief report dated as of such reporting date that complies with TIA (section) 313(a) (but if no event described in TIA (section) 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA (section) 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA (section) 313(c).

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(b) A copy of each report at the time of its mailing to the Holders of Senior Secured Notes shall be mailed to the Issuer and filed with the SEC and each stock exchange on which the Senior Secured Notes are listed in accordance with TIA (section) 313(d). The Issuer shall promptly notify the Trustee in writing when the Senior Secured Notes are listed on any stock exchange.

Section 6.07 Compensation and Indemnity.

(a) The Issuer shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as is now or hereafter agreed to in writing by the Issuer and the Trustee. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all reasonable and properly documented disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable and properly documented fees, disbursements and expenses of the Trustee's agents and counsel.

(b) The Issuer shall indemnify the Trustee against any and all losses, liabilities, damages or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture and the other Financing Documents, including the costs and expenses of enforcing this Indenture against the Issuer (including this Section 6.07) and defending itself against any claim (whether asserted by the Issuer or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder or in connection with the storage, use, presence, disposal or release of any Hazardous Substance on, under or about any properties encumbered by the Deeds of Trust, except to the extent any such loss, liability or expense may be attributable to its gross negligence or bad faith. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer shall not relieve the Issuer of its obligations hereunder. The Issuer shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel (reasonably acceptable to the Issuer) and the Issuer shall pay the reasonable fees and expenses of such counsel. The Issuer need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

(c) The obligations of the Issuer under this Section 6.07 shall survive the satisfaction and discharge of this Indenture.

(d) To secure the Issuer's payment obligations in this Section, the Trustee shall have a Lien prior to the Senior Secured Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, interest, premium and Liquidated Damages, if any, on particular Senior Secured Notes.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(e) hereof occurs, the expenses and the compensation for the

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services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) The Trustee shall comply with the provisions of TIA (section) 313(b)(2) to the extent applicable.

(g) The provisions of this Section 6.07 shall extend to the Trustee acting in the capacities of Paying Agent and Registrar, Collateral Agent, Depositary Agent and Securities Intermediary under this Indenture and the other Financing Documents.

Section 6.08 Replacement of Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by giving thirty (30) days written notice to the Issuer. The Required Holders may remove the Trustee by so notifying the Trustee and the Issuer in writing. The Issuer may remove the Trustee if:

(i) the Trustee fails to meet the eligibility criteria set forth in this Indenture;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any bankruptcy law;

(iii) no Default or Event of Default on our part has occurred and is continuing and the Trustee has failed to observe or perform any of its material obligations under the Financing Documents;

(iv) a custodian or public officer takes charge of the Trustee or its property; or

(v) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Senior Secured Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

(d) The Issuer shall give notice of each resignation and removal of the Trustee and each appointment of a successor to all Holders.

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(e) If a successor Trustee does not take office within 60 days

after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer, or the Holders of Senior Secured Notes of at least 10% in principal amount of the then outstanding Senior Secured Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) If the Trustee, after written request by any Holder of a Senior Secured Note who has been a Holder of a Senior Secured Note for at least six months, fails to comply with Section 6.10, such Holder of a Senior Secured Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(g) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Senior Secured Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 6.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Trustee.

(h) If a Trustee is removed with or without cause, all fees and expenses (including the reasonable fees and expenses of counsel) of the Trustee incurred in the administration of the trust or in performing of the duties hereunder shall be paid to the Trustee.

Section 6.09 Successor Trustee by Merger, etc. If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 6.10 Eligibility; Disqualification. There will at all times be a Trustee under this Indenture, which shall be a corporation having either (a) a combined capital and surplus of at least \$50.0 million, or (b) a combined capital and surplus of at least \$10.0 million and being a Wholly-Owned Subsidiary of a corporation having a combined capital and surplus of at least \$50.0 million, in each case subject to supervision or examination by a federal or state or District of Columbia authority and having a corporate trust office in New York, New York, to the extent there is such an institution eligible and willing to serve.

This Indenture shall always have a Trustee who satisfies the requirements of TIA (section) 310(a)(1), (2) and (5). The Trustee is subject to TIA (section) 310(b).

Section 6.11 Preferential Collection of Claims Against the Issuer. The Trustee is subject to TIA (section) 311(a), excluding any creditor relationship listed in TIA (section) 311(b). A Trustee who has resigned or been removed shall be subject to TIA (section) 311(a) to the extent indicated therein.

Section 6.12 Receipt of Documents. In no event shall receipt by the Trustee of financial and other reports from the Issuer as provided in this Indenture, review of which could lead to the conclusion that an Event of Default exists hereunder, result, without further action, in the occurrence of an Event of Default, or impose upon the Trustee the obligation to review and examine the same, it being understood that all such information shall be

received by the Trustee as repository for said information and documents with no obligation on the part of the Trustee to review the same.

ARTICLE VII

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 7.01 Option to Effect Legal Defeasance or Covenant Defeasance. The Issuer may, at its option evidenced by a resolution set forth in an Officers' Certificate, at any time, elect to have either Section 7.02 or 7.03 hereof be applied to all outstanding Senior Secured Notes and all obligations of the Guarantors with respect to their Guarantees upon compliance with the conditions set forth below in this Article VII.

Section 7.02 Legal Defeasance and Discharge. Upon the Issuer's exercise under Section 7.01 hereof of the option applicable to this Section 7.02, the Issuer shall, subject to the satisfaction of the conditions set forth in Section 7.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Senior Secured Notes and the Guarantors shall be deemed to be discharged from all of their obligations with respect to their Guarantees and the Collateral Agent shall release all of its liens on the Collateral other than pursuant to Section 7.04(a) hereof, on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Senior Secured Notes and the Guarantees, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 7.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Senior Secured Notes, the Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Senior Secured Notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on such Senior Secured Notes when such payments are due from the trust referred to below, (b) the Issuer's obligations with respect to the Senior Secured Notes concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, replacing mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust, (c) the rights, powers, trusts, duties and immunities of the trustee, and our and the Guarantors' obligations in connection therewith, and (d) this Article VII. Subject to compliance with this Article VII, the Issuer may exercise its option under this Section 7.02 notwithstanding the prior exercise of its option under Section 7.03 hereof.

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Section 7.03 Covenant Defeasance. Upon the Issuer's exercise under Section 7.01 hereof of the option applicable to this Section 7.03, the Issuer shall and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 7.04 hereof, be released from their obligations under any of the covenants contained in this Indenture other than under Sections 4.01, 4.02, 4.03, 4.05 and clauses (i) and (ii) of Section 4.23 hereof with respect to the outstanding Senior Secured Notes and may terminate the Liens of the Security Documents on the Collateral to the extent that such Liens run to the benefit of the Trustee, the Holders or other agents under any of the Security Documents on and after the date the conditions set forth in Section 7.04 are satisfied (hereinafter, "Covenant Defeasance"), and the Senior Secured Notes and all obligations of the Guarantors with respect to the Guarantees shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed

"outstanding" for all other purposes hereunder (it being understood that such Senior Secured Notes and all obligations of the Guarantors with respect to the Guarantees shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Senior Secured Notes, the Issuer and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01 hereof, but, except as specified above, the remainder of this Indenture and such Senior Secured Notes shall be unaffected thereby. In addition, upon the Issuer's exercise under Section 7.01 hereof of the option applicable to this Section 7.03 hereof, subject to the satisfaction of the conditions set forth in Section 7.04 hereof, Sections 5.01(b) through 5.01(d) and Sections 5.01(g) through 5.01(l) hereof shall not constitute Events of Default.

Section 7.04 Conditions to Legal or Covenant Defeasance. The following shall be the conditions to the application of either Section 7.02 or 7.03 hereof to the outstanding Senior Secured Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as shall be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on the outstanding Senior Secured Notes on the stated date for payment thereof or on the applicable Redemption Date, as the case may be, and the Issuer must specify whether the Senior Secured Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of an election under Section 7.02 hereof, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the

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Internal Revenue Service a ruling or (B) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 7.03 hereof, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be

continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Senior Secured Notes pursuant to this Article 7 concurrently with such incurrence);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer is a party or by which the Issuer is bound;

(f) the Issuer shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer; and

(g) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 7.05 Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions. Subject to Section 7.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 7.05, the "Trustee") pursuant to Section 7.04 hereof in respect of the outstanding Senior Secured Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Senior Secured Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Senior Secured Notes of all sums due and to become due thereon in respect of principal, premium, Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

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The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 7.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Senior Secured Notes.

Anything in this Article VII to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuer from time to time upon the request of the Issuer any money or non-callable Government Securities held by it as provided in Section 7.04 hereof which, in the opinion of a nationally recognized investment bank or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 7.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 7.06 Repayment to Issuer. Any money deposited with the Trustee or any Paying Agent, or then held by the Issuer, in trust for the payment of the principal of, premium, Liquidated Damages, if any, or interest on any Senior Secured Note and remaining unclaimed for two years after such principal, and premium, Liquidated Damages, if any, or interest has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Senior Secured Note shall thereafter, as a secured creditor, look only to the Issuer for payment thereof, and all liability of the Trustee or such Paying Agent with

respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining shall be repaid to the Issuer.

Section 7.07 Reinstatement. If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 7.02 or 7.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Senior Secured Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.02 or 7.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 7.02 or 7.03 hereof, as the case may be; provided, however, that, if the Issuer makes any payment of principal of, premium, Liquidated Damages, if any, or interest on any Senior Secured Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Senior Secured Notes to receive such payment from the money held by the Trustee or Paying Agent.

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ARTICLE VIII

AMENDMENT, SUPPLEMENT AND WAIVER

Section 8.01 Without Consent of Holders of Senior Secured Notes. Notwithstanding Section 8.02 of this Indenture, the Issuer and the Trustee may amend or supplement this Indenture and any of the other Financing Documents without the consent of any Holder of a Senior Secured Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to add additional covenants of the Issuer or its Subsidiaries, to surrender rights conferred upon the Issuer or its Subsidiaries, or to confer additional benefits upon the Holders;

(c) to increase the assets securing the Issuer's obligations under this Indenture;

(d) to allow any Subsidiary to execute a Supplemental Indenture and/or Guarantee with respect to the Senior Secured Notes;

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act;

(f) to make any change not inconsistent with the terms of this Indenture that does not adversely affect the legal rights thereunder of any Holder of the Senior Secured Notes; or

(g) to establish the form and terms of Senior Secured Notes of any series permitted by Sections 2.01 and 2.03.

Upon the request of the Issuer accompanied by a resolution of the Issuer's Board of Directors authorizing the execution of any such amended or supplemental Indenture or amendments to the other Financing Documents, and upon receipt by the Trustee of the documents described in Section 6.02 hereof, the Trustee and the Collateral Agent shall join with the Issuer in the execution of any amended or supplemental Indenture and any amendment to any of the other

Financing Documents authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee and the Collateral Agent shall not be obligated to enter into such amended or supplemental Indenture or amendments to the Financing Documents that affects its own rights, duties, immunities, or indemnities under this Indenture or otherwise.

Section 8.02 With Consent of Holders of Senior Secured Notes. Except as provided below in this Section 8.02, the Issuer and the Trustee may amend or supplement this Indenture (including Section 4.23 hereof) and the other Financing Documents with the consent of the Required Holders voting as a single class (including consents obtained in connection with a

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tender offer or exchange offer for, or purchase of, the Senior Secured Notes), and, subject to Sections 5.04 and 5.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, Liquidated Damages, if any, or interest on the Senior Secured Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the other Financing Documents may be waived with the consent of the Required Holders voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Senior Secured Notes); provided, however, that if there shall be Senior Secured Notes of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of one or more, but less than all, of such series, then the consent only of the Holders of not less than a majority in aggregate principal amount of the Outstanding Senior Secured Notes of all series so directly affected, considered as one class, shall be required. Section 2.08 hereof shall determine which Senior Secured Notes are considered to be "outstanding" for purposes of this Section 8.02.

Upon the request of the Issuer accompanied by a resolution of the Issuer's Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Senior Secured Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 6.02 hereof, the Trustee shall join with the Issuer in the execution of such amended or supplemental Indenture and amendments to the other Financing Documents unless such amended or supplemental Indenture or amendments to the Financing Documents directly affects the Trustee's own rights, duties, immunities or indemnities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture or such amendments.

It shall not be necessary for the consent of the Holders of Senior Secured Notes under this Section 8.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Issuer shall mail to the Holders of Senior Secured Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver or amendments to the Financing Documents. Subject to Sections 5.04 and 5.07 hereof, the Required Holders may waive compliance in a particular instance by the Issuer with any provision of this Indenture or the Senior Secured Notes. However, without the consent of all Holders of Outstanding Senior Secured Notes directly affected thereby, an

amendment or waiver under this Section 8.02 may not (with respect to any such Senior Secured Notes held by a non-consenting Holder):

(a) modify the principal, interest, premium or Liquidated Damages, if any, payable upon the Senior Secured Notes;

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(b) modify the dates on which principal, interest, premium and Liquidated Damages, if any, on any Senior Secured Notes are paid;

(c) release any Guarantor from its obligations under a Guarantee;

(d) modify the dates of maturity of any Senior Secured Notes; and

(e) make any change in the preceding procedures for amendment, supplement or waiver.

This Indenture and the other Security Documents may be amended or supplemented to provide for the release of Collateral, by the Issuer and the Trustee, with the consent of Holders of not less than 66% of the Outstanding Senior Secured Notes.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Senior Secured Notes, or which modifies the rights of the Holders of Senior Secured Notes of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Senior Secured Notes of any other series.

Upon the request of the Issuer accompanied by a resolution of the issuer's Board of Directors authorizing the execution of any such amended or supplemental Indenture or amendments to the other Financing Documents, and upon receipt by the Trustee of the documents described in Section 6.02 hereof, the Trustee and the Collateral Agent shall join with the Issuer in the execution of any amended or supplemental Indenture and any amendment to any of the other Financing Documents authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee and the Collateral Agent shall not be obligated to enter into such amended or supplemental Indenture or amendments to the Financing Documents that affects its own rights, duties, immunities, or indemnities under this Indenture or otherwise.

It shall not be necessary for any act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Section 8.03 Revocation and Effect of Consents. Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Senior Secured Note is a continuing consent by the Holder of a Senior Secured Note and every subsequent Holder of a Senior Secured Note or portion of a Senior Secured Note that evidences the same debt as the consenting Holder's Senior Secured Note, even if notation of the consent is not made on any Senior Secured Note. However, any such Holder of a Senior Secured Note or subsequent Holder of a Senior Secured Note may revoke the consent as to its Senior Secured Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment

becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 8.04 Notation on or Exchange of Senior Secured Notes. The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Senior Secured Note thereafter authenticated. The Issuer in exchange for all Senior Secured Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Senior Secured Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Senior Secured Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 8.05 Trustee to Sign Amendments, etc. The Trustee and the Collateral Agent shall sign any amended or Supplemental Indenture and amendments to the other Financing Documents authorized pursuant to this Article VIII if the amendment or supplement does not adversely affect the rights, duties, liabilities, immunities or indemnities of the Trustee or the Collateral Agent. The Issuer may not sign an amendment or Supplemental Indenture until its shareholders approve it. In executing any amended or Supplemental Indenture or amendments to the other Financing Documents, the Trustee and the Collateral Agent shall be entitled to receive and (subject to Section 6.01 hereof) shall be fully protected in relying upon, in addition to the documents required by Section 10.04 hereof, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture or amendment to the other Financing Documents is authorized or permitted by this Indenture.

Section 8.06 Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by any Series Supplemental Indenture or other supplemental indenture permitted by this Article VIII or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Sections 6.01 and 6.02) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture.

Section 8.07 Effect of Supplemental Indentures. Upon the execution of any Supplemental Indenture under this Article VIII, this Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of this Indenture for all purposes; and every Holder of Senior Secured Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 8.08 Conformity with Trust Indenture Act. Every Supplemental Indenture executed pursuant to this Article VIII shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 8.09 Reference in Senior Secured Notes to Supplemental Indentures. Senior Secured Notes authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article VIII may, and shall if required by the Issuer, bear a notation in

form approved by the Issuer as to any matter provided for in such Supplemental

Indenture; and, in such case, suitable notation may be made upon Outstanding Senior Secured Notes after proper presentation and demand. If the Issuer shall so determine, new Senior Secured Notes so modified as to conform, in the opinion of the Issuer and the Trustee, to any such Supplemental Indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Senior Secured Notes.

ARTICLE IX

GUARANTEE

Section 9.01 Agreement to Guarantee.

(a) Each of the Guarantors, hereby jointly and severally with all other Guarantors, unconditionally guarantees to each Holder of a Senior Secured Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, regardless of the validity and enforceability of this Indenture, the Senior Secured Notes or the other Senior Secured Obligations of the Issuer under this Indenture or the Senior Secured Notes, that:

(i) the principal of, premium, interest and Liquidated Damages, if any, on the Senior Secured Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium and Liquidated Damages, if any, and interest on the Senior Secured Notes, to the extent lawful, and all other Senior Secured Obligations of the Issuer to the Holders or the Trustee under this Indenture or the Senior Secured Notes will be promptly paid in full, all in accordance with the terms hereof or thereof; and

(ii) in case of any extension of time for payment or renewal of any Senior Secured Note or any of such other Senior Secured Obligations, that the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

(b) Notwithstanding the foregoing, in the event that this Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction, the liability of the Guarantors under this Indenture will be reduced to the maximum amount permissible under such fraudulent conveyance or similar law.

(c) Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay, perform or cause the performance of the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

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Section 9.02 Execution and Delivery of Guarantee.

(a) To evidence its Guarantee set forth in this Indenture, each Guarantor hereby agrees that a notation of such Guarantee substantially in the form attached as Exhibit F to this Indenture will be endorsed by an Authorized Officer of such Guarantor on each Senior Secured Note authenticated and delivered by the Trustee on or after the date hereof.

(b) Notwithstanding the foregoing, each Guarantor hereby agrees that its Guarantee set forth herein will remain in full force and effect notwithstanding any failure to endorse on each Senior Secured Note a notation of such Guarantee.

(c) If an Authorized Officer whose signature is on this Indenture or on a Guarantee no longer holds that office at the time the Trustee authenticates the Senior Secured Note on which a Guarantee is endorsed, the Guarantee will be valid nevertheless.

(d) The delivery of any Senior Secured Note by the Trustee, after the authentication thereof under this Indenture, will constitute due delivery of the Guarantee set forth in this Indenture on behalf of each Guarantor.

(e) Each Guarantor hereby agrees that its Senior Secured Obligations hereunder will be unconditional, regardless of the validity, regularity or enforceability of the Senior Secured Note or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Senior Secured Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(f) Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenants that its Guarantee made pursuant to this Indenture will not be discharged except by complete performance of the Senior Secured Obligations contained in the Senior Secured Notes and this Indenture.

(g) If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, Trustee, liquidator or other similar official acting in relation to either the Issuer or such Guarantor, any amount paid by either to the Trustee or such Holder, the Guarantee made pursuant to this Indenture, to the extent theretofore discharged, will be reinstated in full force and effect.

(h) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any Senior Secured Notes guaranteed hereby until payment in full of all Senior Secured Notes guaranteed hereby. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders and the Trustee, on the other hand:

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(i) the maturity of the Senior Secured Notes guaranteed hereby may be accelerated as provided in Article V hereof for the purposes of the Guarantee made pursuant to this Indenture, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Senior Secured Notes guaranteed hereby; and

(ii) in the event of any declaration of acceleration of such Senior Secured Notes as provided in Article V hereof, such Senior Secured Notes (whether or not due and payable) will forthwith become due and payable by such Guarantor for the purpose of the Guarantee made pursuant to this Indenture.

(i) Each Guarantor will have the right to seek contribution from any other non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders or the Trustee under the Guarantee made pursuant to this Indenture.

Section 9.03 Guarantors May Consolidate, etc. on Certain Terms.

(a) Except as set forth in Article IV, and notwithstanding Section 9.03(b) hereof, nothing contained in this Indenture or in the Senior Secured Notes will prevent any consolidation or merger of any Guarantor with or into the Issuer or any other Guarantor or will prevent any transfer, sale or conveyance of the property of any Guarantor as an entirety or substantially as an entirety to the Issuer or any other Guarantor.

(b) No Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Issuer or another Guarantor.

Section 9.04 Covenants of the Guarantors and Ormesa. Each Guarantor and Ormesa (to the extent compliance therewith would not violate the Ormesa Credit Agreement) agrees that to the extent the Issuer has agreed to cause a Subsidiary to take certain actions, or to prohibit, prevent, or otherwise limit the ability of a Subsidiary to take certain actions, that such agreement shall constitute a direct obligation of each Guarantor and Ormesa (to the extent compliance therewith would not violate the Ormesa Credit Agreement). Nothing in this Section 9.04 shall be construed to permit any Guarantor to incur Indebtedness permitted to be incurred by the Issuer pursuant to Section 4.18 hereof.

ARTICLE X

MISCELLANEOUS

Section 10.01 Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA (section) 318(c), the imposed duties shall control.

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Section 10.02 Notices. Any notice or communication by the Issuer or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuer or the Guarantors:

Ormat Funding Corp.
980 Greg Street
Sparks, Nevada 89431
Tel.: (775) 356-9029
Fax: (775) 356-9039
Attention: President

with a copy to:

Latham & Watkins LLP
701 "B" Street
Suite 2100
San Diego, CA 92101
Tel.: (619) 238-2869
Fax: (619) 696-7419
Attention: Andrew Singer, Esq.

If to the Trustee:

Union Bank of California, N.A.
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Tel.: (415) 296-6754
Fax: (415) 296-6757
Attention: Corporate Trust Department

The Issuer or the Trustee, by notice to the other, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

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Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA (section) 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuer mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 10.03 Communication by Holders of Senior Secured Notes with Other Holders of Senior Secured Notes. Holders may communicate pursuant to TIA (section) 312(b) with other Holders with respect to their rights under this Indenture or the Senior Secured Notes. The Issuer, the Trustee, the Registrar and anyone else shall have the protection of TIA (section) 312(c).

Section 10.04 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Issuer to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 10.05 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA (section) 314(a)(4)) shall comply with the provisions of TIA (section) 314(e) and shall include:

(a) a statement that the Person making such certificate or

opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

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(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 10.06 Rules by Trustee and Agents. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.07 No Personal Liability of Directors, Officers, Employees and Stockholders. No past, present or future director, officer, employee, organizer, manager or agent of the Issuer or any Affiliate of any such party (other than the Issuer), as such, shall have any liability for any obligations of the Issuer under the Senior Secured Notes, this Indenture, any Financing Document or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes.

Section 10.08 Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCT THIS INDENTURE, THE SENIOR SECURED NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 10.09 Submission to Jurisdiction. The Issuer and the Guarantors hereby submit to the nonexclusive jurisdiction of the New York State Courts and the federal courts sitting in the State of New York for the purposes of all legal proceedings arising out of or relating to this Indenture or the transactions contemplated hereby. The Issuer and Guarantors hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such court has been brought in an inconvenient forum.

Section 10.10 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER THIS INDENTURE BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

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Section 10.11 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or Indebtedness agreement of the Issuer or its Subsidiaries or of any other Person. Any such indenture, loan or Indebtedness agreement may not be used to interpret this Indenture.

Section 10.12 Successors. All agreements of the Issuer in this Indenture and the Senior Secured Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.13 Severability. In case any provision in this Indenture or in the Senior Secured Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.14 Counterpart Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 10.15 Table of Contents, Headings, etc. The Table of Contents, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

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SIGNATURES:

ORMAT FUNDING CORP.

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

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UNION BANK OF CALIFORNIA, N.A.
as Trustee

By: /s/ Sonia N. Flores

Name: Sonia N. Flores
Title: Vice President

ORMESA LLC,

By: ORMAT FUNDING CORP.,
a Delaware corporation
Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

GUARANTORS:

BRADY POWER PARTNERS
as a Guarantor

By: ORNI 1 LLC,
a Delaware limited liability company
Its: General Partner

By: ORMAT FUNDING CORP.,
a Delaware corporation
Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

STEAMBOAT GEOTHERMAL LLC,
as a Guarantor

By: ORNI 7 LLC,
a Delaware limited liability company
Its: General Partner

By: ORMAT FUNDING CORP.,
a Delaware corporation
Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

STEAMBOAT DEVELOPMENT CORPORATION
as a Guarantor

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

ORMAMMOTH INC.
as a Guarantor

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

ORNI 1 LLC
as a Guarantor

By: ORMAT FUNDING CORP.,
a Delaware corporation
Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

ORNI 2 LLC
as a Guarantor

By: ORMAT FUNDING CORP.,
a Delaware corporation

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Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

ORNI 7 LLC
as a Guarantor

By: ORMAT FUNDING CORP.,
a Delaware corporation
Its: Sole Member and Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

EXHIBIT 10.1.8

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is entered into as of October 1st 2003 by and between Ormat Technologies Inc. Delaware Corporation ("OTI" or "Borrower") and Ormat Industries Ltd., an Israeli Corporation, ("Ormat" or "Lender") in effect from January 1st, 2003.

RECITALS

- A. At Borrower's request, Ormat is willing to make a loan to Borrower.
- B. The parties desire or set forth their mutual understanding with respect to the loan.

The parties therefore agree as follows:

1. LOAN

- (a) Lender hereby agrees to make a loan to Borrower in one or more advances up to a total aggregate amount of up to \$150,000,000 USD (One Hundred & Fifty Million United States Dollars) (the "Loan"), pursuant to the terms and conditions set forth in this Agreement.
- (b) If Borrower elects to borrow any funds from Lender, then within 5 (five) business days of a written request from Borrower for an advance, Lender shall consider making such advance in accordance with the terms hereof. Lender shall note on Schedule A attached hereto the date and amount of each advance and the total of all unpaid advances shall be the outstanding balance of the Loan.

2. USE OF PROCEEDS

Borrower may use the proceeds of the Loan in connection with its general corporate activities and investments.

3. PAYMENT

- (a) Schedule B defines the repayment schedule by combining the advances made to an aggregate principle amount to be repaid on each due date ("Aggregate Amount") Borrower shall repay the Loan and accrued interest in accordance with Section 5 below in full in accordance with specific schedules agreed upon payment dates according to schedule B attached ("Minimum Repayment Dates") and in any event on or before June 5th, 2010.
- (b) Upon repayment of the Loan and accrued interest, amounts repaid shall be applied first against costs, damages and expenses due Lender, then against amounts due for accrued interest and, thereafter, against overdue principle and then against the first principle Loan amounts becoming due, after the date of the prepayment, in accordance with Schedule B. A partial repayment of an Aggregate Amount shall be

allocated in a pari passu manner between the Advances constituting that Aggregate Amount.

- (c) Borrower may at any time, upon prior written notice of 2 (two) business days, prepay the Loan and accrued interest in whole or in part.
- (d) All amounts payable hereunder shall be payable at the Lender's address listed below or other place of payment as directed by Lender.

4. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender as follows:

- (a) Borrower is a company duly organized and validly existing under the laws of Delaware and is in good standing under the laws of that nation. Borrower has all requisite power and authority to own and lease its property, to conduct its business as presently conducted and to enter into and perform its obligations under this Agreement.
- (b) This Agreement has been duly executed and delivered by Lender and constitutes valid and binding obligations of Borrower, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy laws or other similar laws affecting creditors' rights generally.
- (c) Borrower is not in violation or default of any provision of its organizational documents, of any indenture, agreement, instrument, judgment, order, writ, decree or contract to which it is a party or by which it or any of its properties, assets or rights is bound or affected or of any statute, rule or regulation applicable to Borrower which violation or default would have a material adverse effect on Borrower's business or property. The execution, delivery and performance of this Agreement by Borrower and the consummation of the transactions contemplated thereby will not result in any such violation by Borrower of, require any consent to be obtained by Borrower under, be in conflict with, or constitute, with or without the passage of time and giving of notice, either a default by Borrower under any such provision, instrument, judgment, order, writ, decree or contract or an event which results in the creation of any material lien, charge or encumbrance.
- (d) There are no actions, suits, investigations or proceedings pending or, to the knowledge of Borrower, threatened against Borrower before or by any governmental department, commission board, bureau, agency or instrumentality, or before any arbitrator or arbitration board which may have a material adverse effect on the assets or financial condition of the Borrower.

5. NATURE OF THE LOAN

- (a) The loan and accrued interest shall be repaid in full on or before the Minimum Repayment Date, or as specifically stated in Schedule B per advance.
- (b) Interest on the Loan shall be calculated on the balance from the date of the receipt of each advance until the date of payment at a rate per annum of Lender's average effective interest rate plus 0.3% percent in United States Dollars, which represents a rate of 7.5% for the advances made during year 2003. All computations of interest shall be made by the Lender on the year basis of 360 days.

- (c) Borrower shall pay or cause to be paid all present and future taxes, duties and other charges of whatsoever nature levied or imposed by the government of Israel or any jurisdiction through or out of which a payment is made on or in connection with any and all amounts due under this Agreement,

All payments of principal and interest due under this Agreement shall be made without deduction for or on account, and free and clear, of any such taxes, duties or other charges other than withholding income tax pertaining to the Lender, if applicable in the Borrower's country and provided that Borrower will provide a certificate indicating such a transaction.

- (d) Nothing contained in this Agreement shall impair the validity of the Loan or in any way impair the rights of Lender to exercise all remedies available to it under law.

6. DEFAULT

The occurrence of one or more of the following events shall constitute a default under this Agreement ("Event of Default").

- (a) Borrower's failure to pay the Loan and accrued interest in full or in part as it becomes due and payable, and such failure shall not be cured within 10 (ten) business days after Lender gives written notice thereof to Borrower;
- (b) Borrower's failure to comply with any of its obligations and undertakings under this Agreement;
- (c) Any representation, warranty or covenant made herein shall prove to have been false or misleading in any material respect when made;
- (d) Borrower's application for, consent to or acquiescence in the appointment of a trustee, receiver, liquidator, assignee, or other similar official Borrower or

Borrower's property, or the making of a general assignment for the benefit of creditors, or the filing of a petition or an answer seeking reorganization in proceeding under any bankruptcy or other insolvency law, or the making of an agreement, composition, extension or adjustment with its creditors; or

- (e) Any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or other insolvency law being instituted by or Borrower and not dismissed within 60 (sixty) days thereafter.

7. REMEDIES

Upon the occurrence of an Event of Default hereunder, all amounts outstanding under the Loan and accrued interest shall, at the option of Lender, become immediately due and payable upon Lender's written notice to Borrower. If Lender elects to declare all amounts immediately due and payable, then Lender shall be entitled to exercise all rights and remedies available to it under law. In addition, upon the occurrence of an Event of Default and so long as such Event of Default is continuing, Lender shall be under no obligation to make additional advances pursuant to Subsection 2(b) above.

8. NOTICE

Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing, delivered in person, or mailed by certified or

registered mail, return receipt requested, or transmitted by facsimile transmission with electronic confirmation of receipt to the addressee's address or facsimile number set forth below (or such other address of facsimile number as the party changing its address specifies in a notice to the other parties):

If to Ormat Technologies Inc.
980 Greg Street
Sparks, NV 89431-6030, USA
Attention: President
Telephone: 1-702-356-9029
Facsimile: 1-702-356-9039

If to Ormat Industries Ltd.
P.O. Box 68
Yavne 81100 Israel
Attention: President
Telephone: 972-8-9433702
Facsimile: 972-8-9439901

Notice shall be deemed given the earlier of when actually received and three days after Notice is sent in accordance with the above.

9. MODIFICATION; ENTIRE AGREEMENT; TERMINATION OF PRIOR AGREEMENT

No change or modification of this Agreement shall be valid unless it is in writing and signed by both Lender and Borrower. This Agreement sets forth the entire agreement and understanding among the parties as to the subject matter treated herein and merges and supersedes all prior discussions, agreements and understandings.

10. INVALID PROVISION

The invalidity or unenforceability of any provision of this Agreement shall not affect

the other provisions, hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

11. INTERPRETATION

This Agreement and each of the terms and provisions hereof are deemed to have been explicitly negotiated among the parties and the language in all parts of this Agreement shall in all cases be construed according to its fair meaning and not strictly for or against any party.

12. COUNTERPARTS

This Agreement May be signed in two or more counterparts, each of which shall be deemed an original, and all of which, taken together shall be deemed one and the same document.

13. APPLICABLE LAW

This Agreement shall be governed by, and interpreted and

construed under the laws of Israel.

14. EXPENSES AND ATTORNEY'S FEES

In the event that any party to this Agreement brings an action or proceeding for the declaration of rights of the parties hereunder, for injunctive relief, for an alleged breach or default of or any other action arising out of this Agreement, the non-prevailing party in any action pursued in courts of competent jurisdiction (the finality of which is not legally contested) shall pay to the prevailing party all reasonable costs, damages, and expenses including attorney's fees expended or incurred in connection therewith.

15. SURVIVAL

The representations, warranties, covenants and agreement made by the parties hereto in this Agreement shall survive the closing of the transactions contemplated by this Agreement.

16. SUCCESSORS AND ASSIGNS

Except as otherwise expressly provided in this Agreement, the provisions of this Agreement shall insure to the benefit of, and be binding upon, the successors and assigns of the parties to this Agreement; provided that Lender shall not be obligated to make advances under Section 1 of this Agreement to any successor or assign of Borrower, but may do so pursuant to the terms of this Agreement as Lender's sole discretion.

17. TITLES

The titles of the Sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

IN WITNESS WHEREOF, the parties hereto make this Agreement as of the date first set forth above.

ORMAT TECHNOLOGIES, INC.

By: /s/ Connie Stechman

Its: Vice President

ORMAT INDUSTRIES LTD.

By: /s/ Indecipherable

Its: Managing Director

EXHIBIT 10.1.9

CAPITAL NOTE

1. The undersigned, Ormat Technologies INC, a company organized and existing under the laws of Delaware, USA, acknowledges that it is to receive from Ormat Industries Ltd., a company organized and existing under the laws of Israel, located at Sheydowski Road, Yavne, Israel, a non-interest bearing loan in the amount of NIS 240,000,000 [Two Hundred and Forty Million] but in any event, an amount not to exceed the amount in NIS equal to \$ 50,664,977 US on the date of the transfer of such loan) (the "Loan").
2. For Value Received and upon demand at any time after November 30th, 2005, Ormat Technologies INC hereby promises to repay the Loan to Ormat Industries Ltd. without any interest.
3. Ormat Industries Ltd. acknowledges that this non-interest bearing Loan is subordinated to all other liabilities of Ormat Technologies Inc.
4. Ormat Industries Ltd. will not accelerate the repayment of this capital note.
5. In any and all events, the Loan shall be repaid not later than December 30th, 2006.

IN WITNESS WHEREOF, this Capital Note has been duly signed on behalf of Ormat Technologies INC. this 22nd day of December, 2003 value of January 1st, 2003.

Ormat Technologies Inc.

By /s/ Connie Stechman

Connie Stechman

Name

Vice President

Title

ORMAT TECHNOLOGIES, INC.

980 Greg Street o Sparks, NV 89431-6039 o Telephone:(775) 356-9029
o Facsimile:(775)356-9039

EXHIBIT 10.1.10

ORMAT(R) [ORMAT LOGO OMITTED]

GUARANTEE FEE AGREEMENT

BETWEEN

Ormat Technologies, Inc. (OTI)

and

Effective as of January 1, 1999

At OTI's request OIL has agreed to issue certain Standby letters of Credit on behalf of OTI, as well as guarantees in forms acceptable to the end customers.

- o A fee on Standby Letters of Credit and on corporate guarantees will be calculated each quarter at a rate of 1% (one percent) per annum, on all amounts effective during that quarter.
- o All out of pocket expenses will be billed at cost.

The billing will be issued at the end of each quarter for the current quarter and due upon receipt.

This Agreement is the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements, understandings and discussions between them with respect to such subject matter.

/s/ Indecipherable

/s/ Yehudit Bronicki

Ormat Industries Ltd.

Ormat Technologies Inc.

ORMAT INDUSTRIES LTD

NEW INDUSTRIAL AREA, P.O.B. 68 YAVNE 81100, ISRAEL o TELEPHONE 972-8-9433777
o FACSIMILE 972-8-9439901

Exhibit 10.1.11

REIMBURSEMENT AGREEMENT

THIS AGREEMENT (this "Agreement") between Ormat Industries Ltd., an Israeli corporation ("OIL"), and Ormat Technologies, Inc., a Delaware corporation ("OTI"), is made and entered into as of July 15, 2004.

RECITALS

WHEREAS, OIL and OTI have entered into a Guarantee Fee Agreement dated as of January 1, 1999 (the "Guarantee"), pursuant to which OIL has agreed to issue certain standby letters of credit on OTI's behalf, as well as guarantees in forms acceptable to the end customers;

WHEREAS, OIL requires that OTI execute this Agreement and OTI is willing to execute this Agreement;

NOW THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Unconditional Reimbursement Obligations. OTI, together with its successors

and permitted assigns, hereby unconditionally agrees that on the fifth business day following receipt of notice (the "Due Date") from OIL of (i) any draw made on a standby letter of credit issued by OIL pursuant to the Guarantee or (ii) any payments made in accordance with a guarantee made by OIL pursuant to the Guarantee (each, a "Payment"), OTI shall reimburse OIL in full for such Payment. Any payment that is not made on the Due Date shall bear interest, accruing from such Due Date until repayment in full, at an interest rate per annum equal to OIL's average cost of funds plus 0.3% in United States dollars.

2. Indemnification. OTI agrees at all times to indemnify OIL and hold OIL harmless from and against any and all liabilities, losses, damages, costs, and expenses, including reasonable attorney fees, which OIL may sustain or incur from time to time by reason of having executed the Guarantee or any modification, amendment, limitation, renewal or extension thereof, except as a result of OIL's gross negligence or willful misconduct.
3. Representations and Warranties of OTI. OTI hereby represents and warrants that (i) it has the requisite corporate power to execute, deliver and perform this

Agreement and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, (ii) the execution, delivery and performance of this Agreement does not and will not violate, create a breach of or a default under any contract or agreement to which OTI is a party or by which it is bound, and (iii) the execution, delivery and performance of this Agreement does not require any approval of any person, except for such approvals or consents which have been obtained prior to the date hereof.

4. Defense of Legal Action. In the event any legal action is taken against OIL under the Guarantee, either jointly with OTI or alone, OTI shall defend such action at its own expense and OIL shall cooperate with OTI in the defense thereof, or, at its election, OIL shall assume the defense, at the expense of OTI. OIL shall have the right to join OTI as party defendant in any legal action brought against it alone under the Guarantee and OTI hereby consents to the entry of an order making it a party defendant.
5. Miscellaneous. This Agreement (i) embodies the entire agreement and understandings between OIL and OTI (or any subsidiary to which the underlying interest may be assigned) and supersedes all prior agreements and understandings between OIL and OTI relating to the subject matter hereof; (ii) may be modified or amended only by written instrument executed by each party hereto; (iii) shall be governed by and construed according to the laws of the State of New York; and (iv) may be executed in several counterparts, each of which is an original, but all of which together constitute one and the same agreement. If any provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the remaining provisions shall not in any way be effected or impaired.

IN WITNESS WHEREOF, OIL and OTI have duly executed this Agreement as of the date first written above.

ORMAT INDUSTRIES LTD.

ORMAT TECHNOLOGIES, INC.

By: /s/ Yehudit Bronicki

By: /s/ Yehudit Bronicki

Name: Y. Bronicki
Title: Managing Director

Name: Y. Bronicki
Title: President

Exhibit 10.1.12

SERVICES AGREEMENT

ENTERED INTO THIS 15TH DAY OF JULY, 2004

THIS SERVICES AGREEMENT (this "Agreement") is made and entered into as of the 1st day of July, 2004 (the "Effective Date") by and among Ormat Industries Ltd., an Israeli Public corporation with principal place of business at the Industrial Area, Yavne ("OIL"), and Ormat Systems Ltd., an Israeli corporation with principal place of business at the Industrial Area, Yavne ("OSL").

W I T N E S S E T H :

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WHEREAS, OIL and OSL have entered, into a purchase agreement dated as of the date hereof (the "PURCHASE AGREEMENT") pursuant to which OSL has agreed to purchase and assume from OIL, and OIL has agreed to sell and assign to OSL, certain assets and liabilities related to the Business (as defined in the Purchase Agreement) all under the terms and subject to the conditions set forth therein; and

WHEREAS, the parties to the Purchase Agreement agreed therein that OSL shall provide corporate, financial, secretarial and administrative services to OIL as would be set forth in a services agreement; and

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions. Unless otherwise expressly defined in this Agreement, any capitalized term used herein shall bear the meaning ascribed to it in the Purchase Agreement.
2. The Services. For the purposes of this Agreement, the term "SERVICES" means corporate, financial, secretarial and administrative services as more fully set forth in SCHEDULE 2 attached hereto. The Services shall also include the use of office space and office equipment which is either owned or leased or used by OSL and which may be necessary from time to time for the provision of the Services.

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In addition, upon the request of OIL, to the extent that at the relevant time OSL employs the adequate personnel for such tasks, OSL shall provide to OIL engineering services related to the business of Opti Canada, Inc. and of Opti Technologies, BV (the "ENGINEERING SERVICES").

3. Hire of Services.

- 3.1 Effective upon the Effective Date and until this Agreement is terminated in accordance with its terms, OIL hereby retains OSL

to perform and provide the Services and OSL undertakes to perform and provide the Services and the Engineering Services, if so required, to OIL.

- 3.2 It is hereby agreed and clarified that the Services shall be subject to and supervised by the Board of Directors of OIL, or any person duly authorized by such Board of Directors.
- 3.3 OSL undertakes to provide the Services hereunder which are typically performed by key officers, only through the persons listed in SCHEDULE 3.3, attached hereto (the "SERVICE PERSONNEL") or any amendment thereto effected pursuant to Section 3.4 below.
- 3.4 The list of Service Personnel may be amended either (a) by OSL, provided the prior written consent of OIL for such amendment will have been obtained by OSL; or (b) by a written notice from OIL to OSL which shall be binding upon its receipt by OSL. It is hereby clarified that any amendment to the Service Personnel initiated by OIL shall not require any prior or subsequent OSL's approval and/or consent in any form whatsoever. Such decision of OSL or OIL to amend the list of Service Personnel, will be at the sole discretion of the board of directors of the respective company, without it being necessary to obtain the approval of the general meeting of the shareholders of the relevant company.
- 3.5 Nothing in this Agreement shall prevent OIL from engaging any other persons and/or entities in connection with the Services provided that OSL shall not be liable or responsible in any manner for any loss, damage, liability, expense, claim, etc. to OIL as a result of any such other person or entities providing Services.

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4. Acceptance by OSL. OSL hereby accepts the engagement set forth in Section 2 above and agrees to render the Services to OIL in accordance with the terms and conditions of this Agreement and further agrees to provide for the benefit of OIL its best judgment, efforts and skill in rendering its Services under this Agreement.
5. Consideration. For all Services to be provided by OSL to OIL hereunder throughout the term of this Agreement: OIL shall pay to OSL monetary consideration of US\$ Ten Thousand (10,000\$) per month (the "MONTHLY FEES") and all out of pocket expenses borne by OSL with respect to the Services rendered hereunder. In addition, OIL shall pay OSL in consideration for the Engineering Services a fee equal to the cost of such services to OSL plus 10% (the "ENGINEERING FEES"), as well as any other out of pocket expenses borne by OSL with respect to such services. For the purpose of this section, "cost" of Engineering Services shall be based on salaries and other benefits paid by OSL to those employees of OSL through whom such Engineering Services are provided to OIL, calculated in proportion to the actual time spent for the provision of said services.

On each anniversary of this Agreement, commencing 12 months from January 1, 2005, the Monthly Fees shall be increased by the rate of increase in the CPI in Israel during the previous 12 months period plus 10% (of such increase).

OIL shall pay to OSL the Monthly Fees, the Engineering Fees and out of pocket expenses, as set forth above, on a monthly basis, until the fifteenth day of each month with respect to the previous month. Any payment hereunder shall be paid together with VAT at the applicable rate added to the fees mentioned above and be made by wire transfer to OSL's

bank account, the details of which shall be provided to OIL by OSL in writing, as may be amended from time to time.

6. Term and Termination. This Agreement shall continue in effect from the Effective Date through and including December 31, 2009 (the "INITIAL PERIOD") and shall automatically renew for an unlimited number of successive one (1) year renewal periods thereafter (each, a "RENEWAL PERIOD"), unless (i) OIL provides written notice to the other that it elects to terminate this Agreement, which such written notice must be given not less than one hundred and eighty (180) days prior to the expiration of the Initial Period or any Renewal Period, as the case may be; (ii) either OIL or OSL provides written notice to the other that it elects to immediately terminate this Agreement if the other party becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or

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permits the appointment of a receiver for its business or assets, or becomes subject to any proceedings under any bankruptcy or insolvency law, voluntarily or otherwise, in which case the notifying party may regard the other party as in default under this Agreement; (iii) a party hereto is in breach of, or default under, this Agreement, and the other party serves a thirty (30) days' written termination notice to the breaching party. Said notice shall become effective at the end of such period, unless during said period the breaching party shall cure such breach or default. In the event of such termination, the non-breaching party shall have all rights and remedies available at law or in equity.

7. Insurance. OSL hereby undertakes that immediately following the signing of this Agreement, a Directors and Officers' insurance policy shall be procured for any persons listed on the Service Personnel list, as shall be amended from time to time, in the minimum amount of US\$ Five Million (\$5,000,000), per incident and per period, and that such insurance policy shall be maintained effective with respect to each person so insured, for at least until seven years following the termination of such person's employment with OSL. OSL shall either execute such undertaking by procuring such insurance policy on its own account or by ensuring such coverage as part of a D&O insurance policy obtained by any of its parent companies.
8. Confidentiality. Each party recognizes that it and its officers, directors, employees and agents may obtain knowledge of the trade secrets and other confidential information of the other party which is valuable, special or unique to the continued business of that party. Accordingly, each party agrees to hold such information in confidence and to use its best efforts to ensure that such information is held in confidence by its officers, directors and employees. Notwithstanding the foregoing, each party may make such disclosure to outside parties as may be necessary to comply with applicable governmental laws, rules, and regulations and judicial orders or if any confidential information is or was in the public domain or generally available to the public through no unauthorized act or omission of the disclosing party. The parties acknowledge that each party's confidential information represents unique and valuable assets.
9. OSL as Independent Contractor. OSL and its employees shall, for all purposes of this Agreement, be deemed to be an independent contractor and not an agent or employee of the OIL and, except as otherwise expressly provided herein and/or authorized by the Board of Directors of OIL, shall have no authority to act for or to represent OIL or otherwise to be

10. Binding Effect; Successors and Assigns; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, permitted assigns and legal representatives. This Agreement shall be for the sole benefit of the parties to this Agreement and their respective heirs, successors, permitted assigns and legal representatives. This Agreement may not be assigned by either party without the prior written consent of the other party. Any attempted assignment in violation of this Section 10 shall be null and void.
11. Counterparts; Signatures; Titles and Headings. This Agreement may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument. This Agreement shall be deemed executed and delivered upon the delivery of original signed copies, or facsimile copies containing telecopied signatures, to each other party hereto. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.
12. Governing Law; Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without reference to choice of law principles thereof, and the parties agree to exclusively submit to the jurisdiction and venue of Israel and the courts of Tel-Aviv-Jaffa, Israel.

Each Party hereto waives any claim of consequential damages from the other unless: (a) the foreseeability of such damages at the time of the contract; and (b) the amount of such damages are proven by clear and convincing evidence.

Each party hereto hereby waives any claim to punitive, multiplied or exemplary damages from the other.

It is hereby clarified that in case the first paragraph of this Section 12 is found, by a court of competent jurisdiction, to be unenforceable or otherwise invalid, each party hereto waives its right to trial of any issue by jury.

13. Warranty. This Services Agreement is entered into on an "AS IS" basis without a warranty of any kind. All express or implied representations and/or warranty, including without limitation any implied warranty, are hereby excluded. The entire risk as to the quality of Services is borne by OIL.

14. Severability. If any provision of this Agreement shall be determined by any court of competent jurisdiction (or any other agreed-upon dispute resolving body) to be unenforceable or otherwise invalid as written, the same shall be enforced and validated to the fullest extent permitted by law. All provisions of this Agreement are severable, and the unenforceability or invalidity of any single provision hereof shall not affect the remaining provisions.
15. Notices. Except as otherwise provided herein, all notices shall be in writing and shall be effective upon receipt, if delivered personally or if mailed by overnight courier, postage prepaid, or upon generation of a

confirmation if sent by facsimile (provided that such transmission is followed by mailing of a conforming copy) to the parties at their addresses set forth in the first paragraph of this Agreement or such other address as subsequently may be specified in writing by a party to the other parties.

16. No Strict Construction; Interpretation. The parties hereto acknowledge that this Agreement has been prepared jointly by the parties hereto and their respective legal counsel, and shall not be strictly construed against any party as a result of the party drafting any given provision hereof. Unless otherwise indicated to the contrary herein by the context or use thereof, (a) the words "herein," "hereto," "hereof," and words of similar import refer to this Agreement as a whole and not to any particular Section, subsection or paragraph hereof, (b) words importing the masculine gender shall include the feminine and neutral genders and vice versa, and (c) words importing the singular shall include the plural and vice versa.
17. Entire Agreement; Modification and Waiver. Except for the agreements specifically referenced in or contemplated by this Agreement, this Agreement constitutes the entire agreement between the parties with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings between them with respect to such matters. This Agreement may be amended or modified only by a writing signed by the party against whom enforcement of such amendment or modification is sought. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties entitled to the benefit thereof, but only by a writing signed by the party or parties waiving such terms or conditions. No waiver of any provisions of this Agreement or of any rights or benefits arising hereunder shall be deemed to constitute or shall constitute a waiver of any other provisions of this Agreement (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day first above written.

ORMAT INDUSTRIES LTD

By: /s/ Lucien Y. Bronicki

Name: Lucien Y. Bronicki

Title: Chairman of the Board

ORMAT SYSTEMS LTD

By: /s/ Etty Rosner

Name: Etty Rosner

Title: V.P. Contract Administrator

SCHEDULE 2

SERVICES PROVIDED BY OSL TO OIL:

OSL will provide corporate, financial, secretarial and administrative services to OIL which shall encompass, among other, the following detailed services: Corporate executive and statutory services providing personnel to fulfill the statutory positions required by law for public entities, all bookkeeping and accounting services, public and investment relations services, management of assets, obligations, liabilities, corporate reporting requirements, any administrative functions and services required to maintain a public entity.

SCHEDULE 3.3

SERVICE PERSONNEL:

Lucien Y. Bronicki - Chairman of the Board of Directors

Yehudit Bronicki - Managing Director and Director

Lisa Kidron - Chief Financial Officer

Etty Rosner - Corporate Secretary

Amit Gorka - Controller Moti Katz - Head Bookkeeper

Accounting, treasury and secretarial staff - as required

Exhibit 10.2.1

EXECUTION COPY

PURCHASE AND SALE AGREEMENT

by and among

CONSTELLATION POWER, INC., as Seller

and
COSI PUNA, INC.

and
ORNI 8 LLC, as Purchaser

and
ORMAT NEVADA INC., as Purchaser's Parent
for the Sale of the Shares of

CE PUNA I, INC.

and

CE PUNA II, INC.

which includes the transfer of interests in

CE PUNA LIMITED PARTNERSHIP

and

PUNA GEOTHERMAL VENTURE

Dated as of April 22, 2004

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT dated as of April 22, 2004 (the "Effective Date"), is made and entered into by and among CONSTELLATION POWER, INC., a Maryland corporation ("CPI" or "Seller"), COSI PUNA, INC., a Maryland corporation ("COSI PUNA"), ORNI 8 LLC, a Delaware limited liability company ("ORNI 8" or "Purchaser") and ORMAT NEVADA INC., a Delaware corporation ("Purchaser's Parent")(each of the foregoing sometimes referred to herein as a "Party" and, collectively, as the "Parties").

RECITALS

A. CPI is the record and beneficial owner of 100% of the issued and outstanding capital stock of (i) CE Puna I, Inc. (the "CE PUNA I Shares"), a Maryland corporation ("CE PUNA I") and (ii) CE Puna II, Inc. (the "CE PUNA II Shares"), a Maryland corporation ("CE PUNA II").

B. Each of CE PUNA I and CE PUNA II is the record and beneficial owner of 50% of the partnership interests (collectively, the "CE PUNA LP Interests") of CE Puna Limited Partnership, a Maryland limited partnership ("CE PUNA LP").

C. CE PUNA I and CE PUNA LP are the record and beneficial owners of all of the partnership interests of Puna Geothermal Venture (collectively, the "PGV Interests"), a Hawaii general partnership ("PGV").

D. PGV owns the Plant (as defined in Section 1.1).

E. COSI PUNA operates the Plant pursuant to the O&M Agreement (as defined in Section 1.1).

F. The CE PUNA I Shares and the CE PUNA II Shares may sometimes be referred to herein collectively as the "Purchased Shares", the CE PUNA LP Interests and the PGV Interests may sometimes be referred to herein collectively as the "Partnership Interests" and CE PUNA I, CE PUNA II, CE PUNA LP and PGV may sometimes be referred to herein collectively as the "Companies."

G. CPI desire to sell to Purchaser, and Purchaser desires to purchase and acquire from CPI, all of the Purchased Shares on the terms and subject to the conditions hereinafter set forth.

H. COSI PUNA and PGV desire to terminate the O&M Agreement effective as of the Closing Date.

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I. Seller and Purchaser are entering into this Agreement to evidence their respective duties, obligations and responsibilities in respect of the purchase and sale of the Purchased Shares contemplated hereby (the "Transactions");

J. The Parties desire that Purchaser's Parent support certain of the obligations of Purchaser hereunder as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1 Certain Defined Terms. The following terms when used in this Agreement (or in the Schedules and Exhibits to this Agreement) with initial letters capitalized have the meanings set forth below:

"338 Allocation Statement" has the meaning set forth in Section 7.5(b).

"Affiliate" of a specified Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the possession of the power to direct the management or policies of the specified Person, directly or indirectly, whether through the ownership of voting securities, partnership or limited liability company interests, by contract or otherwise.

"Agreement" means this Purchase and Sale Agreement, together with the Schedules and Exhibits hereto.

"Applicable Laws" means all statutes, rules, regulations, ordinances, orders and codes of Governmental Authorities which apply to Seller, Purchaser, the Companies, the Plant, this Agreement, or the Transactions, as applicable.

"Balance Sheet" has the meaning set forth in Section 5.17.

"Business" means the business and operations of PGV.

"Business Day" means a day other than Saturday, Sunday or a day on which banks are authorized to be closed for business in the City of New York, New York.

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"Cause" means (a) subject Transferred Employee's conviction of (i) a felony, (ii) a crime against the Transferred Employee's employer, (iii) a crime involving substance abuse, fraud or moral turpitude, or (iv) a crime which would materially compromise the reputation of the Transferred Employee's employer, (b) misconduct on the part of a Transferred Employee that adversely reflects upon the business, affairs or reputation of his or her employer or upon the Transferred Employee's ability to perform his or her duties for such employer, including sexual harassment or public disparagement of such employer or its Affiliates, (c) the Transferred Employee's failure to pass any narcotics test, violation of the terms of any agreement entered into with his or her employer or material violation of other reasonable work rules of the Transferred Employee's employer, or (d) the failure or refusal by the Transferred Employee to perform the duties and responsibilities of his or her position with the Transferred Employee's employer in any material respect, provided that such Transferred Employee is given 14 days in which to attempt to correct such failure.

"CE PUNA I" has the meaning set forth in the Recitals to this Agreement.

"CE PUNA I Shares" has the meaning set forth in the Recitals to this Agreement.

"CE PUNA II" has the meaning set forth in the Recitals to this Agreement.

"CE PUNA II Shares" has the meaning set forth in the Recitals to this Agreement.

"CE PUNA LP" has the meaning set forth in the Recitals to this Agreement.

"CE PUNA LP Interests" has the meaning set forth in the Recitals to this Agreement.

"Closing" has the meaning set forth in Section 3.1.

"Closing Date" has the meaning set forth in Section 3.1.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the rules and regulations promulgated thereunder.

"Code" means the Internal Revenue Code of 1986, as amended.

"Companies" has the meaning set forth in the Recitals to this Agreement.

"Company Guarantees" means any and all obligations relating to the contracts, agreements, guarantees, letters of credit, bonds and other credit assurances of a comparable nature of Seller or any of its Affiliates (other than

the Companies) for the benefit of any counterparties of the Companies and listed or described in Schedule 1.1A.

"Company Insurance Policies" means all insurance policies carried by or for the benefit of the Companies or COSI PUNA with respect to the ownership, operation or maintenance of the Plant as set forth on Schedule 1.1B.

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"Condemned Portion" has the meaning set forth in Section 7.6(b).

"Confidentiality Agreement" means that certain confidentiality agreement, dated as of December 10, 2003 entered into between Purchaser (or an Affiliate of Purchaser) and CPI in connection with the Transactions.

"COSI PUNA" has the meaning set forth in the introductory paragraph to this Agreement.

"CPI" has the meaning set forth in the introductory paragraph of this Agreement.

"Credit Agreement" means that certain Amended and Restated Credit Agreement Term Loan Facility by and among Puna Geothermal Venture, Credit Suisse First Boston New York Branch, and the Lenders that are signatories thereto, dated as of December 2, 1996 and as amended by that certain First Amendment, dated April 24, 1997, that certain Second Amendment, dated as of August 21, 2002, and that certain Third Amendment, dated as of December 10, 2003.

"CSFB Swap Agreement" means that certain ISDA Master Agreement, dated as of December 23, 1996 by and between Credit Suisse, New York Branch and PGV.

"Damaged Portion" has the meaning set forth in Section 7.6(c).

"Debt Payoff Amount" means the outstanding principal and accrued interest as of the Closing Date under the Credit Agreement.

"Debt Service Reserve Guaranty" means that certain Constellation Debt Service Reserve Guaranty, dated as of December 2, 1996, made by Constellation Investments, Inc. in favor of Credit Suisse, New York Branch, for the benefit of the Lenders (as defined in the Credit Agreement).

"Dollars" or "\$" means dollars in lawful currency of the United States.

"Dresdner Swap Agreement" means that certain ISDA Master Agreement, dated as of December 23, 1996 by and between Dresdner Bank, AG and PGV.

"Due Diligence Materials" means (a) the due diligence materials distributed or otherwise made available in written or digital form by or on behalf of Seller to Purchaser including, without limitation, the materials made available on the IntraLinks web site established on behalf of Seller and that certain Preliminary Report, dated April 16, 2004, prepared by Title Guaranty of Hawaii, Inc., (b) all written answers to questions provided by or on behalf of Seller to Purchaser, and (c) the documents and materials made available to Purchaser during any on-site due diligence visit of the Plant.

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"Effective Date" has the meaning set forth in the introductory paragraph of this Agreement.

"Employee Benefit Plans" means any retirement, pension, profit sharing, deferred compensation, stock bonus, 401(k), savings, bonus, incentive,

cafeteria, medical, dental, vision, hospitalization, life insurance, accidental death and dismemberment, medical expense reimbursement, dependent care assistance, tuition reimbursement, disability, sick pay, holiday, vacation, severance, change of control, stock purchase, stock option, restricted stock, phantom stock, stock appreciation rights, fringe benefit or other employee benefit plan, fund, policy, program, contract, arrangement or payroll practice of any kind (including any "employee benefit plan," as defined in Section 3(3) of ERISA) or any employment, consulting or personal services contract, whether written or oral, qualified or nonqualified, funded or unfunded, or domestic or foreign, (a) sponsored, maintained or contributed to by any of COSI PUNA, the Companies or an ERISA Affiliate or to which any of COSI PUNA, the Companies or an ERISA Affiliate is a party, (b) covering or benefiting any current or former officer, employee, agent, director or independent contractor of any of COSI PUNA, the Companies or an ERISA Affiliate (or any dependent or beneficiary of any such individual), or (c) with respect to which any of COSI PUNA, the Companies or an ERISA Affiliate has (or could have) any obligation or liability.

"Encumbrances" means any and all mortgages, pledges, claims, liens, security interests, options, warrants, purchase rights, conditional and installment sales agreements, easements, equities, charges, activity and use restrictions and limitations, covenants, encroachments, exceptions, rights-of-way, deed restrictions, defects or imperfections of title, encumbrances and charges of any kind, and any restrictions on rights to receive income or voting rights.

"Environmental Laws" means all federal, state, and local civil and criminal laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders or common law relating to pollution or protection of the environment, plants, animals, natural resources or human health and safety, as the same may be amended or adopted, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Materials (including, without limitation, Releases to ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Materials, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (section)9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. (section)6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. (section)1251 et seq.; the Clean Air Act, 42 U.S.C. (section)7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. (section)1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. (sections)2601 through 2629; the Oil Pollution Act, 33 U.S.C. (section)2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. (section)11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. (section)300f through 300j; the Occupational Safety and Health Act, 29 U.S.C. (section) 651 et seq.; the

Surface Mining Control and Reclamation Act of 1977, 30 U.S.C. (section)1201 et seq.; and similar laws of the State of Hawaii or of any other Governmental Authority having jurisdiction over the site at which the Plant is located or otherwise applicable to the Plant or its owner or operator.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any person or entity that, together with any of the Companies or COSI PUNA, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Estimated Adjustment Statement" has the meaning set forth in Section 3.4(a).

"Excluded Assets" has the meaning provided in Section 7.12.

"Excluded Liabilities" has the meaning set forth in Section 7.13.

"Existing Contracts" means the contracts, agreements, arrangements and leases of any nature, other than the Permits, to which PGV is a party or by or to which it, the Plant or any of PGV's other assets is or are bound, affected or subject.

"Final Adjustment Statement" has the meaning set forth in Section 3.5(a).

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Governmental Authority" means: (a) any federal, state, local, foreign or other government; (b) any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, custodial, or authority or power with respect to Taxes; and (c) any court or governmental tribunal; provided, however, that it does not include Purchaser, Seller, any Affiliate thereof, or any of their respective successors in interest or any owner or operator of the Plant (if otherwise a Governmental Authority).

"Hazardous Substances" means any chemical, material or substance in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste material, raw material, chemical, finished product, byproduct, or any other material or article, that is listed or regulated under applicable Environmental Laws as a "hazardous" or "toxic" substance or waste, or as a "contaminant," or is otherwise listed or regulated under applicable Environmental Laws because it poses a hazard to human health or the environment, including without limitation, petroleum products, asbestos, urea formaldehyde foam insulation, and lead-containing paints or coatings.

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"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Income Tax" means any Tax imposed by any Governmental Authority (a) based upon, measured by or calculated with respect to gross or net income, profits or receipts (including capital gains Taxes and minimum Taxes), or (b) based upon, measured by or calculated with respect to multiple bases (including corporate franchise Taxes) if one or more of such bases is described in clause (a), in each case together with any interest, penalties or additions attributable to such Tax. The general excise tax set forth in Hawaii Revised Statutes Section 237-13 is not an "Income Tax" under this Agreement.

"Indemnifiable Claim" has the meaning set forth in Section 9.7.

"Indemnitee" has the meaning set forth in Section 9.4.

"Indemnitor" has the meaning set forth in Section 9.4.

"Independent Accounting Firm" means such nationally recognized, independent accounting firm as is mutually appointed by Seller and Purchaser for purposes of this Agreement.

"Initial Purchase Price" has the meaning set forth in Section 3.2.

"Intercompany Arrangements" means, collectively, any contract or arrangement in respect of any intercompany transaction between any of the Companies, on the one hand, and Seller or any of its Affiliates (other than the

Companies) on the other hand, whether or not such transaction relates to any contribution to capital, loan, the provision of goods or services, tax sharing arrangements, payment arrangements, intercompany advances, charges or balances or the like, and including without limitation, the contracts and arrangements set forth in Schedule 1.1C.

"Inventory" means any and all spare parts, inventory and supplies used in connection with the ownership, operation and maintenance of the Plant.

"IRS" means the Internal Revenue Service.

"Knowledge" or similar terms used in this Agreement with respect to a Party means: (a) in the case of Seller, the extent of the actual and current knowledge of the individuals listed in Schedule 1.1D (or their respective successors) as of the Effective Date (or, with respect to the officer's certificate delivered pursuant to Section 10.6, the date of delivery of the certificate); and (b) in the case of Purchaser, the extent of the actual and current knowledge as of the Effective Date (or, with respect to the officer's certificate delivered pursuant to Section 11.6, the date of delivery of the certificate) of any officer or employee of each of Purchaser or any Affiliate of Purchaser who has actually participated in the negotiation or review of this Agreement or due diligence with respect to the Transactions on Purchaser's behalf.

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"Loan Documents" means, collectively, the Credit Agreement and all documents related and incidental thereto, including, but not limited to, the CSFB Swap Agreement, Dresdner Swap Agreement, Pledge Agreement, Debt Service Reserve Guaranty and the agreements and instruments identified in Item 1 of Schedule 5.9.

"Losses" has the meaning set forth in Section 9.2(a).

"Material Adverse Effect" means (a) any event, circumstance or condition materially impairing a Party's authority, right, or ability to (i) consummate the Transactions or (ii) transfer the Purchased Shares or the Partnership Interests, or (b) any change in, or effect on, the Plant that is materially adverse to the finances, operations or physical condition of the Plant, taken as a whole, but excluding:

(1) any change or effect generally affecting the State of Hawaii, the Big Island of Hawaii, or the international, national, or local electric generating, transmission or distribution industry as a whole;

(2) any change or effect resulting from changes in the State of Hawaii, the Big Island of Hawaii, or the international, national, or local wholesale or retail markets for electric power;

(3) any change in or effect on the State of Hawaii, the Big Island of Hawaii, or the North American, national, or local transmission system;

(4) any change or changes cured (including by the payment of money) before the earlier of the Closing and the termination of the Agreement pursuant to Section 12.1;

(5) any order or act of any Governmental Authority applicable to providers of generation, transmission or distribution of electricity generally that imposes restrictions, regulations or other requirements thereon, except to the extent specifically relating to PGV, the Plant or the Transactions;

(6) any change or effect resulting from one or more changes in the rules established by any independent system operator or regional

transmission organization with jurisdiction over PGV or the Plant;

(7) the financial or other condition of the purchaser under the Power Purchase Agreement or its Affiliates;

(8) any change or effect resulting from changes in the national or international securities markets; or

(9) any change or effect resulting from or associated with acts of war, national disaster, acts of God, or terrorism that does not directly affect the Plant.

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Any determination as to whether any condition or other matter has a Material Adverse Effect shall be made only after taking into account proceeds received under all effective insurance coverages and effective third party indemnifications with respect to such condition or matter.

"Notice of Claim" has the meaning set forth in Section 9.4.

"O&M Agreement" means that certain Operation and Maintenance Agreement between PGV and COSI PUNA, dated as of December 2, 1996.

"ordinary course of business" means, with respect to PGV, the operation of the Plant in the ordinary course consistent with past custom and practice.

"Partnership Interests" has the meaning set forth in the Recitals to this Agreement.

"Party" has the meaning set forth in the introductory paragraph of this Agreement.

"Permits" has the meaning provided in Section 5.7.

"Permitted Encumbrances" means:

(a) liens for Property Taxes and other governmental charges and assessments which are not yet due and payable, or Taxes the validity of which are being contested in good faith by appropriate proceedings as listed on Schedule 5.15 and for which adequate provision is made on the Balance Sheet;

(b) all exceptions, restrictions, easements, charges, rights-of-way and monetary and non-monetary encumbrances which are set forth in any Permit;

(c) mechanics', carriers', workers', repairers' and other similar liens and the rights of customers, suppliers and subcontractors arising or incurred in the ordinary course of business for amounts that are not yet due and payable or that are contested in good faith by appropriate proceedings as listed on Schedule 5.8;

(d) purchase money security interests in respect of personal property arising or incurred in the ordinary course of business;

(e) zoning, entitlement, conservation restriction and other land use and environmental regulations of any Governmental Authority;

(f) Encumbrances of record (other than Encumbrances securing indebtedness of Seller for money borrowed which are not covered by any other clause of this definition);

(g) restrictions and regulations imposed by any Governmental Authority or any local, state, regional, national or international reliability council, or any independent system operator or regional transmission organization with jurisdiction over either PGV or the Plant;

(h) Encumbrances with respect to the assets of Plant created by or resulting from the acts or omissions of Purchaser;

(i) claims, equities and other Encumbrances arising under the Existing Contracts, or which will be and are discharged or released either prior to, or simultaneously with, the Closing;

(j) any restrictions contained in or imposed by Seller's and Purchaser's Required Regulatory Approvals and Seller's and Purchaser's Required Consents; and

(k) such other Encumbrances or imperfections in or failures of title that would not, individually or in the aggregate, have a Material Adverse Effect.

"Person" means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any Governmental Authority, or any other entity.

"PGV" has the meaning set forth in the Recitals to this Agreement.

"PGV Interests" has the meaning set forth in the Recitals to this Agreement.

"Plant" means, to the extent of PGV's ownership interests therein, the geothermal electricity generation facilities located on the Big Island of Hawaii and all related personal and real property interests therein.

"Pledge Agreement" means that certain Stock Pledge Agreement (CEI) dated as of December 21, 1990, by CPI to Credit Suisse, New York Branch, as amended by that certain Confirmation and Amendment of Pledge Agreement - CPI, by CPI to Credit Suisse, New York Branch, dated as of December 2, 1996.

"Power Purchase Agreement" means that certain Power Purchase Contract for Unscheduled Energy Made Available From a Qualifying Facility, dated as of March 24, 1986, by and between PGV and Hawaii Electric Light Company, Inc., as amended on July 28, 1989, October 19, 1993, March 7, 1995, and February 12, 1996.

"Price Allocation" has the meaning set forth in Section 7.5(b).

"Property Taxes" means real, personal and intangible property Taxes.

"Purchase Price" has the meaning set forth in Section 3.3.

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"Purchased Shares" has the meaning set forth in the Recitals to this Agreement.

"Purchaser" has the meaning set forth in the introductory paragraph of this Agreement.

"Purchaser Claims" has the meaning set forth in Section 9.2(a).

"Purchaser Indemnified Parties" has the meaning set forth in Section 9.2(a).

"Purchaser's Parent" has the meaning set forth in the introductory paragraph of this Agreement.

"Purchaser's Required Consents" means the consent of any Person specified in Schedule 1.1E, other than a Governmental Authority, necessary for Purchaser's consummation of the Transactions.

"Purchaser's Required Regulatory Approvals" means approval of the purchase and sale contemplated hereby by any Governmental Authority specified in Schedule 1.1F.

"Recognized Environmental Condition" means the presence or Release, or threatened Release, to the environment, at the Plant, of Hazardous Substances, including any migration of Hazardous Substances through air, soil or groundwater at, to or from the Plant regardless of when such presence or Release occurred or is discovered.

"Records" has the meaning set forth in Section 7.10(a).

"Release" means any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, injecting, leaching, dumping, depositing, dispersing, allowing to escape or migrate into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building, structure, facility or fixture) of any Hazardous Substance, including the abandonment or discarding of Hazardous Substances in barrels, drums, or other containers.

"Remediation" means any action of any kind to address a Recognized Environmental Condition or Release or threatened Release or the presence of Hazardous Substances on or in the air, soil, surface water or groundwater, including the following: (a) monitoring, investigation, cleanup, containment, remediation, removal, mitigation, response or restoration work; (b) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such work; (c) preparing and implementing any plans or studies for such work; (d) obtaining a written notice from a Governmental Authority with jurisdiction under applicable Environmental Laws that no material additional work is required by such Governmental Authority; (e) any response to, or preparation for, any inquiry, order, hearing or other proceeding by or

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before any Governmental Authority with respect to any such Recognized Environmental Condition, Release or threatened Release or presence of Hazardous Substances; and (f) any other activities reasonably determined by Seller or PGV to be necessary or appropriate or required under Environmental Laws to address a Recognized Environmental Condition, the presence of or Release of Hazardous Substances in the air, soil, surface water or groundwater at the Plant or any other off-site location.

"Replacement Benefit Plans" has the meaning set forth in Section 7.14(d).

"Replacement Welfare Plans" has the meaning set forth in Section 7.14(c).

"Section 338(h)(10) Election" has the meaning set forth in Section 7.5(b).

"Securities Act" has the meaning set forth in Section 6.10.

"Seller" has the meaning set forth in the introductory paragraph of this Agreement.

"Seller's Claims" has the meaning set forth in Section 9.3(a).

"Seller's Indemnified Parties" has the meaning set forth in Section 9.3(a).

"Seller's Marks" means the name "Constellation," "Constellation Energy", "COSI" and all derivatives thereof and corresponding logos, excluding the name "Puna Geothermal Venture".

"Seller's Required Consents" means (a) the consent of any Person specified in Schedule 1.1G other than a Governmental Authority necessary for Seller's consummation of the Transactions, and (b) the consent of any Person required by any of the Existing Contracts or the Permits for Seller's consummation of the Transactions.

"Seller's Required Regulatory Approvals" means approval of the purchase and sale contemplated hereby by any Governmental Authority specified in Schedule 1.1H.

"Tax" or "Taxes" means (i) all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state or local or foreign taxing authority, including but not limited to, income, excise, real or personal property, sales, transfer, franchise, payroll, withholding, social security, receipts, license, stamp, occupation, employment or other taxes, and any payments to any state, local or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments, (ii) any interest, penalty or addition attributable thereto, whether disputed or not, and (iii) any item for which liability arises as a transferee or successor-in-interest, operation of law or Treasury regulation Section 1.1502-6(a) (or any predecessor or successor thereof or similar provision of law).

"Tax Proceeding" has the meaning set forth in Section 7.5(d).

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"Tax Return" means any return, report, information return, declaration, claim for refund, or other document, together with all amendments and supplements thereto, required to be filed with any Governmental Authority responsible for the administration of Applicable Laws governing Taxes.

"Termination Date" has the meaning set forth in Section 12.1(b).

"Third Party Claim" means a claim by a Person that is not included among the Seller's Indemnified Parties or the Purchaser Indemnified Parties, including any claim for the costs of conducting Remediation, or seeking an order or demanding that a Person undertake Remediation.

"Transactions" has the meaning set forth in the Recitals to this Agreement.

"Transfer Tax" means any sales Tax, transfer Tax, conveyance fee, recording fee, use Tax, stamp Tax, stock transfer Tax or other similar Tax, including any related penalties, interest and additions thereto, but excluding for all purposes Income Taxes.

"Transferred Employees" has the meaning set forth in Section 7.14(a).

"Transition Period" means the period commencing with the execution of this Agreement by both Parties and ending upon Closing (or earlier termination of this Agreement).

"Transition Representative" has the meaning set forth in Section 8.2.

"Unaudited Financial Statements" has the meaning set forth in Section 5.17.

SECTION 1.2 Certain Interpretive Matters. In this Agreement, unless the context otherwise requires:

(a) the singular number includes the plural number and vice versa;

(b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity;

(c) reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof;

(d) reference to any Article, Section, Schedule or Exhibit means such Article, Section, Schedule or Exhibit of or to this Agreement, and references in any

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Article, Section, Schedule, Exhibit or definition to any clause means such clause of such Article, Section, Schedule, Exhibit or definition;

(e) any accounting term used and not otherwise defined in this Agreement has the meaning assigned to such term in accordance with GAAP;

(f) "hereunder," "hereof," "hereto" and words of similar import are references to this Agreement as a whole and not to any particular Section or other provision hereof or thereof;

(g) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding or succeeding such term;

(h) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including;"

(i) reference to any law (including statutes and ordinances) means such law as amended, modified codified or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder; and

(j) any agreement, instrument, insurance policy, statute, regulation, rule or order defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument, insurance policy, statute, regulation, rule or order as from time to time amended, modified, or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes, regulations, rules or orders) by succession of comparable successor statutes, regulations, rules or orders and references to all attachments thereto and instruments incorporated therein.

ARTICLE 2

PURCHASE AND SALE

SECTION 2.1 Purchase and Sale. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing,

Seller shall sell and transfer to Purchaser, and Purchaser shall purchase and accept from Seller, all of the Purchased Shares; and (b) COSI PUNA and PGV shall terminate the O&M Agreement.

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ARTICLE 3

CLOSING; PURCHASE PRICE

SECTION 3.1 Closing. Subject to the terms and conditions hereof, proceedings for the consummation of the Transactions (the "Closing") will take place at the offices of Constellation Energy Group, Inc., 750 East Pratt Street, Baltimore, Maryland, at 10:00 a.m. local time, on a mutually acceptable date within ten (10) Business Days following the date on which the conditions set forth in ARTICLE 10 and ARTICLE 11, other than those conditions that by their nature are to be satisfied at the Closing (and for purposes of setting the Closing Date, the matters contemplated by Section 11.9 shall be assumed to have been satisfied), have been either satisfied or waived by the Party for whose benefit such conditions exist, or at such other time and place as the Parties may mutually agree, and in no event later than the Termination Date. The date on which such proceedings actually occur is referred to herein as the "Closing Date." At the Closing, and subject to the terms and conditions hereof, the following will occur:

(a) Deliveries by Seller. At Closing, Seller shall execute and deliver, or cause to be executed and delivered, to Purchaser the following:

(i) an instrument of assignment from CPI which is in a form sufficient to evidence and effect the valid transfer of full title to the Purchased Shares free and clear of all Encumbrances and all of the original issued and outstanding Purchased Shares stock certificates;

(ii) the minute books, company records and files of the Companies and the records of COSI PUNA related to the Transferred Employees (as permitted by Applicable Laws) and those related to the operation and maintenance of the Plant; provided, however, that Seller shall not be required to deliver any of the foregoing to Purchaser to the extent that the same would (A) violate any court or administrative order, (B) disclose information about the activities of Seller, COSI PUNA or any of their Affiliates (other than the Companies) that is unrelated to the Companies, the Business or the Plant, or (C) disclose proprietary models of Seller or any of its Affiliates pertaining to energy project evaluation, energy or natural gas price curves or projections, or other economic predictive models;

(iii) those documents required to be delivered to Purchaser by Seller pursuant to ARTICLE 10;

(iv) evidence of termination of the O&M Agreement. the Credit Documents and the Intercompany Arrangements, reasonably satisfactory to Purchaser;

(v) a listing as of the Closing Date of (A) the amounts accrued, (B) the amounts actually paid, and (C) any remaining amounts anticipated to be incurred

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but not yet accrued or paid, by any of the Companies in connection with the repairs contemplated by Item 1 of Schedule 5.19; and

(vi) any other documents or instruments as may be

reasonably necessary to effect the Transactions to the extent reasonably requested by Purchaser of Seller.

(b) Deliveries by Purchaser. At Closing, Purchaser shall deliver, or cause to be delivered, to Seller the following:

(i) the Initial Purchase Price, subject to the provisions of Section 3.3, if any, by wire transfer of immediately available funds to an account or accounts designated by Seller in writing prior to the Closing Date.

(ii) those documents required to be delivered to Seller by Purchaser pursuant to ARTICLE 11; and

(iii) any other documents or instruments as may be reasonably necessary to effect the Transactions to the extent requested by Seller of Purchaser a reasonable period of time prior to the Closing Date.

SECTION 3.2 Initial Purchase Price. The initial purchase price for the Purchased Shares shall be Seventy One Million Dollars (\$71,000,000) (the "Initial Purchase Price").

SECTION 3.3 Adjustment to Initial Purchase Price. The Initial Purchase Price shall be subject to such adjustments as are specified in Section 3.4, Section 3.5, Section 7.5, Section 7.6 and ARTICLE 9, if any (the Initial Purchase Price as so adjusted is herein referred to as the "Purchase Price").

SECTION 3.4 Estimated Adjustment Statement.

(a) By or before 10:00 a.m. on the third Business Day prior to the scheduled Closing Date, Seller shall prepare and deliver to Purchaser a statement (the "Estimated Adjustment Statement") that sets forth as of the close of business on the Closing Date the net working capital of the Companies as of the Closing Date as calculated as set forth on Schedule 3.4; provided, however the following shall be excluded from such calculation: (i) any and all liabilities under the Loan Documents; and (ii) any amounts related to Inventory; and (iii) the Intercompany Arrangements. In connection with the foregoing calculation, Seller shall also determine any and all costs, expenses or other liabilities paid by any of the Companies prior to the Closing Date and any of the foregoing accrued by any of the Companies prior to the Closing Date related to the repairs contemplated by Item 1 of Schedule 5.19 prior to the Closing Date and all such accrued unpaid amounts shall be included in the calculation of net working capital as provided above. Insurance proceeds to be paid under the Company Insurance Policies with regard to such repair shall be allocated among Seller and Purchaser as provided in

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Section 7.7. In the event the Closing is not scheduled to occur on the last day of a given month, then the items that are included in the Estimated Adjustment Statement shall be prorated to the extent applicable as of the Closing Date by multiplying the amount of each such item representing the full calendar month by a fraction, the numerator of which is the Closing Date and the denominator of which is the number of days there are in the month in which the Closing occurs. The Estimated Adjustment Statement will be prepared in conformity with GAAP, applied on a basis consistent with the financial statements made available to Purchaser under Section 5.17, using the example and format set forth in Schedule 3.4.

(b) In the event the result of the Estimated Adjustment Statement is a negative number, then the Initial Purchase Price will be reduced by an amount equal to absolute value of such number and if the result is a positive number, then the Initial Purchase Price will be increased by an amount equal to such number.

SECTION 3.5 Final Adjustment Statement.

(a) Within forty-five (45) days following the Closing Date, Purchaser shall prepare and deliver to Seller a final statement (the "Final Adjustment Statement") that sets forth the same information as included in the Estimated Adjustment Statement provided pursuant to Section 3.4(a) above, adjusted to take into account the final figures as of 12:01 a.m. on the Closing Date determined in accordance with the standard set forth in Section 3.4. Seller shall provide to Purchaser copies of all invoices or other billing information actually received or sent by Seller during this forty-five (45) day period to allow Purchaser to prepare the Final Adjustment Statement in accordance with this Section. The Final Adjustment Statement shall be accompanied by such backup information and schedules as are reasonably required in order for Seller to understand and verify the accuracy of the computation of the amount(s) set forth therein. In the event the Closing does not occur on the last day of a given month, then the items that are included in the Final Adjustment Statement shall be prorated to the extent applicable as of the Closing Date by multiplying the amount of each such item representing the full calendar month by a fraction, the numerator of which is the Closing Date and the denominator of which is the number of days there are in the month in which the Closing occurs.

(b) The Parties shall attempt to agree upon the Final Adjustment Statement within thirty (30) days following the delivery thereof to Seller. If Seller disputes any item set forth on the Final Adjustment Statement, Seller shall give Purchaser written notice thereof within thirty (30) days following the delivery to Seller of the Final Adjustment Statement setting forth in reasonable detail the disputed item or items. If Seller has not delivered such notice to Purchaser within such thirty (30) day period, the Final Adjustment Statement shall be deemed to be final and, to the extent the Final Adjustment Statement reflects an adjustment to the Initial Purchase Price that is different from the adjustment calculated pursuant to Section 3.4(a), the Party that benefited from

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the variance in the adjustment made on the Closing Date shall pay to the other Party the variance amount within five (5) days following the expiration of such thirty (30) day period. If Seller has delivered a notice of a dispute to Purchaser, the undisputed portion of the variance amount, if any, shall be paid to the Party entitled to receive the same within five (5) Business Days following the delivery of the notice by Seller to Purchaser, and the Parties shall jointly engage the Independent Accounting Firm and shall direct the Independent Accounting Firm to make a final, binding determination of all such disputes within forty-five (45) days of presentation to the Independent Accounting Firm by the Parties of the information that each such Party believes supports its position with respect to each disputed item. Such information shall be presented by each Party to the Independent Accounting Firm within ten (10) days following the selection thereof. The Parties will further direct the Independent Accounting Firm to deliver a written notice to Purchaser and Seller setting forth its determination with respect to each disputed item. The results of such determination will be final and binding, and the balance of the variance amount, if any, resulting from such determination will be paid to the Party entitled to receive the same within ten (10) days of the Independent Accounting Firm's notice of its determination. The fees and expenses of the Independent Accounting Firm shall be borne in equal parts by the Purchaser on the one hand, and the Seller, on the other, and further agree that in connection with the engagement of the Independent Accounting Firm, each of the Purchaser and the Seller will, if requested by the Auditors, execute a reasonable engagement letter including customary indemnities.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES REGARDING THE SELLER

Except as set forth in the Schedules to this Agreement as noted below, or in the Due Diligence Materials, Seller represents and warrants to Purchaser as of the Effective Date as follows:

SECTION 4.1 Organization and Existence.

(a) CPI is a corporation, duly organized, validly existing and in good standing under the laws of the State of Maryland.

(b) COSI PUNA is a corporation, duly organized, validly existing and in good standing under the laws of the State of Maryland.

SECTION 4.2 Execution, Delivery and Enforceability. Each of Seller and COSI PUNA has all requisite corporate power and authority to execute and deliver, and perform their obligations under, this Agreement and to consummate the Transactions. The execution, delivery and performance by Seller and COSI PUNA of this Agreement and the consummation of the Transactions have been duly and validly authorized by all necessary corporate action required on the part of Seller and COSI PUNA and no other corporate proceedings on the part of Seller or COSI PUNA are necessary to authorize this Agreement or to consummate the Transactions. Assuming Purchaser's due authorization,

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execution and delivery of this Agreement, this Agreement constitutes the valid and legally binding obligation of Seller and COSI PUNA, enforceable against Seller and COSI PUNA in accordance with its terms.

SECTION 4.3 No Violation. Subject to Seller obtaining Seller's Required Regulatory Approvals and Seller's Required Consents, and except for compliance with the requirements of the HSR Act, neither the execution or delivery by Seller or COSI PUNA of this Agreement, nor Seller's or COSI PUNA's compliance with any provision hereof, nor Seller's or COSI PUNA's consummation of the Transactions will:

(a) violate, or conflict with, or result in a breach of any provisions of the certificate of incorporation or by-laws of Seller or COSI PUNA;

(b) result in a default (or give rise to any right of termination, cancellation or acceleration) under, or conflict with any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, license, or agreement (including, without limitation, the Existing Contracts) or other instrument or obligation to which Seller or COSI PUNA is a party or by which Seller or COSI PUNA may be bound, except for such defaults (or rights of termination or acceleration) as to which requisite waivers or consents have been, or prior to the Closing will have been, obtained;

(c) violate, contravene or conflict with, or result in a breach of, any law, rule, regulation, order, writ, injunction, license, permit or decree, applicable to Seller or COSI PUNA which would, individually or in the aggregate, have a Material Adverse Effect and will not affect the validity or enforceability of this Agreement or the validity of the Transactions; or

(d) require the consent or approval of, filing with, or notice to any Person which, if not obtained, would prevent Seller or COSI PUNA from performing its obligations hereunder.

SECTION 4.4 Litigation. There is no claim, action, proceeding or, investigation pending or, to Seller's or COSI PUNA's Knowledge, threatened against or relating to Seller or COSI PUNA before any court, arbitrator or Governmental Authority, or any judgment, decree or order of any court,

arbitrator or Governmental Authority, which would, individually or in the aggregate, reasonably be expected to result, or has resulted, in:

(a) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transactions by Seller or COSI PUNA;

(b) a claim against Purchaser or its Affiliates for damages as a result of Seller or COSI PUNA entering into this Agreement or the consummation by Seller or COSI PUNA of the Transactions; or

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(c) a material impairment of Seller's or COSI PUNA's ability to perform its obligations under this Agreement.

SECTION 4.5 Brokers. All negotiations relating to this Agreement or the Transactions for the benefit of Seller, COSI PUNA or the Companies have been carried on by Seller and COSI PUNA and in such a manner as not to give rise to any valid claim against Purchaser or Companies (by reason of Seller's, COSI PUNA's, the Companies' or any of their respective Affiliates' actions) for a brokerage commission, finder's fee or other like payment to any Person.

SECTION 4.6 Seller's and COSI PUNA's Qualifications. Neither Seller nor COSI PUNA has any Knowledge of any reason(s) that the Closing conditions set forth in Articles 10 and 11 (other than the closing conditions set forth in Section 10.4 as to Purchaser's Consents and Purchaser's Regulatory Approvals) cannot be satisfied. To Seller's Knowledge, Seller is qualified to sell the Purchased Shares and there are no conditions in existence which could reasonably be expected to delay, impede or condition the receipt by Seller of Seller's Required Regulatory Approvals or Seller's Required Consents. The provisions of this Section 4.6 are qualified to the extent that the receipt of any Seller's Required Regulatory Approval is subject to the discretion of the applicable Governmental Authority.

SECTION 4.7 Consents and Approvals. No consent, approval, authorization, or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Agreement by Seller or COSI PUNA or for or in connection with the consummation of the Transactions and performance of the terms and conditions contemplated hereby by Seller or COSI PUNA, except for: (a) Seller's Required Regulatory Approvals; (b) Seller's Required Consents; and (c) requirements under the HSR Act.

SECTION 4.8 Compliance with Laws. Neither Seller nor COSI PUNA is in violation of any laws, orders, ordinances, rules, regulations or judgments of any Governmental Authority which could result in a Material Adverse Effect.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANIES

Except as set forth in the Schedules to this Agreement as noted below, or in the Due Diligence Materials, Seller represents and warrants to Purchaser as of the Effective Date as follows:

SECTION 5.1 Organization and Existence

(a) CE PUNA I is a corporation, duly organized, validly existing and in good standing under the laws of the State of Maryland and has all requisite power and

authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(b) CE PUNA II is a corporation, duly organized, validly existing and in good standing under the laws of the State of Maryland and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(c) CE PUNA LP is a limited partnership, duly formed, validly existing and in good standing under the laws of the State of Maryland and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(d) PGV is a general partnership, duly formed and in good standing under the laws of the State of Hawaii and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(e) Each of the Companies is duly qualified to do business and is in good standing in each jurisdiction, if any, in which it is required to be so qualified except in those jurisdictions where the failure to be so duly qualified would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.2 Ownership.

(a) CPI owns beneficially and of record 100% of the CE PUNA I Shares which constitute all of the issued and outstanding capital stock of, and the only class of capital stock of, CE PUNA I.

(b) CPI owns beneficially and of record 100% of the CE PUNA II Shares which constitute all of the issued and outstanding capital stock of, and the only class of capital stock of, CE PUNA II.

(c) CE PUNA I and CE PUNA II each own 50% of the CE PUNA LP Interests which constitute all of the partnership interests of CE PUNA LP.

(d) CE PUNA I and CE PUNA LP own all of the PGV Interests which constitute all of the partnership interests of PGV.

(e) All of the Purchased Shares have been duly authorized and validly issued and are fully paid and nonassessable.

(f) At the Closing, (i) Seller will own all of the Purchased Shares, (ii) CE PUNA I and CE PUNA II will own all of the CE PUNA LP Interests, and (iii) CE PUNA I and CE PUNA LP will own all of the PGV Interests, free and clear of any

Encumbrances, except purchase rights granted to Purchaser pursuant to the terms of this Agreement.

SECTION 5.3 Capitalization. Other than this Agreement and except as set forth on Schedule 5.3, there are no outstanding options, warrants, purchase rights, subscription rights, conversion rights or other rights of any kind (preemptive or otherwise) to acquire any capital stock or partnership interests in the Companies, or securities convertible into or exchangeable for, or which otherwise confer on the holder thereof any right to acquire, any capital stock or partnership interests, nor is any of the Companies committed to issue, sell or otherwise cause to become outstanding any such option, warrant, right or security, except obligations to Purchaser under this Agreement and there are no

agreements or understandings concerning the ownership, voting, or disposition of the Purchased Shares or the Partnership Interests.

SECTION 5.4 No Violation. Except as set forth on Schedule 5.4 and subject to Seller obtaining Seller's Required Regulatory Approvals and Seller's Required Consents, and except for compliance with the requirements of the HSR Act, neither the execution or delivery by Seller of this Agreement, nor Seller's compliance with any provision hereof, nor Seller's consummation of the Transactions will:

(a) violate, conflict with, or result in a breach of any provisions of, as applicable, the certificate of incorporation or by-laws, or the certificate of partnership or partnership agreement, of the Companies;

(b) result in a default (or give rise to any right of termination, cancellation or acceleration) under, or conflict with any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, license, or agreement (including, without limitation, the Existing Contracts) or other instrument or obligation to which the Companies are a party or by which the Companies may be bound;

(c) violate, contravene or conflict with, or result in a breach of, any law, rule, regulation, order, writ, injunction, license, permit or decree, applicable to the Companies which would, individually or in the aggregate, have a Material Adverse Effect.

SECTION 5.5 Business.

(a) The ownership of CE PUNA LP is the only business conducted by CE PUNA II, and, except as set forth on Schedule 1.1C, the 50% of the CE PUNA LP Interests owned by it are the only assets owned by and liability of CE PUNA II.

(b) The ownership of CE PUNA LP and PGV is the only business conducted by CE PUNA I and, except as set forth on Schedule 1.1C, the 50% of the CE PUNA LP Interests owned by it and its ownership of its portion of the PGV Interests are the only assets owned by and liability of CE PUNA I.

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(c) The ownership of PGV is the only business conducted by CE PUNA LP and, except as set forth on Schedule 1.1C, its ownership of its portion of the PGV Interests is the only assets owned by and liability of CE PUNA LP.

(d) The only business engaged in by COSI PUNA has been the services carried out pursuant to the O&M Agreement and COSI PUNA owns and holds all interest of the Operator (as such term is defined in the O&M Agreement) under the O&M Agreement.

(e) The only business engaged in by PGV is the ownership, operation, and maintenance of the Plant, the generation and sale of electric energy and capacity from the Plant and any and all other activities related or incidental to the foregoing. As of the Closing, PGV will own all of the assets, Inventory, software licenses, properties and rights necessary to own, operate and maintain the Plant in substantially the same manner as it has been owned, operated and maintained prior thereto.

SECTION 5.6 Compliance with Laws. Except as set forth in Schedule 5.6, there is no uncured violation by any of the Companies of any laws, orders, ordinances, rules, regulations or judgments of any Governmental Authority, which would, individually, or in the aggregate, result in a Material Adverse Effect.

SECTION 5.7 Permits. Except as set forth in Schedule 5.7, PGV holds or has received all permits, registrations, notifications, franchises, licenses,

certificates, and other authorizations, consents and approvals of all Governmental Authorities required in order for PGV to own, operate and maintain the Plant and generate and sell electric energy and capacity as set forth in the Power Purchase Agreement (collectively, "Permits"), except for such Permits which if not held would not, individually or in the aggregate, result in a Material Adverse Effect.

SECTION 5.8 Litigation. There is no claim, action, proceeding, audit or investigation pending or, to Seller's Knowledge, threatened against or relating to PGV or the Plant before any court, arbitrator or Governmental Authority, nor has any judgment, decree or order of any court, arbitrator or Governmental Authority been issued to PGV or the Plant.

SECTION 5.9 Existing Contracts.

(a) Except for Existing Contracts (i) listed in Schedule 5.9(a), (ii) which will expire prior to the Closing Date, (iii) which do not require known or liquidated expenditures or payments by PGV in excess of one hundred thousand Dollars (\$100,000) within a twelve (12) month period (and such agreements within the scope of this clause (iii) in the aggregate not requiring known or liquidated expenditures or payments by PGV in excess of two hundred fifty thousand Dollars (\$250,000) within a twelve (12) month period), or (iv) which, if not performed by PGV, would not result in a

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Material Adverse Effect, PGV is not a party to, and neither PGV nor the Plant is bound by, any Existing Contract.

(b) Except as set forth in Schedule 5.9(b), there is not under any of the Existing Contracts listed in Schedule 5.9(a) any default or event which, with notice or lapse of time or both, would constitute an event of default by PGV except for such events of default and other events as to which requisite waivers have been, or prior to Closing will have been, obtained or which would not, individually or in the aggregate, result in a Material Adverse Effect.

(c) No claim, action, proceeding or investigation is pending or, to Seller's Knowledge, threatened against PGV challenging the enforceability of any of the Existing Contracts specified in Schedule 5.9(a), as applicable.

(d) Seller has delivered or made available to Purchaser true and complete copies of all Existing Contracts listed in Schedule 5.9(a) including all amendments thereto. There are no oral amendments to any of the Existing Contracts listed in Schedule 5.9(a).

SECTION 5.10 Personal Property. Except as listed in Schedule 5.10, PGV has good and valid title to its personal property, including, without limitation, all improvements and fixtures located at the Plant, free and clear of all Encumbrances other than Permitted Encumbrances with regard to any fixtures included in such personal property.

SECTION 5.11 Real Property. PGV does not own any real property.

SECTION 5.12 Leases. Schedule 5.12 lists, as of the date of this Agreement, all leases pertaining to real property under which PGV is a lessee or lessor and other related agreements and which (a) provide for annual payments of more than \$100,000, or (b) are material to the Business of PGV. Except as set forth in Schedule 5.12, there is not, under any such leases, any event of default or event which, with notice or lapse of time or both, would constitute an event of default by PGV or, to Seller's Knowledge the lessors of such real property, as applicable, except for such events of default and other events as to which requisite waivers have been, or prior to Closing will have been, obtained or which would not, individually or in the aggregate, result in a

Material Adverse Effect. Except as set forth in Schedule 5.12, to Seller's Knowledge the owners of the real property being leased by PGV have good and valid title to that real property, free and clear of all Encumbrances other than Permitted Encumbrances.

SECTION 5.13 Intellectual Property. PGV owns, is licensed or otherwise possesses sufficient legally enforceable rights to use, all patents, copyrights, trademarks, service marks, technology, know-how, computer software programs and applications, databases and tangible or intangible proprietary information or materials that are currently used in the operation of the Plant except for such items for which the failure to

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possess such rights would not, individually or in the aggregate, result in a Material Adverse Effect.

SECTION 5.14 Environmental Compliance. Except as disclosed in Schedule 5.14, or which would not, individually or in the aggregate, have a Material Adverse Effect:

(a) There has not been a Release of Hazardous Substances at or otherwise affecting the Plant that: (i) constitutes an unremediated violation of any Environmental Law if the effect of such violation imposes a current remediation obligation on the part of PGV; (ii) currently imposes any release-reporting obligations on PGV under any Environmental Law that have not been or are not being complied with; or (iii) currently imposes any clean-up or remediation obligations on PGV under any Environmental Law;

(b) PGV is currently in compliance with all Environmental Laws applicable to the Plant;

(c) PGV holds and is in compliance with all Permits required under applicable Environmental Laws, and has not received any written notice that: (i) any such existing Permit will be revoked; or (ii) any pending application for any new such Permit or renewal of any such existing Permit will be denied; and

(d) PGV has not received any currently outstanding written notice of any material proceedings, action, or other claim, liability or potential liability arising under any Environmental Laws from any Person or Governmental Authority regarding the Plant.

SECTION 5.15 Tax Matters. Except as set forth in Schedule 5.15, or as would not, individually or in the aggregate, have a Material Adverse Effect:

(a) for all periods ending prior to or on the Closing Date, all Tax Returns required to be filed by or with respect to the Companies have been or will be timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed;

(b) for all periods ending prior to or on the Closing Date, such Tax Returns are or will be true and correct in all material respects, and all Taxes legally due on or prior to the Closing Date have been or will be timely paid;

(c) none of the Companies have extended or waived the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax and no power of attorney has been granted by or with respect to any of the Companies with regard to any matters relating to Taxes thereof;

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(d) no notice of deficiency or assessment has been received from or threatened by any taxing authority with respect to liabilities for Taxes of any of the Companies, which have not been fully paid or finally settled; provided, however, that any such deficiency shown in Schedule 5.15 is being contested in good faith through appropriate proceedings;

(e) for all periods prior to Closing, the Companies have withheld and paid over to the appropriate taxing authority all Taxes required to be withheld and paid over in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party;

(f) the Companies do not conduct any business in or derive income from any state, local or foreign jurisdiction other than those jurisdictions for which Tax Returns have been duly filed by the Companies;

(g) Seller have delivered to Purchaser correct and complete copies of (i) the general excise/use tax returns for the period beginning January 1, 1999, (ii) all other Tax Returns for the periods beginning January 1, 1998, and (iii) all examination reports of the Companies and statements of deficiencies assessed against or agreed to by the Companies within the last 5 years;

(h) none of the Companies has made any payment or payments, is obligated to make any payment or payments or is a party to (or participating employer in) any agreement or plan that could obligate it or their successors or Affiliates to make any payment or payments that as a result of the transactions contemplated by this Agreement would constitute an "excess parachute payment" as defined in Section 280(G) of the Code (or comparable provisions of state or local law);

(i) the Companies have (i) never been a member of an affiliated group (within the meaning of Section 1504(a) of the Code) filing a consolidated federal income Tax Return (other than a group the common parent of which was either Baltimore Gas and Electric Company (prior to April 30, 1999) or Constellation Energy Group, Inc. (after May 1, 1999)), and (b) no liability for Taxes of any Person (other than Baltimore Gas and Electric Company (prior to April 30, 1999), Constellation Energy Group, Inc. (after May 1, 1999), or any of their respective subsidiary Affiliates) under Treasury regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise;

(j) CE Puna I and CE Puna II are members of an affiliated group of corporations filing a consolidated federal income tax return with Constellation Energy Group, Inc. as common parent; and

(k) the Partnerships are properly characterized as "partnerships" within the meaning of Section 7701(a)(2) of the Code and any comparable provision of state,

local or foreign law, and none of the Partnerships has ever been a "corporation" within the meaning of Section 7701(a)(3) of the Code.

SECTION 5.16 No Subsidiaries. Except as described in Section 5.2, none of the Companies own or hold, directly or indirectly, nor have any right or obligation to acquire, any equity or other ownership interest in any corporations, limited liability companies, partnerships, joint ventures, or other Person.

SECTION 5.17 Financial Statements. CPI has made available to Purchaser the unaudited financial statements of PGV, including a balance sheet as of December 31, 2003, and an income statement and a statement of cash flows for the 12 months ending December 31, 2003 (collectively, the "Unaudited Financial Statements"). The foregoing balance sheet is referred to herein as the "Balance Sheet". The Unaudited Financial Statements were prepared in accordance with GAAP consistently applied (except that the Unaudited Financial Statements do not include footnotes required by GAAP) and fairly present, in all material respects, the financial position and results of operations of PGV as of the date thereof and for the periods covered thereby. Seller has made available to Purchaser an unaudited balance sheet and income statement for the combination of CE PUNA I and CE PUNA II as of December 31, 2003 and such balance sheet and income statement were prepared in accordance with GAAP (except that such statements do not include footnotes required by GAAP and such statements do not reflect income taxes which were reported on the financial statements of Seller) and fairly present, in all material respects, the financial position and results of operations of the combination of CE PUNA I and CE PUNA II as of the date thereof and for the periods covered thereby. From January 1, 2004 to the Effective Date, none of the Companies have distributed any cash to Seller or any Affiliate of Seller other than as payment for goods and services rendered in the ordinary course of business or to satisfy the Intercompany Arrangements as provided herein. Either (i) the books and records in the possession of the Companies or Purchaser upon Closing will include the backup accounting and financial information reasonably necessary for an experienced certified public accountant to prepare audited financial statements for each of the Companies for the 2001, 2002 and 2003 calendar years and that portion of the 2004 calendar year prior to Closing or (ii) the Seller will provide the Purchaser with such backup accounting and financial information and records reasonably necessary for an experienced certified public accountant to prepare audited financial statements for each of the Companies for the 2001, 2002 and 2003 calendar years and that portion of the 2004 calendar year prior to Closing.

SECTION 5.18 Undisclosed Liabilities. To Seller's Knowledge and except as set forth in Schedule 5.18, none of the Companies has any liability or obligation, secured or unsecured, of a nature required by GAAP to be reflected on its respective balance sheet or disclosed in the notes thereto, which are not accrued or reserved against on its respective balance sheet or disclosed in the notes thereto, except those which either (i) were incurred in the ordinary course of business after the date of the respective balance sheet in accordance with Section 7.3, (ii) would not, individually or in the aggregate,

have a Material Adverse Effect or (iii) in the case of CE PUNA LP, are disclosed in the balance sheet for the combination of CE PUNA I and CE PUNA II.

SECTION 5.19 Absence of Certain Financial Changes or Events. Except as (a) set forth in Schedule 5.19, and (b) otherwise contemplated by this Agreement, there has not been : (i) since the date of the Unaudited Financial Statements any event or occurrence resulting in a Material Adverse Effect; (ii) since the date of the Unaudited Financial Statements and prior to the Effective Date any damage, destruction or casualty loss, whether covered by insurance or not, which had a Material Adverse Effect; (iii) since the date of the Unaudited Financial Statements any entry into any agreement, commitment or transaction (including, without limitation, any borrowing, capital expenditure or capital financing) by any of the Companies which is material to the Business of PGV or the business of such other Companies, except agreements, commitments or transactions in the ordinary course of business or as contemplated hereby; or (iv) since the date of the Unaudited Financial Statements any change by any of the Companies in accounting methods, principles or practices except as required or permitted by GAAP.

SECTION 5.20 Consents and Approvals. No consent, approval, authorization or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Agreement by Seller or for or in connection with the consummation of the Transactions and performance of the terms and conditions contemplated hereby by Seller, except for: (a) Seller's Required Regulatory Approvals; (b) Seller's Required Consents; (c) requirements under the HSR Act; and (d) consents, approvals, authorizations, permits, filings, or notices that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 5.21 Labor Matters. With respect to the ownership or operation of the Plant, and except for such matters as will not, individually or in the aggregate, create a Material Adverse Effect, COSI PUNA and each of the Companies are in compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours. As of the date hereof, Seller has no knowledge of any claim of representation by a third party, organizing drive by a third party seeking to represent all or any portion of employees working at the Plant, or representation petition concerning the workforce at the Plant including, without limitation, the Transferred Employees.

SECTION 5.22 Insurance. All Company Insurance Policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the date as of which this representation is being made have been paid, and no notice of cancellation or termination has been received with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation. The Company Insurance Policies cover the property damage to the Plant described in Schedule 5.19.

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SECTION 5.23 Employee Benefit Plans. Schedule 5.23 contains a complete and accurate list of all Employee Benefit Plans in which a Transferred Employee is eligible to participate. The Companies do not have any agreement, arrangement, commitment or obligation to create, enter into or contribute to any additional Employee Benefit Plan or to modify any existing Employee Benefit Plan in connection with the Transferred Employees.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as set forth in the Schedules to this Agreement, Purchaser represents and warrants to Seller as of the Effective Date as follows:

SECTION 6.1 Organization and Existence. Purchaser is a limited liability company, duly organized, validly existing and in good standing under the laws of State of Delaware, and has all requisite limited liability company power and authority to own, lease and operate its properties and to carry on its business as is now being conducted.

SECTION 6.2 Execution, Delivery and Enforceability. Purchaser has all requisite limited liability company power and authority to execute and deliver, and to perform its obligations under, this Agreement and to consummate the Transactions. The execution, delivery and performance of this Agreement and the consummation of the Transactions have been duly and validly authorized by all necessary limited liability company action required on the part of Purchaser, and no other limited liability company proceedings on the part of Purchaser are necessary to authorize this Agreement or to consummate the Transactions. Assuming the due authorization, execution and delivery of this Agreement by Seller, this Agreement constitutes the valid and legally binding obligations of Purchaser, enforceable against Purchaser in accordance with its terms.

SECTION 6.3 No Violation. Subject to Purchaser obtaining the

Purchaser's Required Regulatory Approvals and the Purchaser's Required Consents, and except for compliance with the requirements of the HSR Act, neither the execution or delivery by Purchaser of this Agreement, nor Purchaser's compliance with any provision hereof, nor Purchaser's consummation of the Transactions will:

(a) violate, or conflict with, or result in a breach of any provisions of the limited liability company organization documents of Purchaser;

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(b) result in a default (or give rise to any right of termination, cancellation or acceleration) under or conflict with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, or agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser may be bound, except for such defaults (or rights of termination or acceleration) as to which requisite waivers or consents have been, or prior to the Closing will have been, obtained, or which would not, individually or in the aggregate, create a Material Adverse Effect;

(c) violate any law, rule, regulation, order, writ, injunction, or decree, applicable to Purchaser or any of its assets, except where such violations, individually or in the aggregate, would not create a Material Adverse Effect and will not affect the validity or enforceability of this Agreement or the validity of the Transactions; or

(d) require the consent or approval of, filing with, or notice to any Person which, if not obtained, would prevent Purchaser from performing its obligations hereunder.

SECTION 6.4 Compliance with Laws. Purchaser is not in violation of any laws, orders, ordinances, rules, regulations or judgments of any Governmental Authority which could result in a Material Adverse Effect.

SECTION 6.5 Litigation. There is no claim, action, proceeding or investigation pending or, to Purchaser's Knowledge, threatened against or relating to Purchaser or its Affiliates before any court, arbitrator or Governmental Authority, or any judgment, decree or order of any court, arbitrator or Governmental Authority, which would, individually or in the aggregate, reasonably be expected to result, or has resulted, in:

(a) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transactions by Purchaser;

(b) a claim against Seller or its Affiliates for damages as a result of Purchaser entering into this Agreement or the consummation by Purchaser of the Transactions;

(c) a material impairment of Purchaser's ability to perform its obligations under this Agreement; or

(d) a Material Adverse Effect.

SECTION 6.6 Brokers. All negotiations relating to this Agreement or the Transactions for the benefit of Purchaser have been carried on by Purchaser in such a manner as not to give rise to any valid claim against Seller (by reason of Purchaser's actions) for a brokerage commission, finder's fee or other like payment to any Person.

SECTION 6.7 Financing. Purchaser has now, and at the Closing Purchaser will have, liquid capital or committed sources therefor sufficient to permit Purchaser to perform fully and timely its obligations under this Agreement and has provided evidence of same to Seller.

SECTION 6.8 Purchaser Qualifications. Purchaser has no Knowledge of any reason(s) that the Closing conditions set forth in Articles 10 and 11 cannot be satisfied. To Purchaser's Knowledge, Purchaser is qualified to obtain and there are no conditions in existence which could reasonably be expected to delay, impede or condition the receipt by Purchaser of Purchaser's Required Regulatory Approvals or Purchaser's Required Consents. The provisions of this Section 6.8 are qualified to the extent that the receipt of any Purchaser's Required Regulatory Approval is subject to the discretion of the applicable Governmental Authority.

SECTION 6.9 "As Is" Sale; Disclaimer of Representations and Warranties; Further Acknowledgements by Purchaser.

(a) "As Is" Sale. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN ANY OTHER PROVISION OF THIS AGREEMENT AND EXCEPT FOR THE REPRESENTATIONS, WARRANTIES OR COVENANTS SET FORTH IN THIS AGREEMENT, PURCHASER UNDERSTANDS AND AGREES THAT SELLER IS NOT MAKING ANY REPRESENTATION, WARRANTY OR COVENANT WHATSOEVER, EXPRESS, IMPLIED, AT COMMON LAW, STATUTORY OR OTHERWISE, AND PURCHASER FURTHER UNDERSTANDS AND AGREES THAT THE ASSETS OF THE COMPANIES, INCLUDING THE PLANT AND ALL OF THE PARTNERSHIP INTERESTS, ACQUIRED THEREBY THROUGH ACQUISITION OF THE PURCHASED SHARES, ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR CONDITION ON THE CLOSING DATE "WITH ALL FAULTS," AND THAT PURCHASER IS RELYING ON ITS OWN EXAMINATION OF THE COMPANIES AND SUCH ASSETS IN PURCHASING THE PURCHASED SHARES HEREUNDER.

(b) Disclaimer of Representations and Warranties. WITHOUT LIMITING THE GENERALITY OF SECTION 6.9(a) AND EXCEPT FOR THE REPRESENTATIONS, WARRANTIES AND COVENANTS EXPRESSLY SET FORTH IN THIS AGREEMENT, PURCHASER UNDERSTANDS AND AGREES THAT SELLER EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATIONS, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, AT COMMON LAW, STATUTORY, OR OTHERWISE AS TO (i) OPERATION OF THE ASSETS OF THE COMPANIES, INCLUDING THE PLANT, TITLE, CONDITION, VALUE OR QUALITY OF SUCH ASSETS OR THE BUSINESS, CONDITION (FINANCIAL OR OTHERWISE), OR PROSPECTS OF THE COMPANIES, RISKS AND OTHER INCIDENTS OF THE PURCHASED SHARES OR SUCH ASSETS, (ii) ANY REPRESENTATION OR WARRANTY OF

MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO SUCH ASSETS OR ANY PART THEREOF, OR AS TO THE WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, (iii) THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS IN, ON, OR DISPOSED OR DISCHARGED FROM, THE PLANT AND OTHER ASSETS OF THE COMPANIES, OR (iv) ANY INFRINGEMENT BY SELLER, THE COMPANIES, OR ANY OF THEIR AFFILIATES OF ANY PATENT OR PROPRIETARY RIGHT OF ANY THIRD PARTY. PURCHASER FURTHER AGREES THAT NO INFORMATION OR MATERIAL PROVIDED BY OR COMMUNICATION MADE BY SELLER OR ANY REPRESENTATIVE OF SELLER WILL CONSTITUTE, CREATE OR OTHERWISE CAUSE TO EXIST ANY REPRESENTATION OR WARRANTY DISCLAIMED BY THE FOREGOING.

SECTION 6.10 Characteristics of Purchaser; No Distribution. Purchaser or its Affiliates are experienced and knowledgeable investors in the United States power generation and development business. Prior to entering into this Agreement, Purchaser was advised by its counsel, accountants, financial advisors, and such other Persons it has deemed appropriate concerning this Agreement and has relied solely on Seller's representations and warranties

expressly contained herein and its independent investigation and evaluation of, and appraisal and judgment with respect to, PGV, the Business, assets, including the Plant, liabilities, results of operations, condition (financial or otherwise), and prospects of PGV, and the revenue, price, and expense assumptions applicable thereto. Purchaser hereby acknowledges that the Purchased Shares are not registered under the Securities Act of 1933, as amended from time to time (the "Securities Act"), or registered or qualified for sale under any state securities laws and cannot be resold without registration thereunder or exemption therefrom. Purchaser is an "accredited investor," as such term is defined in Regulation D of the Securities Act and will acquire the Purchased Shares for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act, and the rules and regulations thereunder, any applicable state "blue sky" laws or any other applicable securities laws. Purchaser has sufficient knowledge and experience in financial and business matters to enable it to evaluate the risks of investment in the Purchased Shares and has the ability to bear the economic risk of this investment for an indefinite period of time.

SECTION 6.11 Intentionally Omitted.

SECTION 6.12 Inspection. Purchaser acknowledges that, prior to its execution of this Agreement:

(a) it has been afforded access to and the opportunity to inspect each of the Plant, the Existing Contracts, the Permits, and all other Due Diligence Materials;

(b) it has inspected the Plant, and as of the Closing Date, it will have inspected the Plant and reviewed the Existing Contracts, the Permits, and all other Due

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Diligence Materials to the extent it deems necessary or advisable in connection with its decision to enter into this Agreement, and to consummate the Transactions;

(c) it is relying upon Seller's representations and warranties expressly set forth in this Agreement and its own inspections and investigation in order to satisfy itself as to the condition and suitability of the Business, assets, including the Plant, liabilities, results of operations, condition (financial or otherwise), and prospects of the Companies. Purchaser has not relied upon any representation, warranty, statement, advice, Records, Due Diligence Materials, projections, or other information of any type provided by Seller, COSI PUNA, any of the Companies, their respective Affiliates, or any of their respective representatives, except for those expressly set forth in this Agreement. In deciding to enter into this Agreement, and to consummate the Transactions, Purchaser has relied solely upon its own knowledge, investigation, and analysis (and that of its representatives) and not on any disclosure or representation made by Seller, COSI PUNA, any of the Companies, their respective Affiliates, or any of their respective representatives, other than the representations and warranties of Seller expressly set forth herein; and

(d) it acknowledges and agrees that, except as provided in Articles 4 and 5, Seller makes no representation or warranty, express, implied, at common law, statutory or otherwise, with respect to the accuracy or completeness of the Records or Due Diligence Materials now, heretofore, or hereafter made available to Purchaser in connection with this Agreement (including any description of PGV or the Plant, revenue, price and expense assumptions, production forecasts, or environmental information, or any other information furnished to Purchaser by Seller, COSI PUNA, any of the Companies or any of their respective Affiliates or any director, officer, employee, counsel, agent, or advisor thereof).

SECTION 6.13 Consents and Approvals. No consent, approval, authorization, or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Agreement by Purchaser or for or in connection with the consummation of the Transactions and performance of the terms and conditions contemplated hereby by Purchaser, except for: (a) Purchaser's Required Regulatory Approvals; (b) Purchaser's Required Consents; and (c) requirements under the HSR Act.

SECTION 6.14 Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings pending against, being contemplated by, or to the knowledge of Purchaser threatened against, Purchaser.

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ARTICLE 7

COVENANTS OF EACH PARTY

SECTION 7.1 Efforts to Close.

(a) Subject to this Section 7.1, each of the Parties agrees to use its commercially reasonable efforts to consummate and make effective, as soon as reasonably practicable, and in any event on or prior to the date that is one hundred (100) days from the Effective Date, the Transactions, including, but not limited to, the satisfaction of all conditions thereto set forth herein. Such actions shall include exerting their commercially reasonable efforts to obtain the consents, authorizations and approvals of all private parties and any Governmental Authority whose consent is reasonably necessary to effectuate the Transactions, including, in the case of Seller, Seller's Required Regulatory Approvals and Seller's Required Consents, and in the case of Purchaser, Purchaser's Required Regulatory Approvals and Purchaser's Required Consents, and effecting all other necessary registrations and filings, including filings under Applicable Laws, including the HSR Act, and all other necessary filings with any Governmental Authority. In furtherance of this Section 7.1, each Party shall designate a representative to act as the primary point of contact for all communications between the Parties between the Effective Date and the Closing Date with respect to this Agreement and the Transactions.

(b) All appearances, presentations, briefs, and proposals made or submitted by or on behalf of either Party before any Governmental Authority in connection with the approval of this Agreement or the Transactions shall be subject to the joint approval or disapproval in advance and the joint control of the Parties, acting with the advice of their respective counsel, and each Party will consult and fully cooperate with the other Party, and consider in good faith the views of the other Party, in connection with any such appearance, presentation, brief, or proposal; provided, however, that nothing will prevent a Party from responding to a subpoena or other legal process as required by law or submitting factual information in response to a request therefor. Each Party will provide the other with copies of all written communications from Governmental Authorities relating to the approval or disapproval of this Agreement or the Transactions.

SECTION 7.2 Updating. Each Party shall promptly notify the other Party of any changes or additions to any of the Schedules to this Agreement provided by such Party, if any, to correct any matter that would constitute a breach of any representation or warranty of such Party in Articles 4, 5 or 6, as the case may be, of this Agreement as of a reasonably current date prior to the Closing, but in any event not later than three (3) Business Days prior thereto. Subject to Section 13.13, no such updates made pursuant to this Section 7.2 shall be deemed to cure any inaccuracy of any representation or warranty made in this Agreement as of the date hereof, unless the Party for whose benefit such representation or warranty was made specifically agrees thereto in writing, nor shall any

such notification be considered to constitute or give rise to a waiver by the Party for whose benefit such representation or warranty was made of any condition set forth in this Agreement; provided, however, that if the Closing shall occur, then all matters disclosed by either Party pursuant to any such change or addition at or prior to the Closing shall be deemed to be matters of which the other Party had Knowledge for purposes of Section 13.13. Each Party agrees to advise the other Party promptly in writing of any matter or occurrence of which it has or obtains Knowledge which may constitute a breach by either Party of any representation, warranty or covenant contained in this Agreement, or of any reason of which it has or obtains Knowledge why a condition to the performance of either Party's obligations hereunder may not be satisfied on or before the Closing Date.

SECTION 7.3 Conduct Pending Closing.

(a) Prior to the consummation of the Transactions or the termination or expiration of this Agreement pursuant to its terms, unless Purchaser shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed, Seller shall cause each of the Companies, as applicable to, and Seller shall, in the case of subsection (x) below, and COSI PUNA shall in the case of subsection (i) and (vii) below, do the following:

(i) operate and maintain the Plant in accordance in all material respects with the ordinary course of business consistent with past practices;

(ii) except as required by their terms and except for the Loan Documents as provided in Section 7.18, not amend, terminate prior to the expiration date, renew, or renegotiate in any material respect any Existing Contract required to be listed in Schedule 5.9 or enter into any new contract or agreement that would (if it existed on the date hereof) have been required to be listed in Schedule 5.9, except in the ordinary course of business consistent with past practices and except for Intercompany Arrangements that will be terminated and paid in full at or before Closing, or fail to comply in all material respects with its obligations under any such Existing Contract;

(iii) other than pursuant to the requirements of any Existing Contract, not sell, lease, transfer or dispose of, or make any contract for the sale, lease, transfer or disposition of, any material assets or properties of PGV, except sales, leases, transfers or dispositions in the ordinary course of business and other than terminating the O&M Agreement as provided herein;

(iv) not (A) issue any ownership rights or securities convertible into ownership rights, or repurchase, redeem, or otherwise acquire any such ownership rights; (B) merge into or with or consolidate with any other Person or acquire all or substantially all of the business or assets of any Person; (C) make any material change in its partnership agreement; (D) purchase any securities of any Person, except for investments made in the ordinary course of business consistent with past practices; (E) incur any additional obligations for borrowed money or guarantee or otherwise become

liable for the obligations of, or make any loans or advances to, any Person, except obligations for loans or advances from Seller or any of its Affiliates; or (F) authorize, declare, or pay any cash dividend or any other similar

distribution to Seller or any Affiliate of Seller other than as payment for goods and services rendered in the ordinary course, including, but not limited to, payments made pursuant to Section 7.19.

(v) not take any action or enter into any commitment with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up of its Business;

(vi) not change its accounting policies or practices (including, without limitation, any change in depreciation or amortization policies), except as required under GAAP;

(vii) not enter into any employment agreement not terminable at will and will not increase any compensation of the Transferred Employees other than in the ordinary course of business;

(viii) not grant any express Encumbrance on any assets of PGV, except to the extent (i) required or permitted incident to the operation of the assets of PGV and the business of PGV in the ordinary course of business of PGV, or (ii) required or evidenced by any Existing Contract;

(ix) maintain in force and effect the Company Insurance Policies; and

(x) not take any action which would cause any of Seller's representations and warranties set forth in Articles 4 and 5 to be incorrect in any material respect as of the Closing.

(b) Notwithstanding anything to the contrary in Section 7.3(a), Seller shall not be (i) obligated to make or cause PGV to make expenditures other than in the ordinary course of business consistent with past practices or to otherwise suffer any economic detriment, or (ii) precluded from, and PGV shall not be precluded from, instituting, participating in or completing any program designed to promote compliance or comply with Applicable Laws or other good business practices with respect to the Plant; provided, however, that notwithstanding anything to the contrary in Section 7.3(a), Seller may take or may cause PGV to take (w) actions which are required by Applicable Law, (x) reasonable actions in connection with any emergency or other force majeure event, or (y) actions otherwise contemplated by this Agreement or disclosed in Schedule 7.3(b) or any other Schedule to this Agreement.

SECTION 7.4 Regulatory Approvals.

(a) As promptly as practicable but in no event later than the twentieth (20th) day after the date of the execution and delivery of this Agreement, Seller and Purchaser shall each file or cause to be filed with the Federal Trade Commission and the Department of Justice all notifications required to be filed under the HSR Act and the rules and regulations promulgated thereunder with respect to the Transactions. The Parties shall consult with each other as to the appropriate time of filing such notifications and shall agree in good faith upon the timing of such filings, respond promptly to any requests for additional information made by either of such agencies, and cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date after the date of filing. All filing fees to be paid in connection with such filing shall be borne by the Purchaser.

(b) Subject to Section 7.1, Seller and Purchaser shall cooperate with each other and (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other parties, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the

Transactions. Seller and Purchaser shall use their best efforts to file for all Seller's Required Regulatory Approvals and Purchaser Required Regulatory Approvals, respectively, within thirty (30) days after the Effective Date. Seller shall have the right to review and approve in advance all characterizations of the information relating to PGV or its assets; and each of Seller and Purchaser shall have the right to review in advance all characterizations of the information relating to the Transactions which appear in any filing made in connection with the Transactions.

(c) Without limiting the generality of Purchaser's undertakings pursuant to Sections 7.4(a) and 7.4(b):

(i) Purchaser shall promptly take any or all of the following actions to the extent necessary to eliminate any concerns on the part of any Governmental Authority regarding the legality of Purchaser's acquisition of the Purchased Shares under any Applicable Laws: (A) enter into negotiations; (B) provide information; (C) make proposals; or (D) enter into and perform agreements or submit to judicial or administrative orders, whether before or after the Closing; and

(ii) Purchaser and Seller shall use commercially reasonable efforts (including taking the steps contemplated by Section 7.4(b)(i)) to prevent the entry, in a judicial or administrative proceeding brought under any Applicable Laws by any Governmental Authority or any other party, of a permanent or preliminary injunction or other order that would make consummation of the Transactions unlawful or that would otherwise prevent or delay such consummation; and

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(iii) Purchaser and Seller shall promptly take, in the event that such an injunction or order has been issued in such a proceeding, any and all reasonable steps, including the appeal thereof, the posting of a bond, or the steps contemplated by Section 7.4(b)(i), necessary to vacate, modify, or suspend such injunction or order so as to permit such consummation on a schedule as close as possible to that contemplated by this Agreement.

(d) Purchaser shall have the primary responsibility for securing any required transfer, reissuance or procurement of the Permits effective as of the Closing Date. Seller shall use commercially reasonable efforts to cooperate with Purchaser's efforts in this regard and assist in any transfer or reissuance of Permits.

SECTION 7.5 Tax Matters.

(a) All Transfer Taxes incurred in connection with this Agreement and the Transactions, whether levied on Purchaser or Seller, shall be paid by Purchaser when due. Purchaser will file, to the extent required by Applicable Laws, all necessary Tax Returns and other documentation with respect to all such Transfer Taxes. To the extent required by Applicable Laws, but subject to such review and approval, Seller or any of its Affiliates will join in the execution of any such Tax Returns or other documentation. Seller will be entitled to review in advance such Tax Returns as it or its Affiliates may be required to join and execute and such Tax Returns shall be subject to Seller's approval (which shall not be unreasonably withheld, conditioned or delayed).

(b) As soon as practicable after the Closing, Seller and Purchaser agree to join in making a timely, effective and irrevocable election under Section 338(h)(10) of the Code and the comparable election under the laws of the State of Hawaii with respect to CE PUNA I and CE PUNA II (the "Section 338(h)(10) Election"). At least two (2) days prior to the Closing Date, Seller shall deliver to Purchaser two Internal Revenue Service Forms 8023 with respect to CE PUNA I and CE PUNA II. At the Closing Seller shall deliver to Purchaser executed versions of such forms, which Purchaser shall counter-execute and file with the IRS within two (2) weeks thereafter. Purchaser shall use commercially

reasonable efforts to deliver to CPI within 90 days after the Closing Date, but in any event Purchaser shall deliver to CPI within 120 days after the Closing Date, a statement (the "338 Allocation Statement") allocating the ADSP (as such term is defined in Treasury regulations Section 1.338-4) of the assets of CE PUNA I and CE PUNA II in accordance with the Treasury regulations promulgated under Section 338 of the Code. Purchaser shall deliver a revised 338 Allocation Statement to account for any adjustment to the Purchase Price pursuant to Article 3 that was not previously taken into account in the preparation of the 338 Allocation Statement within 10 days after the payment of such Purchase Price adjustment. CPI shall have the right to review the 338 Allocation Statement for compliance with the Treasury regulations promulgated under Section 338 and Section 755 of the Code. The parties agree that the ADSP (including any revised ADSP) will be allocated in accordance with Schedule 7.5(b). If

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CPI notifies Purchaser in writing within 30 days after receipt of the 338 Allocation Statement or a revised 338 Allocation Statement that the allocation of one or more items reflected in the 338 Allocation Statement or a revised 338 Allocation Statement does not comply with the Treasury regulations promulgated under Section 338 and Section 755 of the Code, Purchaser and CPI will negotiate in good faith to resolve such dispute. Upon resolution of the disputed items, the allocation reflected on the 338 Allocation Statement (as such may have been adjusted) shall be the "Price Allocation" and shall be binding on the parties except as set forth herein. Seller and Purchaser agree to act in accordance with the Price Allocation in the preparation, filing and audit of any Tax return. No Party hereto shall file any form or document required to effect a valid and timely Section 338(h)(10) Election (or similar state or local election), including Internal Revenue Service Forms 8023 and 8883, any similar form under any Applicable Laws and any schedules or attachments thereto, unless it shall have obtained the consent of the other Party hereto, which consent shall not be unreasonably withheld, conditioned or delayed, or otherwise required pursuant by a "determination" within the meaning of Section 1313 of the Code. As soon as practicable after the Closing, Seller will make a timely election under Section 754 of the Code for PGV and CE PUNA LP. Within two (2) weeks of making such elections, Seller will provide copies of such elections to Purchaser.

(c) Any Tax Return to be prepared pursuant to the provisions of this Section 7.5 shall be prepared in a manner consistent with practices followed in prior years with respect to similar Tax Returns, except for changes required by changes in Applicable Laws or fact. Purchaser shall not file an amended Tax Return for any period ending on or prior to the Closing Date without the consent of CPI, which consent shall not be unreasonably withheld, conditioned or delayed. The filing of any Tax Returns, or the payment of any Taxes, described in this Section 7.5 shall be made on a timely basis in accordance with Applicable Laws. The following provisions shall govern the allocation of responsibility as between the Parties for certain Tax matters following the Closing Date:

(i) CPI shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Companies for all periods ending on or prior to the Closing Date regardless of when such Tax Returns are to be filed. CPI shall pay, or cause to be paid, the Taxes attributable to the Companies with respect to such periods (including any Income Taxes resulting from the 338(h)(10) Election), other than Transfer Taxes incurred in connection with this Agreement and the Transactions, which shall be the responsibility of Purchaser.

(ii) Purchaser shall prepare or cause to be prepared and file or cause to be filed any Tax Returns of the Companies for Tax periods which begin before or on the Closing Date and end after the Closing Date, excluding those returns for which a Tax Return must be filed for a short year return ending on or prior to the Closing Date, which shall be subject to subparagraph (i) above. To the extent that such Taxes have not been included as a liability

on the Final Adjustment Statement, Seller shall pay, or cause

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to be paid, to Purchaser within fifteen (15) days after the date on which Taxes are paid with respect to such periods an amount equal to the portion of such Taxes, which relates to the portion of such Tax period ending on the Closing Date, other than Transfer Taxes incurred in connection with this Agreement and the Transactions, which shall be the responsibility of Purchaser.

(d) Each Party shall provide the other Party with such assistance as may reasonably be requested by the other Party in connection with the preparation of any Tax Return, or any audit or other examination by any taxing authority, or any judicial or administrative proceedings relating to any liability for Taxes (a "Tax Proceeding"), and each will retain and provide the requesting Party with any records or information which may be relevant to such Tax Return or Tax Proceeding. Any reasonable out-of-pocket expenses incurred in providing such assistance shall be borne by the requesting party. Any information obtained pursuant to this Section 7.5 or pursuant to any other Section hereof providing for the sharing of information relating to or review of any Tax Return or other schedule relating to Taxes shall be kept confidential by the Parties in accordance with the Confidentiality Agreement.

(e) After the Closing Date, in the case of any Tax Proceeding with respect to a Taxable period for which Seller is or may be liable for the Taxes pursuant to this Agreement, other than a claim for Taxes or a Purchaser Claim described in Section 7.5(f) or (g), Purchaser shall inform Seller within ten (10) days of the receipt of any notice of such Tax Proceeding, and shall afford Seller, at Seller's expense, the opportunity to control the conduct of such Tax Proceedings. Purchaser shall execute or cause to be executed powers of attorney or other documents necessary to enable Seller to take all actions desired by Seller with respect to such Tax Proceeding. Seller shall have the right to control, in its sole discretion, any such Tax Proceedings and to initiate any claim for refund, file any amended return, pay such Taxes, or enter into any settlement agreement with a Governmental Authority, or take any other action which it deems appropriate with respect to such Taxes; provided, however, that Seller shall not, without Purchaser's consent (which consent shall not be unreasonably withheld, conditioned or delayed) agree to any settlement with respect to any Tax if such settlement would adversely affect the Tax liability of Purchaser.

(f) Notwithstanding any other provision of this Agreement, this Section 7.5(f) and Section 7.5(g), the dollar limitations contained in Section 9.2(b), the dollar threshold contained in Section 9.7(c), and the time limitations contained in Section 9.10 shall apply to indemnifications by Seller to Purchaser for, and such indemnification shall be the sole remedy of Purchaser in respect of, the Losses in respect of Taxes. Seller shall indemnify and hold harmless Purchaser and the Companies from and against the entirety of any and all Losses that Purchaser may suffer for any Taxes attributable to the Companies with respect to any Tax year or portion thereof ending on or before the Closing Date (or for any Tax year beginning before and ending after the Closing Date to

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the extent allocable to the portion of such period beginning before and ending on the Closing Date).

(g) The provisions of this Section 7.5(g) shall apply only to the indemnification provided for under Section 7.5(f) and a Purchaser Claim with respect to Taxes. If a Purchaser Claim exists for Taxes or if a claim for Taxes is made against Purchaser for which Purchaser intends to seek indemnity with respect thereto under Section 7.5(f), Purchaser shall promptly furnish written notice to Seller of such Purchaser Claim or claim. Failure of Purchaser to so

notify Seller within thirty (30) days of the claim being made against Purchaser shall release Purchaser's rights to indemnity by Seller with respect to such claim to the extent that such failure materially prejudiced Seller's ability to defend or settle such claim. Seller shall have fifteen (15) days after receipt of such notice to undertake, conduct, and control (through counsel of its own choosing and at its own expense) the settlement or defense thereof, and Purchaser shall cooperate with Seller in connection therewith. Seller shall permit Purchaser to participate in such settlement or defense through counsel chosen by Purchaser (but the fees and expenses of such counsel shall be paid by Purchaser). So long as Seller, at Seller's cost and expense, (i) have undertaken the defense of, and assumed full responsibility for all indemnified Losses with respect to, such claim, (ii) are contesting such claim in good faith, by appropriate proceedings, and (iii) have taken such action (including the posting of a bond, deposit, or other security) as may be necessary to prevent any action to foreclose a lien against or attachment of the property of Purchaser or Companies for payment of such claim so long as Purchaser shall not be subject to payment obligations in excess of the limits on Seller's indemnification set forth under this Agreement, Purchaser shall not pay or settle any such claim. Notwithstanding compliance by Seller with the preceding sentence, Purchaser may elect to pay or settle any such claim, but upon such election it shall thereby automatically, and without any further action by any Party, irrevocably waive any right to indemnity by Seller with respect to such claim. If within fifteen (15) days after the receipt of Purchaser's notice of a claim of indemnity hereunder, Seller do not notify Purchaser that it elects (at Seller's sole cost and expense) to undertake the defense thereof and assume full responsibility for all indemnified Losses with respect thereto, or gives such notice and thereafter fails to contest such claim in good faith or to prevent action to foreclose a lien against or attachment of Purchaser's or Companies' property or material harm to Purchaser or the Companies as provided above, Purchaser shall have the right to contest, settle, or compromise such claim and Purchaser shall not thereby waive any right to indemnity with respect to such claim under this Agreement.

(h) Any refund of Taxes paid or payable with respect to Taxes attributable to the Companies shall be promptly paid as follows (or to the extent payable but not paid due to offset against other Taxes shall be promptly paid by the Party receiving the benefit of the offset as follows): (i) to Seller if attributable to Taxes with respect to any Tax year or portion thereof ending on or before the Closing Date (or for any Tax year beginning before and ending after the Closing Date to the extent allocable

to the portion of such period beginning before and ending on the Closing Date), including, but not limited to, the potential tax refunds described on Schedule 7.5(h); and (ii) to Purchaser if attributable to Taxes with respect to any Tax year or portion thereof beginning after the Closing Date (or for any Tax year beginning before and ending after the Closing Date to the extent allocable to the portion of such period ending after the Closing Date).

(i) In the event that a dispute arises between Seller and Purchaser as to the amount of Taxes, the Parties shall attempt in good faith to resolve such dispute, and any amount so agreed upon shall be paid to the appropriate Party. If such dispute is not resolved within thirty (30) days thereafter, the Parties shall submit the dispute to the Independent Accounting Firm for resolution, which resolution shall be final, conclusive and binding on the Parties. The Independent Accounting Firm shall be instructed to deliver to the Parties a written resolution of the dispute within twenty (20) Business Days from the date of its engagement. For purposes of this Section 7.5(i), the Independent Accounting Firm may determine the issues in dispute following such procedures, consistent with the provisions of this Agreement, as it deems appropriate to the circumstances and with reference to the amounts in issue. The Parties do not intend to impose any particular procedures upon the Independent Accounting Firm, it being the desire of the Parties that any such disagreement

shall be resolved as expeditiously and inexpensively as reasonably practicable. The Independent Accounting Firm shall have no liability to the Parties in connection with such services except for acts of bad faith, willful misconduct or gross negligence, and the Parties shall provide such indemnities to the Independent Accounting Firm as it may reasonably request. Notwithstanding anything in this Agreement to the contrary, the fees and expenses of the Independent Accounting Firm in resolving the dispute shall be borne equally by Seller and Purchaser. Any payment required to be made as a result of the resolution of the dispute by the Independent Accounting Firm shall be made within ten (10) days after such resolution, together with any interest determined by the Independent Accounting Firm to be appropriate.

(j) Except as provided in Section 9.2(a), Section 9.2(b), Section 9.7(c), Section 9.8, and Section 9.10, from and after the Closing, the provisions of this Section 7.5 shall be the exclusive agreement among the parties (including Seller's indemnities and the Purchaser's indemnities), with respect to Tax matters, including, but not limited to, indemnification for Tax matters. In the event of any inconsistency between Section 7.5(g) and Sections 9.4 and 9.5 with respect to Tax matters, Section 7.5(g) shall control.

SECTION 7.6 Risk of Loss.

(a) Between the date hereof and the Closing Date, all risk of loss or damage to the assets and properties of PGV, including the Plant, shall be borne by Seller except as set forth in Section 8.3.

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(b) If before the Closing Date all or any portion of the Plant becomes subject to any condemnation or eminent domain proceeding (the "Condemned Portion"), Seller shall notify Purchaser promptly in writing of such fact. If the fair market value of the Condemned Portion is less than twenty-five percent (25%) of the Initial Purchase Price and the remaining portion of the Plant may be operated and generate electricity in a manner and amount substantially similar to that in which the entire Plant was operated immediately prior to the Effective Date, Seller shall, at its option, either (i) reduce the Initial Purchase Price by the fair market value of the Condemned Portion (such value to be determined as of the date immediately prior to such condemnation or eminent domain proceeding), or (ii) assign to Purchaser at the Closing any claim, settlement, or proceeds thereof related to such proceeding to which Seller or any Affiliate of Seller may be entitled. Any failure of a condition to Closing related to any such proceeding of which Seller shall have so notified Purchaser shall be deemed not to exist, provided, that Seller exercises its election pursuant to the preceding sentence within a reasonable period of time. If, before the Closing Date, all or any portion of the Plant becomes subject to or is threatened with any condemnation or eminent domain proceeding and the fair market value of the Condemned Portion is greater than twenty-five percent (25%) of the Initial Purchase Price, then Purchaser may elect either to (x) require Seller upon the Closing to assign to Purchaser any claim, settlement, or proceeds thereof related to such proceeding to which Seller or any Affiliate of Seller may be entitled and proceed with the Transactions, or (y) terminate this Agreement.

(c) If before the Closing Date all or any portion of the Plant is damaged or destroyed (the "Damaged Portion") (whether by fire, theft, vandalism or other casualty) in whole or in part, and the fair market value of Damaged Portion or the cost of repair of the Damaged Portion is less than twenty-five percent (25%) of the Initial Purchase Price, and the undamaged portion of the Plant may be repaired so that the Plant may be operated and generate electricity in a manner and amount substantially similar to that in which it was operated immediately prior to the Effective Date, Seller shall, at its option, either (i) reduce the Initial Purchase Price by the lesser of the actual cash value of the Damaged Portion (such value to be determined as of the date immediately prior to such damage or destruction and calculated as the replacement cost of the Damaged Portion), or the estimated cost to repair or

restore the same, or (ii) bear the costs of repairing or restoring the Damaged Portion and, at Seller's election, delay the Closing and any right to terminate this Agreement for a reasonable time necessary to accomplish the same. Any failure of a condition to Closing related to any such damage or destruction of which Seller shall have so notified Purchaser shall be deemed not to exist, provided, that Seller exercises its election pursuant to the preceding sentence within a reasonable period of time. If the Plant is damaged or destroyed (whether by fire, theft, vandalism or other casualty) in whole or in part prior to the Closing and the lesser of the actual cash value of the Damaged Portion (determined as provided above) or the cost of repair of the Damaged Portion is greater than twenty-five percent (25%) of the Initial Purchase Price, then Purchaser may elect either to (x) require Seller upon the Closing to transfer to Purchaser the proceeds (or the right to the proceeds) of applicable insurance to

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which Seller or any Affiliate of Seller (other than PGV) may be entitled and proceed with the Transactions, or (y) terminate this Agreement.

SECTION 7.7 Insurance. Purchaser shall be obligated at or before Closing to obtain at its sole cost and effective upon Closing insurance coverage for the Plant. The proceeds from any Company Insurance Policies (without reduction for the payment of any deductible related thereto) related to post-Closing expenses actually paid by Purchaser or the Companies (which shall exclude any such amounts that were previously accrued by the Companies prior to the Closing Date and included in the Estimated Adjustment Statement and/or the Final Adjustment Statement set forth in Sections 3.4 and 3.5) with regard to the repairs described in Item 1 of Schedule 5.19 (Purchaser shall submit invoices and other supporting documentation of such expenses to Seller) will be paid by Seller to Purchaser as soon as practicable after such proceeds are received by Seller or Seller's Affiliate from the insurance company. Seller and Seller's Affiliates shall be entitled to retain any additional proceeds they receive under such Company Insurance Policies with regard to such repairs. For the avoidance of doubt, Seller or Seller's Affiliate (other than the Companies) shall bear the cost of any deductible related to the foregoing.

SECTION 7.8 Announcements. Subject to Section 7.1, prior to the Closing Date no press release or other public announcement, or public statement or comment in response to any inquiry, relating to this Agreement or the Transactions shall be issued or made by Purchaser or Seller without the joint approval of both Purchaser and Seller; provided, however, that a press release or other public announcement, regulatory filing, statement or comment made without such joint approval shall not be in violation of this Section 7.8 if it is made in order to comply with Applicable Laws or stock exchange rules and in the reasonable judgment of the Party making such release or announcement, based upon advice of counsel, prior review and joint approval, despite reasonable efforts to obtain the same, would prevent dissemination of such release or announcement in a timely enough fashion to comply with such Applicable Laws or rules; provided, further, that in all instances prompt notice from one Party to the other shall be given with respect to any such release, announcement, statement or comment.

SECTION 7.9 Post Closing - Further Assurances. At any time or from time to time after the Closing, each Party will, upon the reasonable request of the other Party, execute and deliver any further instruments or documents, and exercise commercially reasonable efforts to take such further actions as may reasonably be required, to fulfill and implement the terms of this Agreement or realize the benefits intended to be afforded hereby. After the Closing, and upon prior reasonable request, each Party shall exercise commercially reasonable efforts to cooperate with the other, at the requesting Party's expense (including, but not limited to, out-of-pocket expenses to third parties incurred by any Party), in furnishing non-confidential and non-privileged Records, information, testimony and other assistance in connection with any inquiries, actions, audits, proceedings or disputes involving either of the Parties (other

disputes between the Parties) and based upon contracts, arrangements or acts of Seller or Purchaser, which were in effect or occurred on, prior to, or after Closing and which relate to PGV or the Plant, including, without limitation, arranging discussions with (and calling as a witness) officers, directors, employees, agents, and representatives of Purchaser or Seller. Without limiting the generality of the foregoing, Seller has provided to Purchaser copies of the audited financial statements (of the type described in Section 5.17) for PGV for each of the three full fiscal years prior to Closing and, upon Purchaser's request, will make the auditors for the Companies reasonably available to answer clarification questions regarding those financial statements and the financial statements of the other Companies that the Purchaser may have.

SECTION 7.10 Post Closing - Information and Records.

(a) For a period of five (5) years after the Closing (or, if requested in writing by Seller within five (5) years after the Closing, until the closing of any Tax Proceeding with respect to Seller's Tax Returns for all periods prior to and including the Closing, if later), Purchaser will not dispose of any books, records, documents, contracts, data or information, whether in electronic or physical form, and the software and computer hardware necessary to retrieve such data or information ("Records"), reasonably relating to the Companies delivered to it by Seller or in the possession of the Companies as of the Closing without first giving notice to Seller thereof and permitting Seller to retain or copy such books and records as it may select. During such period, Purchaser will permit Seller to examine (during normal business hours and upon reasonable notice) and make copies, at Seller's expense and subject to such confidentiality restrictions as Purchaser may reasonably impose, of such Records for any reasonable purpose, including any litigation now pending or hereafter commenced against Seller or its Affiliates, or the preparation of income or other Tax Returns.

(b) During such five (5) year time period, Purchaser will provide to Seller, at Seller's expense, copies of such Records reasonably relating to the Companies delivered to it by Seller or in the possession of the Companies as of the Closing for any reasonable purpose, including any litigation now pending or hereafter commenced against Seller or its Affiliates by any Person (including Purchaser). Seller will provide reasonable notice to Purchaser of its need to access such Records.

(c) If privileged and/or attorney work product documents or information, including communications between Seller or its Affiliates and any of their respective counsel, are disclosed to Purchaser in the Records delivered by Seller or in the possession of the Companies as of the Closing, then Purchaser agrees that (i) such disclosure is inadvertent, (ii) such disclosure will not constitute a waiver, in whole or in part, of any privilege or work product, (iii) such information will constitute confidential information subject to the provisions of Section 8.4, and (iv) it will promptly return to Seller all copies of such Records in the possession of the Companies, Purchaser or

Purchaser's Affiliates, agents, employees or representatives (including lenders and financial advisors).

SECTION 7.11 Use of Seller's Marks. Except as provided in the next sentence, Purchaser acknowledges and agrees that it does not have and, upon consummation of the Transactions shall not have, any right, title, interest, license, or any other right whatsoever to the Seller's Marks. As soon as

practicable and in no event later than thirty (30) days following the Closing Date, Purchaser shall (a) remove any Seller's Marks from, or cover or conceal the Seller's Marks on, the assets of the Companies, including signage at the Plant, and provide written verification thereof to Seller promptly after completing such removal, and (b) return or destroy (with proof of destruction) all other assets of the Companies that contain any Seller's Marks that are not removable or that cannot be permanently covered or concealed, other than in the case of the Companies' books and records transferred pursuant to this Agreement. Purchaser agrees never to challenge Seller's (or its Affiliates') ownership of the Seller's Marks or any application for registration thereof or any registration thereof or any rights of Seller or its Affiliates therein as a result, directly or indirectly, of its ownership of the Companies. Purchaser will not conduct any business or offer any goods or services under any Seller's Marks. Purchaser will not send, or cause to be sent, any correspondence or other materials to any Person on any stationery that contains any Seller's Marks or otherwise operate the Companies in any manner which would or might reasonably be expected to confuse any Person into believing that Purchaser has any right, title, interest, or license to use any Seller's Marks.

SECTION 7.12 Excluded Assets.

(a) Notwithstanding anything to the contrary contained in this Agreement, the Transactions shall exclude the following (the "Excluded Assets"):

(i) Except as required in Section 5.22 and Section 7.6(c)(x), all Company Insurance Policies and rights under any Company Insurance Policies in respect of any and all claims made under such policies whether such claims are asserted before or after the Closing Date and all rights to any proceeds payable under any such policy including, without limitation, any proceeds received by Seller or any of its Affiliates from any Company Insurance Policies related to Item 1 of Schedule 5.19; and

(ii) the Seller's Marks. Seller's representations and warranties in Articles 4 and 5 shall not apply to any of the items described in 7.12(a)(ii).

(b) Prior to the Closing Date, Seller may cause the Companies to transfer any Excluded Asset to Seller or any of its Affiliates; provided, however, that any Excluded Asset not so transferred prior to the Closing Date shall be deemed to have been transferred to Seller without any further action.

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SECTION 7.13 Excluded Liabilities. Notwithstanding anything to the contrary contained in this Agreement, the Transactions shall exclude, and Seller hereby assumes as of the Closing Date, any liabilities or obligations of the Companies in respect of the following: (the "Excluded Liabilities"):

(a) any Excluded Asset;

(b) any Employee Benefit Plan;

(c) any Intercompany Arrangements; and

(d) any liability to the State of Hawaii for tax credit refunds received prior to Closing including, without limitation, the tax credit refunds identified in Schedule 5.15.

SECTION 7.14 Employees.

(a) Purchaser agrees to offer employment to, or cause Purchaser's Parent to offer employment, commencing as of the Closing Date, to all of the employees employed at, or whose work responsibilities involve

principally the operation of, the Plant, which employees are listed on Schedule 7.14(a), as amended between the date of this Agreement and the Closing Date to reflect any changes in the identities of work force personnel, it being understood that any such change shall not be deemed to be material for purposes of Section 10.5; provided, however, that such offer shall be subject to each such employee's satisfaction of reasonable customary hiring requirements of Purchaser or Purchaser's Parent, as the case may be, which shall be limited to background checks and post-offer drug screening and the execution of customary employee agreements regarding confidentiality, inventions and the like, and shall contain the base salary and incentive compensation and replacement welfare plans that are set forth on Schedule 7.14(c). Purchaser or Purchaser's Parent shall continue to provide base salary and incentive compensation at not less than then the levels set forth on Schedule 7.14(c) for a period of eighteen (18) months after the Closing Date and shall maintain replacement welfare plans that are substantially similar when considered in the aggregate to the replacement welfare plans set forth on Schedule 7.14(c) for a period of eighteen (18) months after the Closing Date. Each such employee who is offered and accepts employment with Purchaser or Purchaser's Parent will be referred to herein as a "Transferred Employee." With regard to the calendar year which includes the Closing Date, Purchaser shall pay Transferred Employees the amount of any annual incentive earned and payable under the terms of an annual incentive plan of Purchaser or Purchaser's Parent that offers incentive compensation in an amount and terms meeting the standards specified above, prorated based on the portion of the full calendar year from the Closing Date to December 31, 2004. Purchaser agrees that it shall also pay the reasonable relocation costs of any Transferred Employee who shall relocate at Purchaser's or Purchaser's Parent's request during the period of 18 months after the Closing Date.

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(b) Any individual who is otherwise a Transferred Employee but who on the day immediately preceding the Closing Date is not actively at work due to an approved leave of absence due to illness, military leave or disability shall nevertheless be treated as Transferred Employees but only if he or she is able to perform the essential functions of his/her job, with or without a reasonable accommodation, within the period established under COSI PUNA's applicable leave of absence policy.

(c) As of the Closing Date, all Transferred Employees shall cease to participate in the employee welfare benefit plans (as such term is defined in Section 3(1) of ERISA) maintained or sponsored by Seller or its Affiliates and shall commence participation in the then-current employee welfare benefit plans of Purchaser, Purchaser's Parent or their Affiliates (the "Replacement Welfare Plans") which are included in the summary of benefit plans of Purchaser and Purchaser's Parent that are in effect as of the Effective Date and that are described in Schedule 7.14(c). Subject to the approval of Purchaser's or Purchaser's Parent's insurers and third party administrators, as needed (which approval shall be requested by Purchaser or Purchaser's Parent immediately after the Effective Date), Purchaser or Purchaser's Parent, as applicable shall (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to the Transferred Employees under the Replacement Welfare Plans, other than, but only to the extent of, limitations or waiting periods that were in effect with respect to such employees under the welfare plans maintained by Seller or its Affiliates and that have not been satisfied as of the Closing Date, and (ii) provide each Transferred Employee with credit for any co-payments (if permitted under the applicable Replacement Welfare Plan) and deductibles paid prior to the Closing Date during a plan year under Seller's or its Affiliates' plan that has not ended as of the Closing Date, in satisfying any deductible or out of pocket requirements under the applicable Replacement Welfare Plans with respect to any plan year that has not ended as of the Closing Date.

(d) Purchaser shall give or cause Purchaser's Parent to give all Transferred Employees credit for all service recognized by Seller and its Affiliates immediately prior to the Closing Date under all Replacement Welfare

Plans and arrangements maintained by Purchaser or Purchaser's Parent, as applicable in which the Transferred Employees become participants. Prior to the Closing Date, Seller shall provide Purchaser with a description of all such service recognized by it and its Affiliates, itemized by individual Transferred Employee. Purchaser agrees that the service credit to be given to Transferred Employees by Purchaser and its Affiliates is for purposes of eligibility, and vesting, but not benefit accrual (except for vacation and severance benefits).

(e) To the extent allowable by Applicable Law, including, without limitation, ERISA's fiduciary provisions, and by the tax qualified 401(k) plan sponsored by the Seller or its Affiliates in effect for Transferred Employees immediately prior to the Closing Date (the "Seller's Savings Plan"), Purchaser shall take any and all necessary action to cause the trustee of any tax-qualified 401(k) plan of Purchaser or its Affiliates in

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which any Transferred Employee becomes a participant to accept a direct "rollover" in cash (and any outstanding participant loans) of all or a portion of said employee's "eligible rollover distribution" within the meaning of Section 402 of the Code from the Seller's Savings Plan if requested to do so by the Transferred Employee, except in the case where a participant has an outstanding participant loan which in such case such participant shall "rollover" all of its "eligible rollover distribution". However, any tax-qualified 401(k) plan of Purchaser or its Affiliates accepting such a rollover shall not be required to permit any investment to be made in Constellation Energy Group, Inc. common stock on behalf of any Transferred Employee after the Closing Date or to adopt any other provision of Seller's Savings Plan except to the extent required by Applicable Law.

(f) Purchaser shall pay to each Transferred Employee whose employment is terminated without Cause by Purchaser or one of its Affiliates within eighteen months after the Closing Date a severance benefit package equal to:

- o Two weeks of base pay for each full year of service (including service with Purchaser or its Affiliates and service recognized by Seller or Seller's Affiliates immediately prior to Closing).
- o Insurance Benefits: Medical and dental coverage at active employee rates during the period equal to two weeks for each year of service (including service with Purchaser and service recognized by Seller or Seller's Affiliates immediately prior to the Closing); provided, however, that such coverage shall be provided during such period only to the extent that a Transferred Employee timely elects and continues to be eligible for such coverage under COBRA and the terms of the applicable benefit plans then maintained by Purchaser or its Affiliates.

For purposes of calculating the level of severance benefits above to which a terminated Transferred Employee is entitled, such calculation shall be made as though the Transferred Employee's termination date is the eighteenth month anniversary of the Closing Date, regardless of the actual date of termination. The relocation of a Transferred Employee's employment at Purchaser's or Purchaser's Parent's request from Purchaser or one of its Affiliates to another Affiliate of Purchaser shall not constitute termination without Cause for purposes of this Section.

(g) Seller shall notify Purchaser of (i) any increase in the rate of compensation granted by COSI PUNA or the Companies payable to or to

become payable prior to the Closing Date to any Transferred Employee, and (ii) any resignations or termination of any Transferred Employees prior to the Closing Date.

(h) Neither Purchaser nor its Affiliates shall have any liabilities or other obligations with respect to any Transferred Employees or other former employees

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or consultants of COSI PUNA or its Affiliates arising from actions or inactions of COSI PUNA or its Affiliates during periods prior to the Closing Date.

(i) Seller and COSI PUNA shall cause the employment of all Transferred Employees by Seller, COSI PUNA or their Affiliates to be terminated, and all salaries, wages, benefits, severance payments and benefits or other amounts due and owing from Seller, COSI PUNA or their Affiliates to the Transferred Employees as of the Closing Date or as a result of such termination to be satisfied in full by Seller, COSI PUNA or their Affiliates of Seller, prior to or concurrently with the Closing.

SECTION 7.15 Additional Covenants of Purchaser. Purchaser hereby agrees with and covenants to Seller that prior to consummation of the Transactions or the termination or expiration of this Agreement pursuant to its terms, unless Seller shall otherwise consent in writing, Purchaser shall not take any action which would cause any of Purchaser's representations and warranties set forth in Article 6 to be false as of the Closing in any material respect.

SECTION 7.16 Assumption of Obligations. From and after the Closing, Purchaser shall cause the Companies to fully perform and fulfill all of their obligations and commitments, whether existing as of the Closing Date or arising or incurred thereafter.

SECTION 7.17 Company Guarantees. The Parties shall cooperate and use commercially reasonable efforts (which shall not include any obligation of Seller to pay any cost or expense or incur any obligation) in order that, effective as of the Closing Date, (a) the Company Guarantees identified in Item 3 of Schedule 1.1A and any liabilities related thereto shall be released as to Seller and its Affiliates, and (b) substitute arrangements, if required, of Purchaser or its Affiliates shall be in effect.

SECTION 7.18 Action Taken in connection with the Loan Documents. Between the Effective Date and the Closing Date, Seller shall take all actions and binding commitments necessary to irrevocably satisfy in full at the Closing the Debt Payoff Amount and any other amounts required to satisfy in full the Loan Documents (including, but not limited to, all fees, penalties, early termination payments, costs, and the like), terminate all of the Loan Documents and secure a release from all of the counterparties thereto, finally and forever releasing the Companies, Seller and its Affiliates under the Loan Documents and releasing all Encumbrances associated with the Loan Documents (such releases to be in form and substance reasonably satisfactory to Seller and Purchaser), including, but not limited to, the Debt Service Reserve Guaranty and the Pledge Agreement.

SECTION 7.19 Payment of Intercompany Arrangements. Seller shall cause all Intercompany Arrangements to be cancelled and terminated, and all amounts due and owing as of the Closing Date thereunder to be satisfied in full by the Companies to Seller or any Affiliates of Seller, prior to or concurrently with the Closing.

SECTION 7.20 Repair of Well KS-11R. Seller, at its expense, shall repair, or shall cause the Companies to repair, the injection well at the Plant known as KS-11R in accordance with the repair program identified in Schedule 5.7 (as the same may be modified as provided below) and Applicable Laws and the requirements of Governmental Authorities having jurisdiction. Any payables or liabilities of the Companies associated with such repairs that have not been paid as of Closing shall be accounted for as a Purchase Price adjustment pursuant to the procedures set forth in Sections 3.4 and 3.5. If such repairs have not been completed prior to Closing, Seller shall reimburse Purchaser or the Companies for any costs they reasonably incur after Closing to complete such repairs in accordance with the repair program identified in Schedule 5.7 (as the same may be modified as provided below). Purchaser shall have the right to propose modifications to the repair program identified in Schedule 5.7 which proposed modifications Seller will consider in good faith, but Seller may condition acceptance of any such modifications upon, among other things, the approval of its technical experts, the approval of such modifications by Governmental Authorities having jurisdiction and Purchaser agreeing to pay any additional costs and assuming any additional risk associated with implementing such modifications. If the Parties are unable to reach agreement upon any modifications proposed by Purchaser, then the repairs shall be conducted by or for Seller as provided in the first sentence of this Section.

ARTICLE 8

ACCESS AND CONFIDENTIALITY; TRANSITION PROCEDURES

SECTION 8.1 General Access. Subject to the provisions of Section 8.2, during the Transition Period, Seller shall permit (and Seller shall cause the Companies to permit) Purchaser and its representatives:

(a) to have reasonable access, at reasonable times and upon reasonable advance notice and in a manner so as not to interfere unduly with the business operations of Seller or the Companies, to the Records of the Companies relating to their Business and the Plant insofar as the same may be disclosed without (i) violating any legal constraints or any legal obligation, (ii) waiving any attorney/client, work product, or like privilege, (iii) disclosing information about the activities of Seller or its Affiliates (other than the Companies) that is unrelated to the Companies, their Business or the Plant, or (iv) disclosing proprietary models of Seller or any of its Affiliates pertaining to energy project evaluation, energy or natural gas price curves or projections, or other economic predictive models; and

(b) subject to Seller's receipt of any required consent of any third Person and upon reasonable advance notice to Seller, to conduct at reasonable times and at Purchaser's sole risk, cost, and expense, in the presence of representatives of Seller, reasonable inspections of the Plant; provided, however, that no soil, water, groundwater or other environmental testing shall be conducted.

SECTION 8.2 Transition Period Procedures. The Parties acknowledge and agree that in order to ensure that upon Closing the transition of the ownership of the Purchased Shares and the operation of the Plant is as smooth and orderly as is reasonably practicable, representatives of Purchaser shall be entitled to become familiar with the Plant and be introduced to, and have the opportunity to meet with, suppliers, other vendors and customers of any of the Companies. In order to facilitate such transitions, not later than five (5) Business Days following the Effective Date, Seller and Purchaser shall each designate a representative (each a "Transition Representative") to coordinate the activities contemplated by this Section 8.2 and shall provide the name and relevant contact information of their respective Transition Representatives to the other Party.

Either Party may designate a different Transition Representative at any time and from time to time by written notice to the other Party, which notice shall specify the name of the relevant individual and his or her contact information. Within ten (10) Business Days of their selection, the Transition Representatives shall meet (in person or by telephone) to develop such procedures as such persons determine to be reasonably necessary or appropriate under the circumstances to accomplish the transitions contemplated by this Section 8.2; provided, however, that any such procedures shall be consistent with the other provisions of this Agreement; and provided, further, that in no event shall any meetings with suppliers, other vendors or customers of any of the Companies relating in manner to the Companies, the Transactions, the Plant or the Existing Contracts be conducted prior to the Closing without Seller's Transition Representative or other representative of Seller being present, nor shall Purchaser or any of its Affiliates otherwise contact or communicate directly with any supplier, other vendor or customer of any of the Companies regarding the above-described matters prior to the Closing without Seller's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, unless Seller's Transition Representative or other representative of Seller shall participate therein.

SECTION 8.3 Indemnification. Purchaser agrees to indemnify and hold harmless, release, and defend the Seller's Indemnified Parties and the Companies from and against any and all Losses arising, in whole or in part, from the acts or omissions of the Purchaser Indemnified Parties in connection with Purchaser's inspection or assessment of the Plant and other assets and Records of Seller or any of the Companies, including claims for personal injuries (including, but not limited to, injuries to employees of Seller), property damage (including, but not limited to, property damage to the Plant), and reasonable attorneys' fees and expenses, and all such inspections and assessments shall be at Purchaser's sole risk. Nothing in this Article 8 shall be construed to permit Purchaser or its representatives to have access to any Records of Seller or any of the Companies relating to the Transactions, including any bids or offers received by Seller or any of the Companies for the sale of the Purchased Shares or the Plant, it being agreed that all such bids or offers shall be the sole property of Seller. The provisions set forth in Sections 9.4, 9.5, 9.6, 9.7(a) and 9.7(b) shall apply to any indemnification by Purchaser under this Section 8.3. For the avoidance of doubt, Section 9.7(c) shall not apply to any indemnification by Purchaser under this Section 8.3.

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SECTION 8.4 Confidential Information. Between the Effective Date and the Closing Date, Purchaser agrees to maintain all information made available to it under this Agreement confidential and to cause its officers, directors, agents, employees, representatives, consultants, and advisors to maintain all information made available to them under this Agreement confidential, all as provided in the Confidentiality Agreement, the terms of which are incorporated herein by reference and made a part of this Agreement.

SECTION 8.5 No Other Contact. Between the Effective Date and the Closing Date, Purchaser shall not in any way contact or correspond with any customer, employee, or other Person associated with any of the Companies or the Seller regarding the Companies, the Plant or the Existing Contracts, without the prior written consent of Seller.

ARTICLE 9

INDEMNIFICATION AND RELEASE

SECTION 9.1 Exclusivity. Except as provided in Section 7.5 and except for fraud, willful misconduct, willful misrepresentation, or willful breach of a representation, warranty, covenant or agreement hereunder, the rights and remedies of Seller and the Seller's Indemnified Parties, on the one hand, and Purchaser and the Purchaser Indemnified Parties, on the other hand, for money damages under this Article are, solely as between Seller and the Seller's

Indemnified Parties on the one hand, and Purchaser and the Purchaser Indemnified Parties on the other hand, exclusive and in lieu of any and all other rights and remedies for money damages which each of Seller and the Seller's Indemnified Parties on the one hand, and Purchaser and the Purchaser Indemnified Parties on the other hand, may have under this Agreement or under Applicable Laws with respect to any Indemnifiable Claim, whether at law or in equity.

SECTION 9.2 Indemnification by Seller.

(a) Purchaser Claims. Except as otherwise provided in Section 7.5(f), Seller will indemnify, defend and hold harmless Purchaser and its Affiliates, and each of their officers, directors, employees, attorneys, agents and successors and assigns (collectively, the "Purchaser Indemnified Parties"), from and against any and all demands, suits, penalties, fines, liens, judgments, obligations, damages, claims, losses, liabilities, payments, costs and expenses, including reasonable legal, accounting and other expenses in connection therewith and costs and expenses incurred in connection with investigations and settlement proceedings ("Losses"), which arise out of, are in connection with, or relate to, the following (collectively, "Purchaser Claims"):

(i) any breach or violation of any covenant, obligation or agreement of Seller set forth in this Agreement;

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(ii) any breach or inaccuracy of the representations or warranties made, as of the Effective Date or the Closing Date, by Seller in Articles 4 and 5;

(iii) Seller's ownership, operation or use of the Excluded Assets after the Closing; or

(iv) if the Closing occurs, the Excluded Liabilities.

(b) Limitations on Seller Indemnification Obligation. As between the Parties, except in the case of fraud or willful misconduct on the part of Seller or its Affiliates, the Purchaser Indemnified Parties will not be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of any Purchaser Claims, including damages for lost revenues, income, or profits, diminution in value of the Plant or any other damage or loss resulting from the disruption to or loss of operation of the Plant. The aggregate damages to which the Purchaser Indemnified Parties will be entitled for all Purchaser Claims shall be limited to ten percent (10%) of the Initial Purchase Price.

SECTION 9.3 Indemnification by Purchaser.

(a) Seller's Claims. Purchaser will indemnify, defend and hold harmless Seller and its Affiliates and each of their officers, directors, employees, attorneys, agents and successors and assigns (collectively, the "Seller's Indemnified Parties"), from and against any and all Losses which arise out of or relate to the following (collectively, "Seller's Claims"):

(i) any breach or violation of any covenant, obligation or agreement of Purchaser set forth in this Agreement;

(ii) any breach or inaccuracy of any of the representations or warranties made, as of the Effective Date or the Closing Date, by Purchaser in Article 6;

(iii) if the Closing occurs, the Business of PGV, the design, construction, ownership, operation or use of any of the assets of PGV, including the Plant (but excluding the Excluded Assets), the failure to pay, perform or discharge any liabilities or obligations of PGV (but excluding the Excluded Liabilities), or any other matter relating to or arising out of the

Business of PGV, the design, construction, ownership, operation or use of any of the assets of PGV, including the Plant (but excluding the Excluded Assets), whether relating to periods of time prior to or after the Closing Date, to the extent such Losses are not properly asserted by Purchaser under Section 7.5 or Section 9.2(a) (subject to the limitations in this Agreement); or

(iv) if the Closing occurs, without limiting the generality of Section 9.3(a)(iii), any liability, obligation or responsibility under or related to former,

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current or future Environmental Laws, whether such liability or obligation or responsibility is known or unknown, contingent or accrued, arising as a result of or in connection with (A) any violation or alleged violation of Environmental Law, before or after the Closing Date, with respect to the ownership or operation of the Plant; (B) compliance with applicable Environmental Laws before or after the Closing Date with respect to the ownership or operation of the Plant; (C) loss of life, injury to persons or property or damage to natural resources caused (or allegedly caused) by any Recognized Environmental Condition on, in, under, adjacent to or migrating from the Plant before or after the Closing Date, including, but not limited to, Hazardous Substances contained in building materials at or adjacent to the Plant or in the soil, surface water, sediments, groundwater, landfill cells, or in other environmental media at the Plant; (D) the investigation and/or Remediation of Hazardous Substances that are present or have been Released before or after the Closing Date at, on, in, under, adjacent to or migrating from the Plant, including, but not limited to, Hazardous Substances contained in building materials at the Plant or in the soil, surface water, sediments, groundwater, landfill cells or in other environmental media at or adjacent to the Plant; and (E) the investigation and/or Remediation of Hazardous Substances that are disposed, stored, transported, discharged, Released, recycled, or the arrangement of such activities, in connection with the ownership or operation of the Plant, at any off-site location.

Purchaser acknowledges and agrees that the Losses described in Sections 9.3(a)(iii) and 9.3(a)(iv) shall be retained by PGV and transferred with the transfer of the Purchased Shares and shall continue to be the responsibility of PGV and Purchaser.

SECTION 9.4 Notice of Claim. Subject to the terms of this Agreement and upon a Party's receipt of notice of the assertion of a claim or of the commencement of any suit, action or proceeding made or brought by any Person who is not a Party to this Agreement or an Affiliate of either Party, the Party seeking indemnification hereunder (the "Indemnitee") will promptly notify the Party against whom indemnification is sought (the "Indemnitor") in writing of any damage, claim, loss, liability or expense which the Indemnitee has determined has given or could give rise to a claim under Section 9.2 or Section 9.3. Such written notice is herein referred to as a "Notice of Claim." A Notice of Claim will specify, in reasonable detail, the material facts known to the Indemnitee regarding the claim. Subject to the terms of this Agreement, the failure to provide (or timely provide) a Notice of Claim will not affect the Indemnitee's rights to indemnification; provided, however, that the Indemnitor is not obligated to indemnify the Indemnitee for the increased amount of any claim which would otherwise have been payable to the extent that the increase resulted from the Indemnitee's failure to timely deliver a Notice of Claim.

SECTION 9.5 Defense of Third Party Claims. The Indemnitor will defend, in good faith and at its expense, any claim or demand set forth in a Notice of Claim relating to a Third Party Claim and the Indemnitee, at its expense, may participate in the defense. The Indemnitee may not settle or compromise any Third Party Claim so long as the

Indemnitor is defending it in good faith. If the Indemnitor elects not to contest a Third Party Claim, the Indemnatee may undertake its defense, and the Indemnitor will be bound by the result obtained by the Indemnatee. The Indemnitor may at any time request the Indemnatee to agree to the abandonment of the contest of the Third Party Claim or to the payment or compromise by the Indemnitor of the asserted claim or demand. If the Indemnatee does not object in writing within fifteen (15) days of the Indemnitor's request, then the Indemnitor may proceed with the action stated in the request. If, within that fifteen (15) day period, the Indemnatee notifies the Indemnitor in writing that it has determined that the contest should be continued, the Indemnitor will be liable under this Article 9 only for an amount up to the amount which the Indemnitor had proposed as payment or compromise for such Third Party Claim. This Section 9.5 is subject to the rights of any insurance carrier of Indemnatee that is defending the Third Party Claim.

SECTION 9.6 Cooperation. The Party defending the Third Party Claim will: (a) consult with the other Party throughout the pendency of the Third Party Claim regarding the investigation, defense, settlement, trial, appeal or other resolution of the Third Party Claim; and (b) afford the other Party the opportunity to be associated in the defense of the Third Party Claim. The Parties will cooperate in the defense of the Third Party Claim. The Indemnatee will make available to the Indemnitor or its representatives all Records and other materials reasonably required by them for use in contesting any Third Party Claim (which Records and other materials shall be subject to the Confidentiality Agreement). If requested by the Indemnitor, the Indemnatee will cooperate with the Indemnitor and its counsel in contesting any Third Party Claim that the Indemnitor elects to contest or, if appropriate, in making any counterclaim against the Person asserting the claim or demand, or any cross-complaint against any Person. The Indemnitor will reimburse the Indemnatee for any expenses incurred by Indemnatee in cooperating with or acting at the request of the Indemnitor.

SECTION 9.7 Mitigation and Limitation of Claims. As used in this Agreement, the term "Indemnifiable Claim" means any Purchaser Claims or Seller's Claims. Notwithstanding anything to the contrary contained herein:

(a) the Indemnatee will take all commercially reasonable steps to mitigate all losses, damages and the like relating to an Indemnifiable Claim, including availing itself, to the extent the same are commercially reasonable, of any defenses, limitations, rights of contribution, claims against third Persons and other rights at law or equity, and will provide such evidence and documentation of the nature and extent of the Indemnifiable Claim as may be reasonably requested by the Indemnitor. The Indemnatee's reasonable steps include the reasonable expenditure of money to mitigate or otherwise reduce or eliminate any loss or expense for which indemnification would otherwise be due under this Article 9, and the Indemnitor will reimburse the Indemnatee for the Indemnatee's reasonable expenditures in undertaking the mitigation, together with interest thereon from the date of payment to the date of repayment at the "prime rate" in effect during such period as published in The Wall Street Journal;

(b) any Indemnifiable Claim shall be limited to the amount of actual out-of-pocket damages sustained by the Indemnatee by reason of such breach or nonperformance, net of insurance recoveries; provided, that, subject to the limitations set forth in Sections 9.2(b) and 9.7(c), a Seller Claim for a breach of this Agreement by Purchaser that results in a termination of this Agreement or other failure to consummate the Transactions may include any excess of the Initial Purchase Price over the (i) consideration to be received by Seller from the sale of the Purchased Shares to a third Person in any subsequent

transaction, or (ii) fair market value of the Purchased Shares if they are not subsequently sold; and

(c) if the Closing occurs, no Party shall have any liability or obligation to indemnify under Section 9.2(a)(ii) or Section 9.3(a)(ii), as the case may be, unless the aggregate amount for which such Party would be liable thereunder, but for this provision, exceeds one million Dollars (\$1,000,000), and recovery shall be limited only to such amounts as exceed one million Dollars (\$1,000,000). For purposes of the foregoing, individual claims of one hundred thousand Dollars (\$100,000) or less shall not be aggregated for purposes of calculating such deductible threshold amount or for calculating damages in excess of such amount. Nothing in this Section 9.7(c) is intended to modify or limit a Party's liability or obligation hereunder for other Indemnifiable Claims. Notwithstanding the foregoing, the limits in this Section 9.7(c) shall not apply to any claims relating to breach of Section 4.5 or Section 6.6.

SECTION 9.8 Adjustment to Purchase Price. Any and all payments required to be made under this Article 9 and Section 7.5 will be treated as an adjustment to the Purchase Price.

SECTION 9.9 Specific Performance.

(a) Seller acknowledges that the Transactions are unique and that Purchaser will be irreparably injured should such Transactions not be consummated in a timely fashion. Consequently, Purchaser will not have an adequate remedy at law if Seller shall fail to sell the Purchased Shares when required to do so hereunder. In such event, Purchaser shall have the right, in addition to any other remedy available in equity or law, to specific performance of such obligation by Seller, subject to Purchaser's performance of its obligations hereunder.

(b) Purchaser acknowledges that the Transactions are unique and that Seller will be irreparably injured should such Transactions not be consummated in a timely fashion. Consequently, Seller will not have an adequate remedy at law if Purchaser shall fail to purchase the Purchased Shares when required to do so hereunder. In such event, Seller shall have the right, in addition to any other remedy available in equity or law, to specific performance of such obligation by Purchaser, subject to Seller's performance of its obligations hereunder.

SECTION 9.10 Survival; Time Limitation for Indemnification. The terms and provisions of this Agreement shall survive the Closing. Notwithstanding the foregoing, after Closing, any assertion by Purchaser or any Purchaser Indemnified Party that Seller is liable to Purchaser or any Purchaser Indemnified Party, or any assertion by Seller or any Seller's Indemnified Party that Purchaser is liable to Seller or any Seller's Indemnified Party, for indemnification under the terms of this Agreement or otherwise in connection with the Transactions must be made in writing and must be given to Seller or Purchaser, as the case may be (or not at all) on or prior to the date that is twelve (12) months after the Closing Date, except, in the case of Purchaser, for matters addressed in Sections 5.23 and 7.5(e), which must be made in writing and must be given to Seller (or not at all) on or prior to the date that is ninety (90) days after the date on which the applicable statute of limitations expires with respect to the matters covered thereby.

SECTION 9.11 Release. Except for the Excluded Liabilities and Seller's obligations hereunder including, without limitation, under this Article 9 (including without limitation Seller's obligations under this Article 9 as the result of the breach of any provision of this Agreement), Purchaser on behalf of itself and each of its Affiliates, and on behalf of each of its and their

successors and assigns, hereby waives its right to recover from Seller and its Affiliates and any Person acting on behalf of Seller or any such Affiliates, and forever releases and discharges Seller, any such Affiliates and any such other Person, from any and all Losses (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with any of the Companies or the Plant, including without limitation, (a) all liabilities or obligations under or related to Environmental Laws or relating to any claim in respect of Recognized Environmental Conditions or Hazardous Substances arising under Applicable Laws, including Environmental Laws, and (b) all liabilities that in any way arise out of or are related to or associated with the ownership, possession, use or operation of any of the assets of any of the Companies, including the Plant, before or after the Closing. In this regard, Purchaser, on behalf of itself and each of its Affiliates, and each of its and their successors and assigns, expressly waives any and all rights and benefits that it now has or they now have, or in the future may have, conferred upon it or them by virtue of any statute or common law principle which provides that a general release does not extend to claims which a party does not know or suspect to exist in its favor at the time of executing the release, if knowledge of such claims would have materially affected such party's settlement with the obligor. Purchaser, on behalf of itself and each of its Affiliates, and each of its and their successors and assigns, hereby further acknowledges that it is aware that factual matters now unknown to it or them may have given or may hereafter give rise to claims, losses and liabilities that are presently unknown, unanticipated and unsuspected, that the release contained herein has been negotiated and agreed upon in light of such awareness, and that it nevertheless hereby intends to be bound and to bind each of its Affiliates, and each of its and their successors and assigns, to the release set forth above.

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ARTICLE 10

PURCHASER'S CONDITIONS TO CLOSING

The obligation of Purchaser to consummate the Transactions shall be subject to fulfillment at or prior to the Closing of the following conditions, except to the extent Purchaser waives such fulfillment in writing:

SECTION 10.1 Compliance with Provisions. Seller shall have performed or complied in all material respects with all covenants and agreements contained in this Agreement on its part required to be performed or complied with at or prior to the Closing.

SECTION 10.2 HSR Act. The waiting period under the HSR Act applicable to the consummation of the sale of the Purchased Shares contemplated hereby shall have expired or been terminated.

SECTION 10.3 No Restraint. There shall be no:

(a) injunction, restraining order or order of any nature issued and outstanding by any Governmental Authority of competent jurisdiction over the Parties which directs that the Transactions shall not be consummated as herein provided;

(b) suit, action or other proceeding by any Governmental Authority of competent jurisdiction over the Parties pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the Transactions; or

(c) action taken, or law enacted, promulgated or deemed applicable to the Transactions, by any Governmental Authority of competent jurisdiction over the Parties which would render the purchase and sale of the Purchased Shares illegal;

provided, that the Parties will use their commercially reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, law or penalty.

SECTION 10.4 Required Regulatory Approvals and Consents. Without limiting the applicability of Sections 7.1 and 7.4, Purchaser shall have received all of Purchaser's Required Regulatory Approvals and Purchaser's Required Consents and Seller shall have received all of Seller's Required Regulatory Approvals and Seller's Required Consents. In the event that any such Approval requires any modification to this Agreement or the Transactions, imposes any condition to the effectuation of the Transactions, or places any restrictions upon Purchaser's ownership of the Plant, then such modifications, conditions or restrictions shall be subject to Purchaser's approval to the extent that such modifications, conditions and restrictions, if any, are not contemplated by this Agreement and would, individually or in the aggregate, result in a Material Adverse Effect upon

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Purchaser, its ownership of the Plant or the operation of the Plant after the Closing; provided, however, that Purchaser shall be deemed to have approved of any such modifications, conditions or restrictions to the extent that Purchaser fails to disapprove of same in a written notice to Seller received no later than fifteen (15) Business Days following in the case of a Purchaser's Required Regulatory Approvals the public announcement of the decision of the Governmental Authority imposing such modification, condition or restriction and in the case of a Seller's Required Regulatory Approvals Purchaser's receipt of written notice from Seller of the decision of the Governmental Authority imposing such modification, condition or restriction.

SECTION 10.5 Representations and Warranties. The representations and warranties of Seller set forth in this Agreement that are qualified with respect to materiality (whether by reference to Material Adverse Effect or otherwise) shall be true and correct, and the representations and warranties of Seller set forth in this Agreement that are not so qualified shall be true and correct in all material respects, on and as of the Closing Date, in each case as though made on and as of the Closing Date.

SECTION 10.6 Officer's Certificate. Purchaser shall have received a certificate from Seller, executed on its behalf by an authorized officer, dated the Closing Date, to the effect that the conditions set forth in Sections 10.1 and 10.5 have been satisfied by Seller.

SECTION 10.7 Material Adverse Effect. Except in the case of matters contemplated in Section 7.6 (which section shall, for the avoidance of doubt, control all matters discussed thereby), since the Effective Date, no Material Adverse Effect shall have occurred and be continuing with respect to the Plant or the Companies.

SECTION 10.8 Legal Opinion. Purchaser shall have received an opinion or opinions from Seller's in-house legal counsel dated as of the Closing Date substantially as to the matters set forth in Exhibit 10.8, subject to the conditions and limitations therein and to such other customary conditions and limitations as shall be reasonably acceptable to Purchaser and its legal counsel.

SECTION 10.9 No Termination. Neither Party shall have exercised any termination right such Party is entitled to exercise pursuant to Section 12.1.

SECTION 10.10 Receipt of Other Documents. Purchaser shall have received the following:

(a) A certificate of good standing with respect to Seller, as

of a recent date, issued by the Secretary of State of the State of Maryland;

(b) A copy of Seller's certificates of incorporation certified as of a recent date, by the Secretary of State of the State of Maryland, and a copy of Seller's by-laws certified by the Secretary or an Assistant Secretary of Seller, together with a

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certificate of the Secretary or an Assistant Secretary of Seller that neither of such documents has been amended on or after the Effective Date;

(c) Copies, certified by the Secretary or an Assistant Secretary of Seller, of resolutions of Seller authorizing the execution and delivery by Seller of this Agreement, and authorizing or ratifying of all of the other agreements and instruments to be executed and delivered by Seller in connection herewith;

(d) A certificate of the Secretary or an Assistant Secretary of Seller identifying the name and title and bearing the signatures of the individuals authorized by Seller to execute and deliver this Agreement and the other agreements and instruments contemplated hereby;

(e) Written resignations or terminations of each of the directors and officers of each of the Companies, effective as of the Closing;

(f) A certificate of good standing with respect to each of the Companies, as of recent date, issued by the Secretary of State of each of their respective states of incorporation/formation and each other state in which the Companies are qualified to do business; and

(g) A listing of the items in Inventory.

SECTION 10.11 Loan Documents. Pursuant to Section 7.18, Seller shall have taken all steps and binding commitment necessary to irrevocably satisfy in full at the Closing the Debt Payoff Amount and any other amounts required to satisfy in full the Loan Documents (including, but not limited to, all fees, penalties, early termination payments, costs, and the like), terminate all of the Loan Documents and secure a release from all of the counterparties thereto, finally and forever releasing the Companies, Seller and their Affiliates under the Loan Documents and releasing all Encumbrances associated with the Loan Documents (such releases to be in form and substance reasonably satisfactory to Seller and Purchaser), including, but not limited to, the Debt Service Reserve Guaranty and the Pledge Agreement.

ARTICLE 11

SELLER'S CONDITIONS TO CLOSING

The obligation of Seller to consummate the Transactions shall be subject to fulfillment at or prior to the Closing of the following conditions, except to the extent Seller waives such fulfillment in writing:

SECTION 11.1 Compliance with Provisions. Purchaser shall have performed or complied in all material respects with all covenants and agreements contained in this Agreement on its part required to be performed or complied with at or prior to the

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Closing, including but not limited to the payment of the Initial Purchase Price, as adjusted pursuant to Section 3.3, to Seller.

SECTION 11.2 HSR Act. The waiting period under the HSR Act applicable to the consummation of the sale of the Purchased Shares contemplated hereby shall have expired or been terminated.

SECTION 11.3 No Restraint. There shall be no:

(a) injunction, restraining order or order of any nature issued and outstanding by any Governmental Authority of competent jurisdiction over the Parties which directs that the Transactions shall not be consummated as herein provided;

(b) suit, action or other proceeding by any Governmental Authority of competent jurisdiction over the Parties pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the Transactions; or

(c) action taken, or law enacted, promulgated or deemed applicable to the Transactions, by any Governmental Authority of competent jurisdiction over the Parties which would render the purchase and sale of the Purchased Shares illegal;

provided, that the Parties will use their commercially reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, law or penalty.

SECTION 11.4 Required Regulatory Approvals and Consents. Without limiting the generality of Sections 7.1 and 7.4, Seller shall have received all of Seller's Required Regulatory Approvals and Seller's Required Consents and Purchaser shall have received all of Purchaser's Required Regulatory Approvals and Purchaser's Required Consents. In the event that any such Approval requires any modification to this Agreement or the Transactions, imposes any condition to the effectuation of the Transactions, or places any restrictions upon Seller's conveyance of the Purchased Shares, or the Companies' ownership of the Plant or the operation of the Plant prior to the Closing, then such modifications, conditions or restrictions shall be subject to Seller's approval to the extent that such modifications, conditions and restrictions, if any, are not contemplated by this Agreement and would, individually or in the aggregate, result in a Material Adverse Effect upon Seller, the Companies' ownership of the Plant or the operation of the Plant prior to the Closing; provided, however, that Seller shall be deemed to have approved of any such modifications, conditions or restrictions to the extent that Seller fail to disapprove of same in a written notice to Seller received no later than fifteen (15) Business Days following the public announcement of the decision of the Governmental Authority imposing such modification, condition or restriction.

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SECTION 11.5 Representations and Warranties. The representations and warranties of Purchaser set forth in this Agreement that are qualified with respect to materiality (whether by reference to Material Adverse Effect or otherwise) shall be true and correct, and the representations and warranties that are not so qualified shall be true and correct in all material respects, on and as of the Closing Date, in each case as though made on and as of the Closing Date.

SECTION 11.6 Officer's Certificate. Seller shall have received a certificate from Purchaser, executed on its behalf by an authorized officer, dated the Closing Date, to the effect that the conditions set forth in Sections 11.1 and 11.5 have been satisfied by Purchaser.

SECTION 11.7 Legal Opinion. Seller shall have received an opinion or opinions from Purchaser's counsel dated the Closing Date substantially as to the

matters set forth in Exhibit 11.7, subject to the conditions and limitations therein and to such other customary conditions and limitations as shall be reasonably acceptable to Seller and its counsel.

SECTION 11.8 No Termination. Neither Party shall have exercised any termination right such Party is entitled to exercise pursuant to Section 12.1.

SECTION 11.9 Loan Documents. Pursuant to Section 7.18, Seller shall have taken all steps and binding commitment necessary to irrevocably satisfy in full at the Closing the Debt Payoff Amount and any other amounts required to satisfy in full the Loan Documents (including, but not limited to, all fees, penalties, early termination payments, costs, and the like), terminate all of the Loan Documents and secure a release from all of the counterparties thereto, finally and forever releasing the Companies, Seller and its Affiliates under the Loan Documents releasing all Encumbrances associated with the Loan Documents (such releases to be in form and substance reasonably satisfactory to Seller and Purchaser), including, but not limited to, the Debt Service Reserve Guaranty and the Pledge Agreement.

SECTION 11.10 Receipt of Other Documents. Seller shall have received the following:

(a) A certificate of good standing with respect to Purchaser, as of a recent date, issued by the appropriate government official of its jurisdiction of formation;

(b) Copies of the limited liability company agreement and certificate of formation of Purchaser certified as of a recent date by the appropriate government official of its jurisdiction of formation, together with a certificate of a duly authorized manager of Purchaser that none of such documents have been amended on or after the Effective Date;

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(c) Copies, certified by the manager of Purchaser, of resolutions of Purchaser authorizing the execution and delivery by Purchaser of this Agreement, and authorizing or ratifying all of the other agreements and instruments, in each case, to be executed and delivered by Purchaser in connection herewith;

(d) A certificate of the manager of Purchaser identifying the name and title and bearing the signatures of the manager and officers of Purchaser authorized to execute and deliver this Agreement, and the other agreements and instruments contemplated hereby; and

(e) Insurance certificates evidencing compliance with Section 7.7.

ARTICLE 12

TERMINATION

SECTION 12.1 Termination.

(a) This Agreement may be terminated at any time prior to the Closing Date by mutual written consent of the Parties.

(b) This Agreement may be terminated by either Party if the Closing shall not have occurred on or before one hundred (100) days following the Effective Date (the "Termination Date"); provided, however, that the right to terminate this Agreement under this Section 12.1(b) shall not be available to a Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

(c) This Agreement may be terminated by Purchaser if there has been a violation or breach by Seller of any agreement, covenant, representation or warranty contained in this Agreement which has not been waived by Purchaser and such violation or breach constitutes a Material Adverse Effect and is not cured within thirty (30) days after Seller's receipt of notice from Purchaser concerning such violation or breach.

(d) This Agreement may be terminated by Seller if there has been a violation or breach by Purchaser of any agreement, covenant, representation or warranty contained in this Agreement which has not been waived by Seller and such violation or breach constitutes a Material Adverse Effect and is not cured within thirty (30) days after Purchaser's receipt of notice from Seller concerning such violation or breach.

(e) There has been a material adverse change in the financial condition of Purchaser that constitutes a Material Adverse Effect.

(f) This Agreement may be terminated by either Party in accordance with the provisions of Sections 7.6(b) or 7.6(c).

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SECTION 12.2 Procedure and Effect of Termination.

(a) If there has been a termination pursuant to Section 12.1, then this Agreement shall be deemed terminated, and all further obligations of the Parties hereunder shall terminate, except that the obligations set forth in Sections 7.8, 8.2, 8.3, and 8.4 and in Article 9, Article 12 and Article 13 shall survive. In the event of such termination of this Agreement, there shall be no liability for damages on the part of a Party to the other Party under and by reason of this Agreement or the Transactions except as set forth in Article 9 and except for fraud or willful misconduct of a Party, the remedies for which shall not be limited by the provisions of this Agreement. The foregoing provisions shall not, however, limit or restrict the availability of specific performance or other injunctive or equitable relief to the extent that specific performance or such other relief would otherwise be available to a Party hereunder.

(b) In the event a Party shall elect to terminate this Agreement pursuant to Section 12.1, such Party shall forthwith provide notice thereof to the other Party whereupon this Agreement shall terminate and the Transactions shall be abandoned. Upon any such termination, all filings, applications and other submissions made pursuant to this Agreement shall, to the extent practicable, be withdrawn from the respective Governmental Authority by the Party having filed or submitted the same.

ARTICLE 13

GENERAL PROVISIONS

SECTION 13.1 Expenses. Whether or not the Transactions are consummated, except as otherwise provided in any other provision of this Agreement, all costs and expenses (including attorneys' and consultants' fees, costs and expenses) incurred in connection with this Agreement and the Transactions shall be paid by the Party incurring such expenses; provided, however, all fees, charges and costs of economists and other experts, if any, jointly retained by the Parties in connection with submissions made to any Governmental Authority and advice in connection therewith respecting approval of the Transactions will be borne by Purchaser.

SECTION 13.2 Entire Document; Modification or Amendment. This Agreement (including the Exhibits and Schedules hereto), and the Confidentiality Agreement contain the entire agreement between the Parties with respect to the Transactions, and supersede all negotiations, representations, warranties,

commitments, offers, contracts and writings (except for the Confidentiality Agreement) prior to the execution date of this Agreement, written or oral. No modification or amendment of any provision of this Agreement shall be effective unless made in writing and duly signed by the Parties referring specifically to this Agreement.

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SECTION 13.3 Schedules and Exhibits.

(a) The Parties agree and acknowledge that the Schedules in this Agreement may be incomplete or subject to revision prior to the Closing. The Parties will cooperate and work in good faith to complete and update such Schedules in a manner consistent with the provisions of Section 7.2 and the other requirements of this Agreement. For purposes of determining whether Purchaser's conditions set forth in Section 10.5 have been fulfilled, the Schedules shall be deemed to include only the information contained therein on the Effective Date, and shall be deemed to exclude all information contained in any update, supplement or amendment thereto to the extent such information relates to (i) periods prior to the "as of" dates of the Schedules attached to this Agreement on the Effective Date, or (ii) any conditions or matters that do not have a Material Adverse Effect; provided, however, that if Closing shall occur, then all matters disclosed by either Party pursuant to any such update, supplement or amendment at or prior to the Closing shall be deemed to be matters of which the other Party had Knowledge.

(b) All Schedules and Exhibits hereto which are referred to herein are hereby made a part hereof and incorporated herein by such reference. Each Schedule to this Agreement shall be deemed to include and incorporate all disclosures made on the other Schedules to this Agreement. Certain information set forth in the Schedules is included solely for informational purposes, is not an admission of liability with respect to the matters covered by the information, and may not be required to be disclosed pursuant to this Agreement. The specification of any dollar amount in the representations and warranties contained in this Agreement or the inclusion of any specific item in the Schedules is not intended to imply that such amounts (or higher or lower amounts) are or are not material, and no Party shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Schedules in any dispute or controversy between the Parties as to whether any obligation, item, or matter not described herein or included in a Schedule is or is not material for purposes of this Agreement.

SECTION 13.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 13.5 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, binding and enforceable under Applicable Laws, but if any provision of this Agreement is held to be invalid, void (or voidable) or unenforceable under Applicable Laws, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Agreement. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to

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the end that the Transactions are fulfilled to the extent possible. To the extent permitted by Applicable Laws, the Parties waive any provision of

Applicable Law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 13.6 Assignability. The rights under this Agreement shall not be assignable or transferable nor the duties delegable by any Party without the prior written consent of the other Parties, which consent may be granted or withheld in such other Party's sole discretion.

SECTION 13.7 Captions. The captions of the various Articles, Sections, Exhibits and Schedules of this Agreement have been inserted only for convenience of reference and do not modify, explain, enlarge or restrict any of the provisions of this Agreement.

SECTION 13.8 Governing Law and Forum. This Agreement and the rights and obligations of the parties hereunder and the Transactions shall be governed by, and construed in accordance with, the law of the State of New York without respect to its conflict of laws provisions. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE STATE AND FEDERAL COURTS IN NEW YORK, NEW YORK, WHICH COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSE, AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 13.9 Notices. All notices, requests, demands and other communications under this Agreement must be in writing and must be delivered in person or sent by certified mail, postage prepaid, by overnight delivery, or by telefacsimile and properly addressed as follows:

If to Seller:

Constellation Power, Inc.
750 East Pratt Street
Baltimore, Maryland 21202
Attention: Bruce Douglas
Facsimile: 410.230.4609

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If to COSI PUNA:

COSI Puna, Inc.
750 East Pratt Street
Baltimore, Maryland 21202
Attention: Bruce Douglas
Facsimile: 410.230.4609

With copies to:

Constellation Energy Group, Inc.
750 East Pratt Street, 18th Floor
Baltimore, Maryland 21202
Attention: General Counsel
Facsimile: 410.783.3609

and

Constellation Energy Group, Inc.
750 East Pratt Street
Baltimore, Maryland 21202
Attention: John Paffenbarger

Facsimile: 410.783.2819

If to Purchaser:

ORNI 8 LLC
c/o Ormat Nevada Inc.
980 Greg Street
Sparks, NV 89509
Attention: President
Facsimile: 775.356.9039

If to Purchaser's Parent:

Ormat Nevada Inc.
980 Greg Street
Sparks, NV 89509
Attention: President
Facsimile: 775.356.9039

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With a copy to:

Perkins Coie LLP
1201 Third Avenue, Suite 4000
Seattle, WA 98101
Attention: Robert E. Giles
Facsimile: 206.583.8500

Any Party may from time to time change its address for the purpose of notices to that Party by a similar notice specifying a new address, but no such change is effective until it is actually received by the Party sought to be charged with its contents. Notices which are addressed as provided in this Section 13.9 given by overnight delivery or mail shall be effective (a) upon delivery, if delivered personally or by overnight delivery, (b) five (5) days following deposit in the United States mail, postage prepaid, if delivered by mail, or (c) at such time as delivery is refused by the addressee upon presentation. Notices which are addressed as provided in this Section 13.9 given by telefacsimile shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices by telefacsimile shall be confirmed promptly by the sender after transmission in writing by certified mail or overnight delivery.

SECTION 13.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Persons other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

SECTION 13.11 No Relationship. Nothing in this Agreement creates or is intended to create an association, trust, partnership, joint venture or any other entity or similar legal relationship between the Parties, or impose a trust, partnership or fiduciary duty, obligation, or liability on or with respect to either Party. Neither Party is or shall act as or be the agent or representative of the other Party.

SECTION 13.12 Construction of Agreement. This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the Person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any

rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

SECTION 13.13 Closing Over Breaches or Unsatisfied Conditions. If either Party elects to proceed with the Closing with Knowledge by such Party (evidenced in writing) of any failure of any condition to be satisfied in its favor or the breach of any

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representation, warranty or covenant by the other Party, then the condition that is unsatisfied or the representation, warranty or covenant which is breached at the Closing Date will be deemed waived by such Party, and such Party shall be deemed to fully release and forever discharge the other Party on account of any and all claims, demands or charges, known or unknown, with respect to the same.

SECTION 13.14 Waiver of Compliance. Except as provided in Section 13.13, to the extent permitted by Applicable Laws, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition set forth herein may be waived by the Party entitled to the benefit thereof only by a written instrument signed by such Party, but any such waiver shall not operate as a waiver of, or estoppel with respect to, any prior or subsequent failure to comply therewith. The failure of a Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

SECTION 13.15 Consents Not Unreasonably Withheld. Wherever the consent or approval of any Party is required under this Agreement, such consent or approval shall not be unreasonably withheld, delayed or conditioned unless such consent or approval is to be given by such Party at the sole or absolute discretion of such Party or is otherwise similarly qualified.

SECTION 13.16 Survival.

(a) The representations and warranties given or made by any Party in Articles 4, 5 or 6 hereof or in any certificate or other writing furnished in connection herewith shall survive the Closing for a period of twelve (12) months after the Closing Date and shall thereafter terminate and be of no further force or effect; provided, however, that:

(i) all representations and warranties relating to Taxes and Tax Returns shall survive the Closing (including for purposes of Section 7.5) for ninety (90) days after the date on which the applicable statutes of limitation (plus any extensions or waivers thereof) expires with respect to the matter covered thereby; and

(ii) any representation or warranty as to which a claim (including a contingent claim) shall have been asserted during the survival period shall continue in effect with respect to such claim until such claim shall have been finally resolved or settled.

Subject to Sections 6.9, 6.10, 6.13 and 13.13, each Party shall be entitled to rely upon the representations and warranties of the other Party set forth herein, notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any Party to complete the Closing.

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(b) The covenants and agreements of the Parties contained in this Agreement, including those set forth in Article 9, shall survive the Closing until performed, unless otherwise specified herein.

SECTION 13.17 Time of Essence. Time is of the essence in the performance by the Parties of their obligations under this Agreement. If any date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

SECTION 13.18 Purchaser's Parent Support. From the date hereof until the effectiveness of the Closing, Purchaser's Parent agrees to provide Purchaser any and all financial support necessary to permit Purchaser to perform its obligations hereunder. After Closing, Purchaser's Parent shall have no obligation or liability under this Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

CONSTELLATION POWER, INC.

By: /s/ John T. Long

Name: John T. Long
Title: Senior Vice President

COSI PUNA, INC.

By: /s/ John T. Long

Name: John T. Long
Title: President

ORNI 8 LLC

By: Ormat Nevada Inc., Its Manager

By: /s/ Rad Ravin

Name: Rad Ravin

Title: V.P. Business Development

ORMAT NEVADA INC.

By: /s/ Connie Stechman

Name: Connie Stechman

Title: Assistant Secretary

Exhibit 10.2.2

PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is made and entered into on July 15th, 2004, by and between Ormat Industries, Ltd., an Israeli Public corporation ("Seller"), and Ormat Systems Ltd., an Israeli corporation ("Buyer").

- WHEREAS, Seller is engaged, directly and through its subsidiaries, among other things, in the development, manufacturing, construction, operation, management and acquisition of geothermal power plants and power units (the "BUSINESS"); and
- WHEREAS, Buyer is an indirect wholly owned subsidiary of the Seller; and
- WHEREAS, Both parties have resolved that it would be in their best interest to enter into a restructuring process whereby Buyer will purchase and assume from Seller, and Seller will sell and assign to Buyer, certain assets and liabilities related to the Business, pursuant to the terms and subject to the conditions set forth herein.

NOW, THEREFORE, In consideration of the mutual representations, covenants and warranties contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer intending to legally bound hereby, mutually agree as follows:

1. DEFINITIONS

- 1.1 Defined Terms. As used herein, the terms below shall have the following meanings:
- 1.2 "Assumed Contracts" shall mean all Contracts relating directly to the Purchased Business, unless included in the Excluded Contracts, to which Seller is a party and to which Buyer shall be a party in lieu of Seller after the Closing Date but as of the Effective Date, as defined below, and shall be assumed, performed and discharged by Buyer in place of Seller after the Closing Date as of the Effective Date, including all receivables derived from such Assumed Contracts.
- 1.3 "Assumed Liabilities" shall mean all direct and/or indirect liabilities and obligations, including contingent liabilities, of Seller in connection with the Purchased Business,

and those under the Assumed Contracts, including, without limitation, (a) to furnish services, and other non-cash benefits to another party after the Closing Date and (b) to pay for goods, services, licenses, royalties and other non-cash benefits that another party will have furnished to it after the Effective Date; and (c) to repay debts, to pay taxes, fines, judgments, all of which Buyer shall be responsible after the Closing Date as of the Effective Date.

- 1.4 "Books and Records" shall mean all records (or true and complete copies thereof), including computerized books and records, owned or used by Seller that are used by Seller for the operation of the Purchased Business and/or that are necessary for the continued operation of the Purchased Business and for the fulfillment of the Assumed Liabilities following the Closing, including engineering information (including written materials and machine-readable text subject to display and printout), including development documentation (i.e. documentation used in conjunction with source code in the development process) (collectively "DOCUMENTATION"), sales and promotional literature, manuals and data, all customer files (including tests data and other inputs and communications between Seller and its customers), all lists of customers, suppliers and vendors, copies of the Assumed Contracts, and any files relating to any action with respect to the Seller, but specifically excluding (i) corporate minute and stock books and financial information other than financial information relating specifically to the Purchased Business and/or Assumed Liabilities, and (ii) the foregoing books and records relating to the Excluded Assets, as defined below.
- 1.5 "Business Day" shall mean a day that is not a Friday or a Saturday or a statutory or civil holiday in the State of Israel.
- 1.6 "Contracts" shall mean any and all contracts, agreements, arrangements, leases, mortgages, bonds, notes and other instruments, commitments, undertakings and obligations, whether or not in writing, including all receivables and payables derived therefrom.
- 1.7 "Effective Date" shall mean July 1st, 2004.
- 1.8 "Assets" shall mean any tangible property, equipment, inventory, receivables, owned, used or held for use by Seller (including equipment, furniture, computers and computer supplies, servers, machinery, office materials and supplies and inventories

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of any kind or nature), for the operation and/or the management of the Purchased Business but other than the Excluded Assets.

- 1.9 "Excluded Assets" shall mean certain assets set forth in SCHEDULE 1.9, which will not be transferred or conveyed to Buyer hereunder, but instead will be retained by Seller following the Closing Date.
- 1.10 "Excluded Business" shall mean the Excluded Assets together with the Excluded Liabilities and the Excluded Contracts, all of which does not form part of the Purchased Business. For the avoidance of any doubt, the Excluded Business shall include all of the Business which is owned and operated by Ormat Technologies Inc., directly or through its subsidiaries..
- 1.11 "Excluded Liabilities" and "Excluded Contracts" shall mean certain liabilities set forth in SCHEDULE 1.11 and certain contracts set forth in SCHEDULE 1.11A, respectively, which will not be transferred or conveyed to, nor assumed by, Buyer hereunder, but instead will be

retained by Seller following the Closing Date.

- 1.12 "Intangibles" shall mean all goodwill associated with the Purchased Business, together with the right to represent to third parties that Buyer is the successor to the Purchased Business.
- 1.13 "Person" shall mean any person or entity, whether an individual, trustee, corporation, general partnership, limited partnership, trust, unincorporated organization, limited liability company, business association, firm, joint venture, governmental agency or authority or otherwise.
- 1.14 "Purchased Business" shall mean all of the Business other than the Excluded Business, but including all of Seller's right, title and interest as of the Effective Date in the Assumed Contracts, the Assets, the Intangibles, the Assumed Liabilities, the Books and Records, Seller Intellectual Property, the accounts receivable and payable, transferred to Buyer upon Closing as of the Effective Date with respect to the Purchased Business and, to the extent transferable, (i) the rights under agreements with employees and consultants of Seller concerning confidentiality, and the assignment of inventions, (ii) all related claims, causes of action and similar rights against any Person arising out of, or related to, such rights and (iii) the solar pond assets and all related technology and knowhow owned by Solmat Systems Ltd., a

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wholly owned subsidiary of the Seller, including contingent liabilities related to these assets.

- 1.15 "Seller Intellectual Property" shall mean any intellectual property owned or licensed by Seller with respect to the Purchased Business, including without limitation, (i) all of Seller's patents, patent applications, trademark applications, registered trademarks, trade names, logos, trade dress, service marks and all applications and registrations therefore, and all goodwill associated therewith, excluding those listed on SCHEDULES 1.15; (ii) all copyright (and author's rights, whether published or unpublished, including rights to prepare, reproduce and distribute copies, compilations and derivative works) used for the operation and management of the Purchased Business, including any such rights in any translation of Seller's documentation or interfaces made by or on behalf of Seller; (iii) trade secret rights, know-how, inventions (whether patentable or not), inventor's notes, drawings and designs and Inventor's lists (all as embodied in the form of written documentation generally used by the engineering group of Seller), proprietary processes or formulae, franchises, licenses, technology, technical data and customer lists, and all documentation relating to any of the foregoing and used for the operation and management of the Purchased Business; (iv) all computer programming code (including source code and object code, algorithms, display screens, layouts, firmware, development tools, files, records and data, all media on which any of the foregoing is recorded, all Web addresses, sites and domain names), and other intellectual property rights owned by Seller in or related to the Purchased Business; (v) all continuations, continuations in part, reissues, divisions, renewals, reexaminations or extensions of any kind with respect to the intellectual property rights described in (i) and (ii); and (iv) all Documentation, databases and data collections and all rights therein related to any of the foregoing; (vi) all the knowhow and other rights in the technology and solar pond assets owned by Solmat Systems Ltd, a wholly owned subsidiary of the Seller. The Seller Intellectual

Property Rights shall not include those rights which are not directly connected to the Purchased Business and those which are listed in SCHEDULES 1.15.

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2. OTHER DEFINED TERMS.

2.1 The following terms shall have the meanings defined for such terms in the Sections set forth below:

Term	Section
-----	-----
Assumed Employees	5.1.1
Business	Recitals
Assignment Period	3.1.3
Closing	4.1
Documentation	1.4
License	3.1.7
Required Services	3.3
Closing and Closing Date	4.1
Unassigned Assets	3.1.4

2.2 For purposes of this Agreement, (a) "including" shall mean "including, but not limited to," "including, without limitation," and other phrases of similar import and (b) "hereof," "herein," and "hereunder," and words of similar import, refer to this Agreement as a whole (including the Exhibits and Schedules to this Agreement) and not to any particular Section hereof.

3. THE TRANSACTION

3.1 PURCHASE AND SALE OF PURCHASED BUSINESS.

3.1.1 Pursuant to the terms and subject to the conditions of this Agreement and Section 3.1.3 below, in exchange for the consideration set forth in Section 3.2 below, at the Closing but as of the Effective Date: (i) Seller shall sell, convey, transfer, assign and deliver to Buyer, and Buyer shall purchase from Seller, the Purchased Business, and (ii) Buyer shall assume all the Assumed Liabilities. Buyer and Seller hereby agree that Buyer shall not have any rights to or obligations under or with respect to the Excluded Assets or the Excluded Liabilities.

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- 3.1.2 It is hereby agreed that the transactions contemplated herein, are executed on a "Going Concern" and "As-Is" basis with respect to the Purchased Business, Assumed Liabilities and the value of the Purchased Business.
- 3.1.3 Notwithstanding anything to the contrary in this Agreement and without any affect on the Effective Date, the parties hereby undertake to cooperate and use their best efforts to assign the Assumed Contracts and the Assumed Liabilities to the Buyer within 12 months from the Closing Date (the "Assignment Period").
- 3.1.4 During the Assignment Period and in the event that the Parties shall mutually determine in good faith that the consents required for the assignment of certain Assumed Contract(s) and/or certain Assumed Liabilities either (i) cannot be obtained, or (ii) may have an adverse affect on the business of the Parties, or (iii) taking into account the nature of such contracts and/or liabilities, their termination dates, their volumes and other relevant facts - it is not practical to engage in their formal assignment, then (a) such Contract(s) and/or Liabilities must not be formally assigned and assumed under Section 3.1.1 above but the provisions of Sections 3.1.5 and 3.1.6 will apply to them (hereinafter "UNASSIGNED ASSETS"); and (b) if Seller obtains such missing consents at any time in the future, Buyer shall assume such Unassigned Assets as if originally included in the assignment under Section 3.1.1, for no additional consideration whatsoever.
- 3.1.5 Any Unassigned Asset will be held in trust by Seller for the benefit of the Buyer solely and absolutely as from the Closing Date until such licenses and consents are obtained for its assignment to the Buyer or until its termination or its expiration, as the case may be, and Seller shall account to Buyer on a quarterly basis, and shall deliver to Buyer immediately upon receipt, any notice or other document concerning or relating to such Unassigned Assets or copy thereof, and Seller will permit Buyer to enforce its rights in respect of such Unassigned Assets in the name of Seller. Seller shall provide Buyer with an irrevocable power of attorney to enable Buyer to take any action it finds fit with respect to the Unassigned Assets.

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- 3.1.6 As of the Effective Date, Buyer shall be solely responsible and liable for any action and/or omission and/or loss and/or expense arising out of or in connection with the Unassigned Assets and shall indemnify Seller, immediately upon Seller's written demand, for any such loss, expense or damage, sustained by Seller after the Effective Date in connection with the Unassigned Assets. Accordingly, all the business results of the Unassigned Assets shall belong as of the Effective Date to the Buyer.
- 3.1.7 Upon Closing Seller shall grant Buyer a worldwide, perpetual, exclusive, royalty free license for the use of the patents and trademarks listed in SCHEDULE 3.1.7(A) and a worldwide, perpetual, non-exclusive, royalty free license for the use of

the trademarks listed in Schedule 3.1.7(b) all in connection with Purchased Business pursuant to a license agreement in the form attached hereto as Schedule 3.1.7(c) (the "License") . Buyer shall be entitled to sublicense the License to its parent, which in turn shall be entitled to further sublicense the License to any of its other subsidiaries at its discretion. Notwithstanding anything to the contrary in this Agreement, the parties hereby undertake to cooperate and use their best efforts to convey and transfer to Buyer all of Seller's Intellectual Property which is connected to the Purchased Business.

3.2 CONSIDERATION.

- 3.2.1 In consideration of the (a) sale, transfer, assignment, conveyance and delivery by Seller to Buyer of the Purchased Business; and (b) the grant of the License; Buyer shall pay Seller the amount of USD11,000,000 (Eleven Millions US dollars) (the "PURCHASE PRICE") payable as provided for in Section 3.2.2 hereunder.
- 3.2.2 Payment of Purchase Price shall be made by (a) assigning to the account of Buyer of (i) all Seller's liabilities to Bank Continental Ltd. as of July 1st, 2004 with effect from that date, at the total amount of approximately USD5,440,000 and (ii) any amount due for retirement compensation which is in excess of the amounts that were provided for; and (b) the balance after the aforesaid assignments will be paid in cash by wire transfer of immediate

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available funds to an account designated by Seller not later than 30 days from the Closing Date.

- 3.2.3 In further consideration of work and products orders from customers which are binding upon such customers and currently processed by the Seller and which are transferred under the terms of this Agreement to Buyer (the "ORDERS"), Buyer shall pay Seller a commission as follows:

- 3.2.3.1 A commission equal to 5% of all revenues derived after the Effective Date from Orders described in SCHEDULE 3.2.3.1;
- 3.2.3.2 A commission equal to 2.5% of all revenues derived after the Effective Date from Orders described in SCHEDULE 3.2.3.2.

Upon the recording of the aforesaid revenues in Buyer's books, Seller shall charge Buyer for the respective commission provided for above, which will be paid by Buyer upon to Seller upon actual receipt of such revenues by Buyer.

- 3.2.4 The Purchase Price assumes that the balance of the working capital items reflected on Seller's financial statements for the period ending June 30th, 2004 equals zero (0). If the balance of such working capital items is higher than, or

lower than zero, the Purchase Price shall be adjusted (the "Purchase Price Adjustment") in such a way that it will be increased if the balance is a positive number and decreased if the balance is a negative number, in each case by an amount equal to the difference between zero (0) and the actual balance of such working capital items. For purposes of this Section 3.2.4, the balance of the working capital items shall be the difference between (x) the value of the inventory plus the accounts receivable that form part of the Purchased Business, and (y) the accounts payable that form part of the Purchased Business, as reflected on the Seller's financial statements for the period ended June 30, 2004. The Parties shall agree on the Purchase Price Adjustment promptly following and on the basis of, the Seller's financial statements for the period ending June 30th, 2004, and any resulting payment by the Buyer, or refund by the Seller, shall be done no later than September 1st, 2004, by wire transfer of immediately

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available funds to an account designated in writing by the party entitled to receive funds.

- 3.3 SERVICE AGREEMENT. Buyer hereby undertakes, following the closing of the transaction, to provide corporate, financial, secretarial and administrative services to the Seller as set forth in SCHEDULE 3.3 attached hereto (the "REQUIRED SERVICES"), for a total cost of USD 10,000 per month plus VAT at the applicable rate.

In addition to the Required Services Buyer hereby undertakes to provide Seller, at Sellers' request, with manpower possessing the engineering knowledge of the OrCrude technology, in consideration for Buyer's cost plus 10%.

Either party may, at its sole discretion, terminate the Required Services or the additional arrangements, or part thereof, at any time by delivering a six months prior written notice to the other party.

4. CLOSING

- 4.1 Closing. The closing of the transactions contemplated herein (the "CLOSING") shall be held on July 15th, 2004 at 10:00 a.m., Israel time, at the offices of M. Seligman & Co., or at such other place and time otherwise agree to by the Parties hereto (the "CLOSING DATE").
- 4.2 Deliveries at Closing. At the Closing the following items shall be delivered by the parties:

4.2.1 BY BUYER. Buyer shall deliver to Seller:

- 4.2.1.1 Board of Directors Resolution. Copies of a validly executed resolution of the Board of Directors of Buyer in the form attached hereto as SCHEDULE 4.2.1.1 approving the execution and delivery by Buyer of this Agreement and the ancillary agreements and the performance of Buyer's obligations hereunder and thereunder;

- 4.2.1.2 A duly executed Service Agreement providing for, inter alia, the matters set forth in Section 3.3 above.
- 4.2.1.3 All such other documents and instruments as Seller may reasonably request or as may be otherwise necessary or

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desirable to evidence and effect assumption by Buyer of the Assumed Liabilities.

4.2.2 BY SELLER. Seller shall deliver to Buyer:

- 4.2.2.1 Board Resolutions. A copy of validly executed Seller's Board of Directors resolutions in the form attached hereto as Schedule 4.2.2.1, approving the execution and delivery of this Agreement and the ancillary agreements by Seller, and the performance of Seller's obligations hereunder and thereunder;
- 4.2.2.2 Consents. Evidence of all the consents of third parties and/or governmental authorities necessary to effect the transfer and assignment to Buyer of the Assumed Contracts;
- 4.2.2.3 The consents, waivers or approvals set forth in SCHEDULE 4.2.2.3, that will have been obtained by Seller with respect to the sale of the Purchased Business or the consummation of the transactions contemplated in this Agreement.
- 4.2.2.4 A duly executed license agreement in the form attached hereto as SCHEDULE 3.1.7(c) with respect to the License.
- 4.2.2.5 A duly executed Lease Agreement in the form attached hereto as SCHEDULE 4.2.2.5.
- 4.2.2.6 A copy of validly executed Solmat Systems Ltd. Board of Directors resolutions in the form attached hereto as SCHEDULE 4.2.2.6, approving and undertaking the sale by Solmat Systems Ltd. to Buyer of certain rights and assets as provided for in Section 1.14 above, and expressly providing that such sale shall be effected by OIL for and on behalf of Solmat Systems Ltd. under and pursuant to this Agreement, for no further consideration from Buyer to Seller or to Solmat Systems Ltd.
- 4.2.2.7 All such other, assignments and other instruments of assignment, transfer or conveyance as Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, transfer, assignment, conveyance and delivery of

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the Purchased Business and Assumed Liabilities to Buyer that will enable Buyer actual possession and/or control of the Purchased Business.

- 4.2.3 All acts and deliveries prescribed by this Section 4.2, regarding chronological sequence, will be deemed to occur contemporaneously and simultaneously on the occurrence of the last act or delivery, none of which shall be effective until the last has occurred.

5. CERTAIN COVENANTS

5.1 Employment Matters.

- 5.1.1 Employees. Buyer shall extend an offer to all of Seller's employees to continue and be employed by Buyer effective from the Effective Date and subject to Closing, with compensation, benefits, and responsibilities identical to those under which they were employed by Seller. The Employees who will be employed by Buyer following Closing are collectively referred to herein as the "ASSUMED EMPLOYEES".

- 5.1.2 Obligations. The employment with Seller of all Assumed Employees will be terminated immediately prior to the Closing, in such a way that other than payments actually due by Seller to such Assumed Employees in consideration for their employment until the Effective Date, including but not limited to, salaries, social security, provisions to pension funds, insurance policies, provisions to tax, reimbursements of expenses etc., Buyer shall assume all other liabilities whatsoever with respect to such Assumed Employees in connection with their employment period with Seller prior to the Effective Date and thereafter.

- 5.1.3 No Third Party Beneficiary Rights. Nothing contained in this Agreement shall confer upon any Employee any right with respect to continuance of employment by Buyer or Seller, nor shall anything herein interfere with the right of Buyer or Seller to terminate the employment of any of the Employees at any time, with or without cause, in accordance with the provisions of the respective employment agreement with any such

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employee. No provision of this Agreement shall create any third party beneficiary rights in any Employee, or any beneficiary or dependents thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any Employee by Buyer or under any benefit plan which Buyer may maintain.

5.2 Consents.

As soon as practicable following the date hereof, the Parties shall commence all reasonable actions required hereunder to obtain all

applicable consents, approvals and agreements of, and to give all notices and make all filings with, any third parties and governmental authorities as may be necessary to authorize, approve or permit the consummation of the transactions contemplated hereunder. In addition, Seller undertakes to obtain all the necessary consents and approval by Solmat Systems Ltd. for the execution of the provisions concerning Solmat Systems Ltd.

5.3 Non-Competition

Seller undertakes that as long as it holds more than 50% of all controlling means in Buyer's parent, it shall not compete with Buyer's and/or Buyer's parent company's Business and accordingly shall not engage in any business which is in the same field of the Purchased Business and/or the Business. This undertaking shall be deemed as an undertaking for the benefit of Ormat Technologies, Inc.

6. MISCELLANEOUS

6.1 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Buyer without the prior written consent of Seller or by Seller without the prior written consent of Buyer. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assignees with no other person having any right, benefit or obligation hereunder.

6.2 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by either party to the other shall be in writing and delivered by telecopy or other facsimile (with acknowledged receipt), delivered personally or mailed by certified or registered mail, postage prepaid (and by airmail if sent internationally), return receipt requested or by internationally recognized courier

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(such as Federal Express or DHL) (such mailed or couriered notice to be effective on the date such receipt is acknowledged or refused), as follows:

If to Seller, addressed to:

Ormat industries Ltd.

Attn.:The CEO

Fax: +9728 9439901

If to Buyer, addressed to:

Ormat Systems Ltd.

Fax: +9728 9439901

Attn: The President

or to such other place and with such other copies as either party may designate as to itself by written notice to the other.

6.3 Choice of Law; Venue. This agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Israel. Each of the parties to this Agreement consents to the exclusive jurisdiction and venue of the competent

courts of Tel-Aviv-Jaffa over all matters arising in connection with this Agreement.

- 6.4 Entire Agreement; Amendments and Waivers. This Agreement, together with all exhibits and schedules hereto between Seller and Buyer, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties hereto with respect to such subject matter. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.
- 6.5 Multiple Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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- 6.6 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such provision or provisions shall be judicially reformed consistent with the parties' intentions so as to be valid, legal and enforceable to the maximum extent possible and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.
- 6.7 Titles. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective duly authorized officers, in multiple originals, all as of the day and year first above written.

ORMAT INDUSTRIES LTD.

ORMAT SYSTEMS LTD.

By: /s/ Lucien Y. Bronicki

By: /s/ Etty Rosner

Lucien Y. Bronicki, Chairman of
the Board

Etty Rosner, V.P. Contract
Administrator

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SCHEDULE 1.9

EXCLUDED ASSETS

Shares and Shareholder loans in OPTI Technologies BV, a Dutch company
Shares of and receivable from Ormat Investments Ltd., an Israeli company
Shares of Solmat Systems Ltd., an Israeli company and its payable to its parent
Shares of Bet Shemesh Engines Ltd, an Israeli company
Shares of Bet Shemesh Holdings Ltd, an Israeli company
Shares of Ormat Industries Ltd, an Israeli company
Shares OrTaas Ltd., an Israeli company
Shares of Orbotech Ltd., an Israeli company
Shares of OrAd Hi Tech Systems Ltd., an Israeli company
Shares of Caspit Telecom (1984) Ltd., an Israeli company
Shares of Guardian On Board Ltd., an Israeli company
Shares of Orlake Inc., a Canadian Company
Shares of Ormat Technologies Inc., a Delaware corporation
Shareholders loans to Ormat Technologies Inc.
Capital Note from Ormat Technologies Inc.
All the Intellectual Property related to the upgrading of heavy fuel
Investment in Polaris Fund
Investment in SKF TUC Fund
Investment in Peace Fund
All Land and buildings
All cash and cash equivalent as of June 30, 2004
All short term cash investments
Deferred tax assets and any receivable from any tax authority

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SCHEDULE 1.11

EXCLUDED LIABILITIES AS AT JUNE 30, 2004

LIABILITIES TO BE RETAINED BY ORMAT INDUSTRIES LTD:

Bank payable

Debentures (series no. 9) issued December 21st, 2003 - principle and interest
Convertible Debentures (series no. 7 & 8) issued on May 28th, 2002 and June 5th,
2003, respectively, - principle and interest
Dividend payable
Deferred tax liabilities
Income tax payables

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SCHEDULE 1.11A
EXCLUDED CONTRACTS

Any and all contracts between Seller and any entity listed on schedule 1.9.

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SCHEDULE 1.15A
EXCLUDED IP - PATENTS

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SCHEDULE 1.15B
EXCLUDED IP - PATENT APPLICATIONS

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SCHEDULE 1.15C
EXCLUDED IP - TRADEMARKS

ORMAT FILE NO	OWNER	TITLE	CLASS	FILING NO.	FILING DATE	REG. DATE
ORMT24 & 25	OPTI BV	ORCRUDE	4	75/669367	26/03/1999	23/03/2004
ORMT24	OPTI BV	ORCRUDE	16	821722182	10/06/1999	16/09/2003
ORMT24	OPTI BV	ORCRUDE	7	821722190	10/06/1999	03/04/2004
ORMT24	OPTI BV	ORCRUDE		1018487	10/06/1999	19/11/2003
ORMT24	OPTI BV	ORCRUDE	7	124634	17/12/1998	06/09/2000
ORMT24	OPTI BV	ORCRUDE	4	10116-99	11/06/1999	28/09/2000
ORMT24	OPTI BV	ORCRUDE	7	1011799	11/06/1999	22/11/2000
ORMT25	OPTI	ORCRUDE	4	124633	17/12/1998	07/02/2000
ORMT26 & 27	OPTI BV	ORFUEL	4, 7	75/740825	30/06/1999	23/03/2004
ORMT26	OPTI	ORFUEL	4, 7	1020759	30/06/1999	30/07/2003
ORMT26	OPTI	ORFUEL	7	124907	30/12/1998	06/09/2002
ORMT27	OPTI BV	ORFUEL	4	124906	30/12/1998	07/02/2000
ORMT34	OIL	ORSWEET	4, 7	1002724	21/12/2001	01/10/2003
ORMT28	OIL	ORSHIELD	9	140486	31/07/2000	04/12/2001

ORMAT FILE NO	OWNER	TITLE	FILING NO.	FILING DATE	REG. DATE	REG. NO
OMTM01	OIL	ORMAT	359395	11/05/1970	31/08/1971	919284
OMTM02	OIL	DEVICE	361506	02/06/1970	22/08/1972	941316
ORMT11a	OIL	GREENERGY (actual use)	76/496811	13/03/2003	18/05/2004	2842539
ORMT19	OIL	ECO-LOGICAL	10-72036	24/08/1998	12/11/1999	4333806
ORMT20	OIL	ECO-LOGIC	75-439124	23/02/1998	25/03/2003	2700628
ORMT20	OIL	ECO-LOGIC	121796	19/08/1998	05/01/2000	121796

EXCLUDED IP - TRADEMARKS APPLICATIONS

ORMAT FILE NO	OWNER	TITLE	CLASS	FILING NO.	FILING DATE	REG. DATE	REG. NO
ORMT25	OPTI BV	ORCRUDE	4	821724819	#####		
ORMT34	OIL	ORSWEET	4,11	76/423732	#####		
ORMT34	OIL	ORSWEET		1134688	#####		

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SCHEDULE 3.2.2.1

WORK AND PRODUCT ORDERS

WORK/PRODUCT ORDER	TASK NO.
THE SUPPLY CONTRACT BETWEEN TPC AND OIL DATED 23-AUG-02 MOKAI II PROJECT	5479
THE SUPPLY CONTRACT BETWEEN CONTACT ENERGY LIMITED AND OIL DATED 09-OCT-03 WAIRAKEI PROJECT	5703

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SCHEDULE 3.2.2.2

WORK AND PRODUCT ORDERS

WORK/PRODUCT ORDER	TASK NO.
-----	-----
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-----	-----
-----	-----
SUPPLY CONTRACT BETWEEN MEGE, TURKEY AND OIL DATED 14-AUG-03 AYDIN SALAVATLI PROJECT	5747
-----	-----
P.O. DATED 30-APR-04 FOR SUPPLY OF OEC BETWEEN OPTI CANADA INC AND OIL	5909
-----	-----
GENERAL DYNAMICS - P.O. FOR SUPPLY OF 56 ALTERNATORS DATED 10-MAR-04	5887
-----	-----
NIMDA - P.O. FOR SUPPLY OF ALTERNATORS+REGULATORS DATED 25-MAR-04	5895
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SCHEDULE 4.2.2.3

CONSENTS, WAIVERS OR APPROVALS OBTAINED BY ORMAT INDUSTRIES LTD:

1. Office of the Chief Scientist
2. Ministry of Industry and Trade's Investment Centre
3. Banking Institutions holding a floating charge on the assets of Ormat Industries Ltd:
 - (i) Bank Hapoalim BM.
 - (ii) Bank Leumi BM.
 - (iii) Israel Discount Bank
 - (iv) United Mizrachi Bank Ltd.

Exhibit 10.3.1

POWER PURCHASE CONTRACT
BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY
AND
REPUBLIC GEOTHERMAL, INC.

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1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Republic Geothermal, Inc., a California Corporation ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following address:

Republic Geothermal, Inc.
11823 East Slauson Avenue
Santa Fe Springs, CA 90670
Attn: President

1.2 Seller's Generating Facility:

- a. Nameplate Rating: 46,800 kW.
- b. Location: East Mesa, Imperial County, California
- c. Type (Check One):
 - ☐ Cogeneration Facility
 - ☒ Small Power Production Facility

1.3 Contract Capacity: 24,000 kW

1.3.1 Estimated as-available capacity: 0.

1.4 Expected annual production: 168,192,000 kWh.

1.5 Expected date of Firm Operation: April 1, 1986.

1.6 Contract Term: 30 years.

1.7 Operating Options pursuant to Section 5: (Check One)

☒ Operating Option I. Excess Generator output dedicated to Edison. No electric service or standby service required from Edison.

☐ Operating Option II. Entire Generator output dedicated to Edison with separate electric service required from Edison.

1.8 The Capacity Payment Option selected by Seller pursuant to section 8.1 shall be: (Check One)

☐ Option A -- As-available capacity based upon:

☐ Standard Offer No. 1 Capacity Payment Schedule, or

☐ Forecast of Annual As-Available Capacity Payment Schedule

☒ Option B -- Firm Capacity

☒ Standard Offer No. 2 Capacity Payment

Schedule in effect at time of Contract execution

☐ Standard Offer No. 2 Capacity Payment

Schedule in effect at time of Firm Operation

a. The Contract Capacity Price: \$158 kW-yr. (Firm Capacity)

1.9 The Energy Payment Option selected by Seller pursuant to Section 8.2 shall be: (Check One)

[x] Option 1 -- Forecast of Annual Marginal Cost of Energy in effect, at date of execution of this Contract. (Appendix B)

_____ Option 2 -- Levelized Forecast of Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix C)

For the energy payment refund pursuant to Section 8.5 under Option 2, Edison's Incremental Cost of Capital is 15%.

Seller may change once between Options 1 and 2, provided Seller delivers written notice of such change at least 90 days prior to the date of Firm Operation.

For Option 1 or 2, Seller elects to receive the following percentages in 20% increments, the total of which shall equal 100%:

100 percent of Forecast of Annual Marginal Cost of Energy, and

0 percent of Edison's published avoided cost of energy as updated periodically and accepted by the Commission.

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GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the following meanings:

2.1 Adjusted Capacity Price: The \$/kW-yr capacity purchase price based on the Capacity Payment Schedule in effect at the time of Contract execution for the time period beginning on the date of Firm Operation for the first generating unit and ending on the date of termination or reduction of Contract Capacity under Capacity Payment Option B.

2.2 Appendix A: Capacity Payment Schedule -- Forecast of Annual As-Available Capacity

2.3 Appendix B: Energy Payment Schedule -- Forecast of Annual Marginal Cost of Energy

2.4 Appendix C: Energy Payment Schedule -- Levelized Forecast of Marginal Cost of Energy

2.5 Capacity Payment Schedule(s): Published capacity payment schedule(s) as authorized by the Commission and in effect at the time of execution of this Contract for as-available or firm capacity.

2.6. Commission: The Public Utilities Commission of the State of California.

2.7 Contract: This document and Appendices, as amended from time to time.

2.8 Contract Capacity: The electric power producing capability of the Generating Facility which is committed to Edison.

2.9 Contract Capacity Price: The capacity purchase price from the Capacity Payment Schedule approved by the Commission and in effect on the date of execution of this Contract for Capacity Payment Option B.

2.10 Contract Term: Period in years commencing with date of Firm Operation during which Edison shall purchase electric power from Seller.

2.11 Current Capacity Price: The \$/kW-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract

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Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.

2.12 Edison: The Southern California Edison Company.

2.13 Edison Electric System Integrity: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.

2.14 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

2.15 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.

2.16 Firm Operation: The date agreed on by the Parties on which each generating unit of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its Contract Capacity.

2.17 First Period: The period of the Contract Term specified in Section 3.1.

2.18 Forced Outage: Any outage other than a scheduled outage of the Generating Facility that fully or partially curtails its electrical output.

2.19 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

2.20 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.

2.21 Interconnection Facilities: The electrical interconnection facilities furnished, at no cost to Edison, by Seller, or by the Interconnecting Utility on the Seller's behalf, which are appurtenant to, and/or incidental to, the Project. The Interconnection Facilities shall include, but are not limited to, transmission lines and/or distribution lines between the Project and transmission lines and/or distribution lines of the Interconnecting Utility, relays, power-circuit breakers, metering devices, telemetering devices, and other control and protective devices specified by the Interconnecting Utility as necessary for operation of the Project in parallel with the Interconnecting Utility's electric system.

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2.22 Interconnecting Utility: Any utility which takes delivery of

electrical energy generated by the Generating Facility and which transmits such electrical energy to the Point of Interconnection.

2.23 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.

2.24 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.

2.25 Parties: Edison and Seller.

2.26 Party: Edison or Seller.

2.27 Peak Months: Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

2.28 Point of Interconnection: The point where the electrical energy generated by the Seller at the Project is delivered to the Edison electric system.

2.29 Project: The Generating Facility and Interconnection Facilities required to permit the Generator to deliver electric energy and make capacity available to Interconnecting Utility.

2.30 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.31 Renewable Resources: Wind parks, small hydroelectric, solar, and geothermal resources which produce electric power.

2.32 Second Period: The period of the Contract Term specified in Section 3.2.

2.33 Seller: The Party identified in Section 1.0.

2.34 Seller's Facility: The premises and equipment of Seller located as specified in Section 1.2.

2.35 Small Power Production Facility: The facilities and equipment which use biomass, waste, or Renewable Resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.36 Summer Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

2.37 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission.

2.38 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, action or

inaction of government or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California. The failure of the Interconnecting Utility to deliver electrical energy to the Point of Interconnection shall be an Uncontrollable Force only if such failure is beyond the control of the Interconnecting Utility.

2.39 Winter Period: Defined in Edison's Tariff Schedule No. TOC-8 as now in effect or as may hereafter be authorized by the Commission.

3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.6.

3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than 5 years from the date of execution of this contract.

- a. If the Contract Term specified in Section 1.6 is 15 years, the first Period of the Contract Term shall be for 5 years.
- b. If the Contract Term specified in Section 1.6 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.

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3.2 The Second Period of the Contract Term shall commence upon expiration of the First Period and shall continue for the remainder of the Contract Term.

4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

- a. Design the Generating Facility.
- b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.
- c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.

4.2.2 Edison shall have the right to review the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Edison shall have the right to request modifications to the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison Electric System Integrity. If Seller does not agree to such modifications, resolution of the difference between the Parties shall be made pursuant to Section 23.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, as far in advance of Firm Operation as reasonably possible, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation

4.4.1. Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

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4.4.2 Seller shall notify, in writing, Edison's Operating Representative at least 14 days prior to the initial delivery of electrical energy from the Project to the Point of Interconnection.

4.4.3 Edison shall have the right to require Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system whenever Edison determines, in its sole judgment, that such curtailment or reduction is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system pursuant to this Section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the curtailment or the reduction of delivery of electrical energy from the Project. The duration of the curtailment or the reduction shall be limited to the period of time such a condition exists.

4.4.4 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

SCHEDULED OUTAGE EXPECTED DURATION -----	ADVANTAGE NOTICE TO EDISON -----
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

4.4.5 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's Operating Representative by telephone.

4.4.6 Seller shall not schedule major overhauls during Peak Months.

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4.4.7 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings, adjustments of the Generator control equipment, and well-field information. Information maintained pursuant to this Section 4.4.7 shall, be provided to Edison, within 30 days of Edison's request.

4.4.8 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of Emergency. In the event that the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.4 shall be waived by Edison if Seller reschedules the outage.

4.4.9 Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 8.1.2.5.

4.4.10 Seller warrants that, at the date of first electrical energy deliveries from the Project and during the term of this Contract, the Generating Facility shall meet the requirements established as of the effective date of this Contract by the Federal Energy Regulatory Commission's rules (Title 18, Code of Federal Regulations, Section 292.201 through 292.207) implementing the Public Utility Regulatory Policies Act of 1978 (16 U.S.C.A. 79696 et seq.).

4.4.11 The Seller warrants that the Generating Facility shall, at all times, conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If, at any time, Seller does not hold

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such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.

4.4.12 In the event electrical energy from the Project is curtailed or

reduced pursuant to Sections 4.4.3, 16 or 8.4, the Seller, in its sole discretion, may elect to (i) sell said electrical energy to a third party or (ii) deliver said electrical energy to a third party for future delivery to Edison at times and at amounts agreeable to Edison. The Seller shall be responsible for making all such arrangements. The provisions in this Section 4.4.12 shall only apply for the duration of the curtailment or reduction.

- 4.4.13 Seller shall maintain operating communications with the Edison switching center designated by the Edison Operating Representative. The operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage, reactive power generation, and daily capacity and generation reports.

4.5 Maintenance

- 4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.
- 4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months. Outages for scheduled maintenance shall not exceed a total of 30 peak hours for the Peak Months.
- 4.5.3 The allowance for scheduled maintenance is as follows:
- a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.
 - b. Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used consecutively and only for major overhauls.

4.6 Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

4.7 Edison shall have access to the Seller's geothermal field and power-generating facilities for the purpose of gathering technical information and records. The technical information and records shall include, but not be limited to, drilling data, well-testing data,

well-production data and design, power plant performance data and design, environmental data, brine handling design, and operation and maintenance data. Edison agrees not to interfere with Seller's rules and operating regulations.

5. OPERATING OPTIONS

5.1 Seller shall elect in Section 1.7 to Operate its Generating Facility pursuant to one of the following options:

a. Operating Option I: Seller dedicates the excess Generator output to Edison with no electrical service or standby service required from Edison.

b. Operating Option II: Seller dedicates the entire Generator output to Edison with electrical service required from Edison.

5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 8.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

6. INTERCONNECTION FACILITIES

6.1 Seller shall design, engineer, procure, construct, and test the Interconnection Facilities in accordance with applicable California utility standards and good

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engineering practices and the rules and regulations of the Interconnecting Utility or shall contract with the Interconnecting Utility or an independent contractor acceptable to Edison to furnish such design, engineering, procurement, construction and testing.

6.2 The design, installation, operation, maintenance, and modifications of the Interconnection Facilities shall be at Seller's expense.

6.3 Seller, at no cost to Edison, shall acquire all permits and approvals and complete all environmental impact studies necessary for the design, installation, operation, and maintenance of the Interconnection Facilities.

7. METERING

7.1. All meters and equipment used for the measurement of electrical power for determining Edison's payments to Seller pursuant to this Contract shall be provided, owned, and maintained by Edison and/or the Interconnecting Utility at Seller's expense.

7.2 If Seller's Generating Facility is rated at a Capacity of 500 kW or greater, then Edison, at its option, may install at Seller's expense, generation metering and/or telemetering equipment.

7.3 Edison's or the Interconnecting Utility's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison or Interconnecting Utility. Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.

7.4 Edison's or Interconnecting Utility's meters installed pursuant to this Contract shall be tested by Edison or Interconnecting Utility, at Edison's or Interconnecting Utility's expense, at least once each year and at any reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison or Interconnecting Utility within thirty days after presentation of a bill therefor.

7.5 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison or Interconnecting Utility such that the metering accuracy of said equipment shall be within plus or minus two percent. If metering equipment inaccuracy exceeds plus or minus two percent, the correct amount of Energy and capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

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8. POWER PURCHASE PROVISIONS

Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission. If at any time electrical energy can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver electrical energy to Edison and for any electrical energy purchased by Edison Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price from the Standard Offer No. 1 Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

8.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.8. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract.

8.1.1 Capacity Payment Option A -- As-Available Capacity.

If Seller selects Capacity Payment Option A, Seller shall be paid a Monthly Capacity Payment calculated pursuant to the following formula:

$$\text{Monthly Capacity Payment} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8

D = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.8.

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8.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.8, then the formula set forth in Section 8.1.1 shall be computed with D equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

8.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.8, the formula set forth in section 8.1.1 shall be computed as follows:

- a. During the First Period of the Contract Term, D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.
- b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1. Capacity Payment Schedule for the first year of the Second Period.

8.1.2 Capacity Payment Option B--Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.3, or as adjusted pursuant to Section 8.1.2.6, and Seller shall be paid as follows:

8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

Monthly Capacity Period = $A \times B \times C \times D$

Payment

Where A = Contract Capacity Price specified in Section 1.8 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by

the Commission and in effect on the date of the execution of this Agreement.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.3.

D = Period Performance Factor, not to exceed 1.0,
calculated as follows:

Period Performance Factor = [Period kWh Purchased by Edison (Limited
by the Level of Contract Capacity)]

[0.8 x Contract Capacity x (Period Hours minus Maintenance Hours
Allowed in Section 4.5.)]

8.1.2.2 Performance Requirements

To receive the Monthly Capacity Payment in Section 8.1.2.1, Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined in Edison's Tariff Schedule No. TOU-8 on file with the Commission, except that Seller is entitled to a 20% allowance for Forced Outages for each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

- a. If Seller fails to meet the requirements specified in Section 8.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 15 months. If Seller fails to meet the requirements specified in Section 8.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in Contract Capacity as a result of this Section 8.1.2.2 shall be subject to Section 8.1.2.5.

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- b. If Seller fails to meet the requirements set forth in this Section 8.1.2.2 due to a forced outage on the Edison system, or a request to reduce or curtail delivery under Section 8.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the calculation of the Monthly Capacity Payment.

8.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages.

8.1.2.4 Capacity Bonus Payment

For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

- a. Bonus During Peak Months

For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in

Section 8.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.

b. Bonus During Non-Peak Months

For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.

c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

Capacity Bonus Payment = A x B x C x D

Where A = (1.2 x On-Peak Capacity Factor)-1.02

Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

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(Period kWh Purchased by Edison (Limited by the Level of Contract Capacity))

On-Peak Capacity Factor = [(Contract Capacity) x (Period Hours minus Maintenance Hours Allowed in Section 4.5)]

B = Contract Capacity Price specified in Section 1.8 for Capacity Payment Option B

C = 1/12

D = Contract Capacity specified in Section 1.3

d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 8.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section 8.1.2.4.

8.1.2.5 Capacity Reduction

a. Seller may reduce the Contract Capacity specified in Section 1.3, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

Amount of Contract
Capacity Reduced

Length of
Notice Required

23,000 kW or under
25,001- 50,000 kW
50,001 - 100,000 kW
over 100,000 kW

12 months
36 months
48 months
60 months

b. Subject to Section 9.3, Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime

commercial paper rate, an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

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- c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity Price for the amount of Contract Capacity being reduced.
- d. Seller may reduce Contract Capacity without the notice prescribed in Section 8.1.2.5(a), provided that Seller shall refund to Edison the amount specified in Section 8.1.2.5(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving the prescribed notice. If the Current Capacity Price is less than the Contract Capacity Price, only payment under Section 8.1.2.5(b) shall, be due to Edison.

8.1.2.6 Adjustment to Contract Capacity

The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to section 8.1.2.5. Seller may increase the Contract Capacity with Edison's approval and thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

8.1.2.7 Excess Capacity

For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer No. 1 Capacity Payment Schedule, as updated and approved by the Commission.

8.2 Energy Payments -- First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the electrical energy delivered by the Seller and purchased by Edison at the Point of Interconnection pursuant to the Energy Payment Option selected by the Seller in Section 1.9, as follows.

- 8.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy. If Seller selects Energy Payment Option 1, then during the First Period of

the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection during

each month in the First Period of the Contract Term pursuant to the following formula:

$$\text{Monthly Energy Payment} = [(A \times D) + (B \times D) + (C \times D)] \times E$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of: (i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.

E = Energy Loss Adjustment Factor For Remote Generating Sites*

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.

8.2.2 Energy Payment Option 2 -- Levelized Forecast of Marginal Cost of Energy. If Seller selects Energy Payment Option 2, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered

by Seller and purchased by Edison each month during the First Period of the Contract Term pursuant to the following formula:

$$\text{Monthly Energy Payment} = [(A \times D) + (B \times D) + (C \times D)] \times E$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of: (i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal equivalent of the percentage of the levelized forecast specified in

Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.

E = Energy Loss Adjustment Factor For Remote Generating Sites*

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.

8.2.2.1 Performance Recruitment for Energy Payment Option 2

During the First Period when the annual forecast referred to in Section 8.2.1 is greater than the levelized forecast referred to in Section 8.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 8.2.2 is greater than the annual forecast referred to in section 8.2.1. If Seller does not meet the performance requirements of this Section 8.2.2.1, Seller shall be subject to Section 8.5.

8.3 Energy Payments -- Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection at a rate equal to 100% of Edison's published avoided cost of energy based on Edison's full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the following formula:

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Monthly Energy Payment = kWh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8

- x Edison's published avoided cost of energy by time of delivery for each time period
- x Energy Loss Adjustment Factor for Remote Generating Sites*

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or ruling.

8.4 Edison shall not be obligated to accept or pay for electrical energy generated by the Generating Facility, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of electric energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs greater than those which Edison would incur if it did not purchase electrical energy from Seller but instead utilized an equivalent amount of electrical energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

8.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

- 8.5.1 If Seller fails to perform the Contract obligations for any reason during the first Period of the Contract Term, or fails to meet the performance requirements set forth in Section 8.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.9.
- 8.5.2 Not Less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee, or bank

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letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion, accept another form of security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 8.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

- 8.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in section 8.2.1.
- 8.5.4 If Edison at any time determines the security to be otherwise inadequate, and so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in section 8.5 shall be payable forthwith.

9. PAYMENT AND BILLING PROVISIONS

9.1 For Energy and capacity purchased by Edison:

- 9.1.1 Edison shall mail to Seller no later than thirty days after the end of each monthly billing period (1) a statement showing

the Energy and capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.

- 9.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.

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- 9.1.3 If the payment period is less than 27 days or greater than 33 days, the capacity payment shall be prorated on the basis of the average days per month per year.

- 9.1.4 If, within thirty days of receipt of the statement, seller does not make a report in writing to Edison of an error, Seller shall be deemed to have waived any error in Edison's statement, computation, and payment, and they shall be considered correct and complete.

- 9.2 Edison shall bill the Seller, on a monthly basis, for the costs Edison has incurred in the transmission of the electrical energy from the Project to the Point of Interconnection pursuant to the provisions of Section 26.

9.3 Payments Due to Contract Capacity Reduction

- 9.3.1 The Parties agree that the refund and payments provided in Section 8.1.2.5 represent a fair compensation for the reasonable losses that would result from such reduction of Contract Capacity.
- 9.3.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 8.1.2.5, as applicable.
- 9.3.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this Section 9 which shall be due within 60 days.
- 9.3.4 If Seller does not make payments as required in Section 9.2.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of seller's failure to perform.

9.4 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 8.5.

10. TAXES

- 10.1 Seller shall pay ad valorem taxes and other taxes properly attributable to the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.

- 10.2 Seller shall pay ad valorem taxes and other taxes properly attributed to land, land rights, or interest in land for the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.
- 10.3 Edison shall refer any requests for information regarding the Project from any taxing authority to Seller, and Seller shall not withhold any properly requested information from any requesting taxing authority.

11. TERMINATION

This Contract shall terminate if Firm Operation does not occur within 5 years of the date of contract execution.

12. SALE OF GENERATING FACILITY

- 12.1 If Seller desires to sell the Generating Facility, Seller shall promptly offer to Edison, or any entity designated by Edison in its sole discretion, the right to purchase the Generating Facility. Edison, or any such entity designated by Edison, shall have up to sixty days following the offer to accept Seller's offer or reach agreement with Seller.
- 12.2 If the Parties are unable to reach a satisfactory agreement within sixty days following the offer pursuant to Section 12.1, and the Generating Facility is offered to any third party or parties, Edison, or any such entity designated by Edison, has the right for thirty days following each offer to agree to purchase the Generating Facility under the same terms and conditions, if such terms and conditions are better to Edison than those offered in Section 12.1. Any offers to sell made more than two years after Edison's failure to accept a previous offer to sell under Section 12.1, shall again be subject to the terms of Sections 12.1 and 12.2.

13. ABANDONMENT OF PROJECT

- 13.1 The Generating Facility shall be deemed to be abandoned if Seller discontinues operation of the Generating Facility with the intent that such discontinuation be permanent. Such intent shall be conclusively presumed by either (i) Seller's notice to Edison of such intent, or (ii) Seller's operation of the Generating Facility in such a manner that no Energy is generated therefrom for 200 consecutive days during any period after Firm Operation of the first generating unit, unless otherwise agreed to in writing by the Parties. If the Project is prevented from generating Energy due to an Uncontrollable Force, then such

period shall be extended for the duration of the Uncontrollable Force, not to exceed one year.

- 13.2 If Seller abandons the Generating Facility during the term of this Agreement, Edison, or any entity designated by Edison in its sole discretion, shall have the right to purchase the Generating Facility pursuant to the provisions of Section 12.

14. LIABILITY

- 14.1 Each Party (First Party) releases the other Party (Second Party), its

directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation incurred by the First Party, in connection with damage to property of the First Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

- 14.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for and shall bear all cost of claims brought by its contractors or its own employees and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or liability arising from any contrary representation concerning the effect of Edison's review of the design, construction, operation, or maintenance of the Project.

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- 14.3 The provisions of this Section 14 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.
- 14.4 Neither Party shall be indemnified by the other Party under Section 14.2 for its liability or loss resulting from its sole negligence or willful misconduct.

15. INSURANCE

- 15.1 Until Contract is terminated, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of not less than \$1,000,000 each occurrence. The insurance carrier or carriers and form of policy shall be subject to review and approval by Edison.
- 15.2 Prior to the date Seller's generating facility first delivers electrical energy to the Point of Interconnection, Seller shall (i) furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is delivering electrical energy to the Point of Interconnection, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form: "In

consideration of the premium charged, Southern California Edison Company (Edison) is named as additional insured with respect to all liabilities arising out of Seller's use and ownership of Seller's Generating Facility.

"The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.

"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to be contrary."

- 15.3 If Seller fails to comply with the provisions of this Section 15, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and

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all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorney's fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 15.

16. UNCONTROLLABLE FORCES

- 16.1 Neither Party shall be considered to be in default in the performance of any of the agreements contained in this Contract, except for obligations to pay money when and to the extent failure of performance shall be caused by an Uncontrollable Force.
- 16.2 If either Party, because of an Uncontrollable Force, is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be excused from whatever performance is affected by the Uncontrollable Force to the extent so affected provided that:
- (1) The non-performing Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence;
 - (2) The suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force;
 - (3) The non-performing Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty);
 - (4) When the non-performing Party is able to resume performance of its obligations under this Contract, that Party shall give the

other Party written notice to that effect; and

- (5) Capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 8.1.2.3.

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16.3 In the event that either Party's ability to perform cannot be corrected when the Uncontrollable Force is caused by the actions or inactions of legislative, judicial or regulatory agencies or other proper authority, this Contract may be amended to comply with the legal or regulatory change which caused the nonperformance.

If a loss of Qualifying Facility status occurs due to an Uncontrollable Force and Seller fails to make the changes necessary to maintain its Qualifying Facility status, the Seller shall compensate Edison for any economic detriment incurred by Edison as a result of such failure.

17. NONDEDICATION OF FACILITIES

Neither Party, by this Contract, dedicates any part of its facilities involved in this Project to the public or to the service provided under the Contract, and such service shall cease upon termination of the Contract.

18. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.

19. NOTICES AND CORRESPONDENCE

All notices and correspondence pertaining to this Contract shall be in writing and shall be sufficient if delivered in person or sent by certified mail, postage prepaid, return receipt requested, to Seller as specified in Section 1.1, or to Edison as follows:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Attention: Secretary

All notices sent pursuant to this Section 19 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.

20. PREVIOUS COMMUNICATIONS

This Contract contains the entire agreement and understanding between the Parties, their agents, and employees as to the subject matter of this contract, and merges and supersedes all prior agreements, commitments, representations, and discussions

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between the Parties. No Party shall be bound to any other obligations, conditions, or representations with respect to the subject matter of this Contract.

21. THIRD PARTY BENEFICIARIES

This Contract is for the sole benefit of the Parties and shall not be

construed as granting any rights to any person or entity other than the Parties or imposing obligations on either Party to any person or entity other than the Parties.

22. NONWAIVER

None of the provisions of the Contract shall be considered waived by either Party except when such waiver is given in writing. The failure of either Edison or Seller to insist in any one or more instances upon strict performance of any of the provisions of the Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue to remain in full force and effect.

23. DISPUTES

23.1 Any dispute arising between the Parties relating to interpretation of the provisions of this Contract or to performance of the Parties hereunder, other than matters which may not be settled without the consent of an involved insurance company, shall be reduced to writing, by the complaining Party, stating the complaint and proposed solution and submitted to the other Party's manager responsible for the administration of this Contract. Such manager's interpretation and decision thereon shall be incorporated into a written document outlining his interpretation and decision and specifying that it is the final decision of such manager. A copy of such document shall be furnished to complaining Party within ten days following the receipt of complaining Party's written complaint.

23.2 The decision of such manager pursuant to Section 23.1 shall be final and conclusive from the date of receipt of such copy by the complaining Party, unless within thirty days complaining Party furnishes a written appeal to such manager. Following receipt of such appeal, a joint hearing shall be held within fifteen days of said appeal, at which time the Parties shall each be afforded an opportunity to present evidence in support of their respective positions. Such joint hearing shall be conducted by one authorized representative of Seller and one authorized representative of Edison and other necessary persons. Pending final decision of a dispute hereunder, the Parties shall proceed diligently with the performance of their obligations under this Contract.

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23.3 The final decision by the Parties' authorized representatives shall be made within fifteen days after presentation of all evidence affecting the dispute, and shall be reduced to writing. The decision shall be final and conclusive.

23.4 If the authorized representatives cannot reach a final decision within the fifteen-day period set forth in Section 23.3, any remedies which are provided by law may be pursued.

24. SUCCESSORS AND ASSIGNS

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be unreasonably withheld. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under the Contract.

25. EFFECT OF SECTION READINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

26. TRANSMISSION

26.1 Edison shall endeavor to make arrangements with Interconnecting Utilities for the necessary transmission of the electrical energy from the Project to the Point of Interconnection. Seller shall be responsible for all such costs associated with such transmission of electrical energy, including the cost of transmission losses from the Project to the Point of Interconnection as provided for in the transmission arrangements between Edison and the Interconnecting Utilities.

26.2 If Edison is unable to secure firm transmission service or equivalent arrangements from Interconnecting Utilities which are required to transmit the electrical energy from the Project to the Point of Interconnection at terms and conditions satisfactory to Edison in its sole judgment, then Edison shall not be liable to the Seller for any damages arising from Edison's failure to secure said transmission service or arrangements nor will Edison be required to purchase Energy which is not delivered or capacity which is not made available at the Point of Interconnection.

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26.3 If Edison is able to secure transmission service or equivalent arrangements from Interconnecting Utilities which are required to transmit the electrical energy from the Project to the Point of Interconnection, then Edison shall notify Seller of the costs, terms and conditions of such arrangements and Seller shall have 60 calendar days to accept or reject such service or arrangements. In the event Seller rejects such service or arrangements, then Edison shall not be obligated to seek other service or arrangements, nor will Edison be liable to the Seller for any damages arising from Seller's failure to accept such service or arrangements, nor will Edison be required to purchase Energy which is not delivered or capacity which is not made available at the Point of Interconnection.

21. GOVERNING LAW

This Contract shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

28. CONFIDENTIALITY

28.1 Except as provided herein, the Parties shall hold all information in this Contract and all information related to or received pursuant to this Contract as confidential.

28.2 Neither Party shall disclose any part nor the whole of this Contract to any third party without the express prior written consent of the other Party; such consent shall not be unreasonably withheld.

28.3 From time to time governmental and/or regulatory agencies may request disclosure of the Contract or Contract-related information from either Party or both Parties and if such is the case either Party or both Parties may consent to such disclosure provided, that (i) the requestor(s) be notified by the disclosing Party that the information being released is confidential, and that (ii) the disclosing Party inform the other Party to the extent practicable, 10 days prior to delivery of the information, in writing, as to the nature of the information to be disclosed and to whom disclosed.

29. MULTIPLE ORIGINALS

This Contract is executed in two counterparts, each of which shall be deemed an original.

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SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 18th of July, 1984.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Edward A. Myers, Jr.

Edward A. Myers, Jr.
Vice President

REPUBLIC GEOTHERMAL, INC.

By /s/ Timothy M. Evans

Timothy M. Evans
Vice President

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Exhibit 10.3.2

AMENDMENT NO. 1
TO THE POWER PURCHASE CONTRACT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
ORMESA GEOTHERMAL
QFID NO. 3010

This Amendment No. 1 to the Power Purchase Contract (Document No. 2044C) originally entered into between Republic Geothermal, Inc. and Southern California Edison Company ("Contract") is entered into by Ormesa Geothermal, a California general partnership ("Seller"), and Southern California Edison Company, a California corporation ("Edison") (individually "Party," collectively "Parties").

RECITALS

This Amendment No. 1 to the Contract is made with reference to the following facts, among others:

- 2.1 Republic Geothermal, Inc. and Edison executed the Contract as of the 18th day of July, 1984.
- 2.2 Republic Geothermal, Inc. assigned the Contract to Ormat Systems, Inc. on November 6, 1984, to which assignment Edison consented on December 19, 1984.
- 2.3 Ormat Systems, Inc. assigned the Contract to Seller on February 27, 1985, to which assignment Edison consented on July 22, 1985.
- 2.4 On June 17, 1988, Seller provided Edison with a new address for correspondence and the identity of the fiduciary to whom payments are to be mailed.
- 2.5 The Parties mutually desire to adjust the pattern of payments under the Contract in a manner that will give the Seller more certainty about its payment stream, but reduce the overall cost of energy to Edison. To that end, the Parties desire to increase the Contract Capacity from 24,000 kW to 31,500 kW, limit Contract energy deliveries to Edison to 38,000 kilowatthours per hour, and limit the Contract Capacity eligible for Capacity bonus Payment to 27,000 kW.

AGREEMENT

The Parties agree to amend the Contract as follows:

- 3.1 Delete Section 1.1 and replace it with the following:

"1.1 All notices and correspondence, except payments for Energy and capacity, shall be sent to Seller at the following address:

Ormesa Geothermal
P.O. Box 819
El Centro, CA 92244

All payments to Seller for Energy and capacity shall be sent to Seller's fiduciary at the following address:

First Interstate Bank
Corporate Trust Division
707 Wilshire Boulevard, W 10-2

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Los Angeles, CA 90017
Account: SCE Payment
Account No. 8213132-000"

- 3.2 Delete Section 1.2.a and replace it with the following:

"a. Nameplate Rating: 38,000 kW"

- 3.3 Delete Section 1.3 and replace it with the following:

"1.3 Contract Capacity: 31,500 kW"

- 3.4 Delete Lines 5 and 6, Page 31, Section 8.1.2.4.c and replace it with the following:

"D. 27,000 kW"

3.5 Delete Section 9.1.1 and replace it with the following:

"9.1.1 Not later than thirty (30) days after the end of each monthly billing period, Edison shall mail to Seller: (1) statement showing the Energy and Contract Capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period; and (2) Edison's computation of the amount due Seller. Within the same thirty (30) days, Edison shall mail to Seller's facility, at the address provided in Section 1.1, Edison's check made payable to Seller, in payment of the amount due Seller."

3.6 Add the following subsection to Section 14:

"14.5 Seller shall indemnify and hold harmless Edison, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge or expense (including direct, indirect, or consequential loss, damage, claim, cost, charge or expense), including attorney's fees and other costs of litigation, incurred by Edison and resulting from the mailing of payment to Seller's fiduciary as provided in Section 9.1.1."

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OTHER CONTRACT TERMS AND CONDITIONS

Except as expressly amended herein, the terms and conditions of the original Contract shall remain in full force and effect.

EFFECTIVE DATE

This Amendment No. 1 shall become effective when it has been duly executed by the Parties.

SIGNATURE CLAUSE

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 to the Contract on behalf of the Party for whom they signed. This Agreement No. 1 to the Contract is hereby executed as of this 23rd day of December, 1988.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Glenn Bjorklund

Name: GLENN BJORKLUND
Title: Vice President

ORMESA GEOTHERMAL

By: /s/ Indecipherable

Name:
Title:

Exhibit 10.3.3

POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
ORMAT SYSTEMS INC.

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I. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Ormat Systems Inc., a Massachusetts Corporation

("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following address:

Ormat Systems Inc.
98 South Street
Hopkinton, MA 01748
Attn: President

1.2 Seller's Generating Facility:

- a. Nameplate Rating: 18,500 kw.
- b. Location: East Mesa, Imperial County, California

c. Type (Check One):

- ☐ Cogeneration Facility
- ☒ Small Power Production Facility

1.3 Contract Capacity: 15,000 kW

1.3.1 Estimated as-available capacity: 0 kW.

1.4 Expected annual production: 120,000,000 kWh.

1.5 Expected Date of Firm Operation: September 1, 1985

1.6 Contract Term: 30 years

1.7 Operating Options pursuant to Section 5: (Check One)

☒ Operating Option I. Excess Generator output dedicated to Edison. No electric service or standby service required from Edison.

☐ Operating Option II. Entire Generator output dedicated to Edison with separate electric service required from Edison.

1.8 The Capacity Payment option selected by Seller pursuant to Section 8.1 shall be: (Check One)

Option A As-available capacity based upon:

Standard Offer No. 1 Capacity Payment Schedule, or

Forecast of Annual As-Available Capacity Payment Schedule

☒ Option B - Firm Capacity

☒ Standard Offer No. 2 Capacity Payment Schedule in effect at time of Contract execution

☐ Standard Offer No. 2 Capacity Payment Schedule in effect at time of Firm Operation

a. The Contract Capacity Price: \$147 kW-yr. (Firm Capacity)

1.9 The Energy Payment Option selected by Seller pursuant to Section 8.2 shall be: (Check One)

☒ Option I - Forecast of Annual Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix B)

Option 2 - Levelized Forecast of Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix C)

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For the energy payment refund pursuant to Section 8.5 under Option 2, Edison's Incremental Cost of Capital is 15 %.

Seller may change once between Options 1 and 2, provided Seller delivers written notice of such change at least 90 days prior to the date of Firm Operation.

For Option 1 or 2, Seller elects to receive the following percentages in 20% increments, the total of which shall equal 100%:

100 percent of Forecast of Annual Marginal Cost of Energy, and

0 percent of Edison's published avoided cost of energy as updated periodically and accepted by the Commission.

GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the following meanings:

2.1 Adjusted capacity Price: The \$/kW-yr capacity purchase price based on the Capacity Payment Schedule in effect at the time of Contract execution for the time period beginning on the date of Firm Operation for the first generating unit and ending on the date of termination or reduction of Contract Capacity under Capacity Payment Option B.

2.2 Appendix A: Capacity Payment Schedule - Forecast of Annual As-Available Capacity

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2.3 Appendix B: Energy Payment Schedule - Forecast of Annual Marginal Cost of Energy

2.4 Appendix C: Energy Payment Schedule - Levelized Forecast of Marginal Cost of Energy

2.5 Capacity Payment Schedule(s): Published capacity payment schedule(s) as authorized by the commission and in effect at the time of execution of this Contract for as-available or firm capacity.

2.6 Commission: The Public Utilities Commission of the State of California.

2.7 Contract: This document and Appendices, as amended from time to time.

2.8 Contract Capacity: The electric power producing capability of the Generating Facility which is committed to Edison.

2.9 Contract Capacity Price: The capacity purchase price from the Capacity Payment Schedule approved by the commission and in effect on the date

of execution of this Contract for Capacity Payment Option B.

2.10 Contract Term: Period in years commencing with date of Firm Operation during which Edison shall purchase electric power from Seller.

2.11 Current Capacity Price: The \$/kw-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity, and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.

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2.12 Edison: The Southern California Edison Company.

2.13 Edison Electric System Integrity: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.

2.14 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

2.15 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.

2.16 Firm Operation: The date agreed on by the Parties on which each generating unit of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its effective rating (expressed in kW).

2.17 First Period: The period of the Contract Term specified in Section 3.1.

2.18 Forced Outage: Any outage other than a scheduled outage of the Generating Facility that fully or partially curtails its electrical output.

2.19 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

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2.20 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.

2.21 Interconnection Facilities: The electrical interconnection facilities furnished, at no cost to Edison, by Seller, or by the Interconnecting Utility on the Seller's behalf, which are appurtenant to, and/or incidental to, the Project. The Interconnection Facilities shall include, but are not limited to, transmission lines and/or distribution lines between the Project and transmission lines and/or distribution lines of the Interconnecting Utility, relays, power-circuit breakers, metering devices, telemetering devices, and other control and protective devices specified by the Interconnecting Utility as necessary for operation of the Project in parallel with the Interconnecting Utility's electric system.

2.22 Interconnecting Utility: The electric utility, or any other utility which takes delivery of electric energy generated by the Generating Facility.

2.23 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.

2.24 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.

2.25 Parties: Edison and Seller.

2.26 Party: Edison or Seller.

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2.27 Peak Months: Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

2.28 Point of Interconnection: The point where the electrical energy generated by the Seller, at the Project, is delivered to the Edison electric system.

2.29 Project: The Generating Facility and Interconnection Facilities required to permit the Generator to deliver electric energy and make capacity available to Interconnecting Utility.

2.30 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.31 Renewable Resources: Wind parks, small hydroelectric, solar, and geothermal resources which produce electric power.

2.32 Second Period: The period of the Contract Term specified in Section 3.2.

2.33 Seller. The Party identified in Section 1.0.

2.34 Seller's Facility: The premises and equipment of Seller located as specified in Section 1.2.

2.35 Small Power Production Facility: The facilities and equipment which use biomass, waste, or Renewable Resources, including wind, solar, geothermal, and

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water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.36 Summer Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

2.37 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission.

2.38 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, action or inaction of government or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California. The failure of the Interconnecting Utility to deliver electrical energy to the Point of Interconnection shall be an Uncontrollable Force only if such failure is beyond the control of the Interconnecting Utility.

2.39 Winter Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the commission.

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3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.6.

3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than 5 years from the date of execution of this Contract.

a. If the Contract Term specified in Section 1.6 is 15 years, the First Period of the Contract Term shall be for 5 years.

b. If the Contract Term specified in Section 1.6 is 20, 25, or 30 years, the First Period of the Contract term shall be for 10 years.

3.2 The Second Period of the Contract Term shall commence upon expiration of the First Period and shall continue for the remainder of the Contract Term.

4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

a. Design the Generating Facility.

b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.

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c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.

4.2.2 Edison shall have the right to review the design of the

Generating Facility's electrical system and the Seller's Interconnection Facilities. Edison shall have the right to request modifications to the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison Electric System Integrity. If Seller does not agree to such modifications, resolution of the difference between the Parties shall be made pursuant to Section 23.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, as far in advance of Firm Operation as reasonably possible, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation

4.4.1 Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

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4.4.2 Seller shall notify, in writing, Edison's Operating Representative at least 14 days prior to the initial delivery of electrical energy from the Project to the Point of Interconnection.

4.4.3 Edison shall have the right to require Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system whenever Edison determines, in its sole judgement, that such curtailment or reduction is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system pursuant to this Section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the curtailment or the reduction of delivery of electrical energy from the Project. The duration of the curtailment or the reduction shall be limited to the period of time such a condition exists.

4.4.4 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

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SCHEDULED OUTAGE EXPECTED DURATION	ADVANCE NOTICE TO EDISON
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

4.4.5 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's operating Representative by telephone.

4.4.6 Seller shall not schedule major overhauls during Peak Months.

4.4.7 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings, adjustments of the Generator control equipment, and well-field information. Information maintained pursuant to this Section 4.4.7 shall be provided to Edison, within 30 days of Edison's request.

4.4.8 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of Emergency. In the event that the Seller has previously scheduled an outage coincident

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with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.4 shall be waived by Edison if Seller reschedules the outage.

4.4.9 Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 8.1.2.5.

4.4.10 The Seller warrants that the Generating Facility meets the requirements of a Qualifying Facility as of the effective date of this Contract and continuing through the Contract Term.

4.4.11 The Seller warrants that the Generating Facility shall, at all times, conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If, at any time, Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.

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4.4.12 In the event electrical energy from the Project is curtailed or reduced pursuant to Sections 4.4.3, 16 or 8.4, the Seller, in its sole discretion, may elect to (i) sell said electrical energy to a third party or (ii) deliver said electrical energy to a third party for future delivery to Edison at times and at amounts agreeable to Edison. The Seller shall be responsible for making all such arrangements. The provisions in this Section 4.4.12 shall only apply for the duration of the curtailment or reduction.

4.4.13 Seller shall maintain operating communications with the Edison switching center designated by the Edison Operating Representative. The

operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage or power factors, and daily capacity and generation reports.

4.5 Maintenance

4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.

4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months and expected minimal generation periods for renewable resources. Outages for scheduled maintenance shall not exceed a total of 30 peak hours for the Peak Months.

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4.5.3 The allowance for scheduled maintenance is as follows:

a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.

b. Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used consecutively and only for major overhauls.

4.6 Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

4.7 Edison shall have access to the Seller's geothermal field and power-generating facilities for the purpose of gathering technical information and records. The technical information and records shall include, but not be limited to, drilling data, well-testing data, well-production data and design, power plant performance data and design,

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environmental data, brine handling design, and operation and maintenance data. Edison agrees not to interfere with Seller's rules and operating regulations.

5. OPERATING OPTIONS

5.1 Seller shall elect in Section 1.7 to Operate its Generating Facility pursuant to one of the following options:

a. Operating Option I: Seller dedicates the excess Generator output to Edison with no electrical service or standby service required from Edison.

b. Operating Option II: Seller dedicates the entire Generator output to Edison with electrical service required from Edison.

5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 8.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

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6. INTERCONNECTION FACILITIES

6.1 Seller shall design, engineer, procure, construct, and test the Interconnection Facilities in accordance with applicable California utility standards and good engineering practices and the rules and regulations of the Interconnecting Utility.

6.2 The design, installation, operation, maintenance, and modifications of the Interconnection Facilities shall be at Seller's expense.

6.3 Seller, at no cost to Edison, shall acquire all permits and approvals and complete all environmental impact studies necessary for the design, installation, operation, and maintenance of the Interconnection Facilities.

7. METERING

7.1 All meters and equipment used for the measurement of electrical power for determining Edison's payments to Seller pursuant to this Contract shall be provided, owned, and maintained by Edison and/or the Interconnecting Utility at Seller's expense.

7.2 If Seller's Generating Facility is rated at a Capacity of 500 kW or greater, then Edison, at its option, may install at Seller's expense, generation metering and/or telemetering equipment.

7.3 Edison's or the Interconnecting Utility's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison or Interconnecting Utility. Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.

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7.4 Edison's or Interconnecting Utility's meters installed pursuant to this Contract shall be tested by Edison or Interconnecting Utility, at Edison's or Interconnecting Utility's expense, at least once each year and at any reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison or Interconnecting Utility within thirty days after presentation of a bill therefor.

7.5 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison or Interconnecting Utility such that the

metering accuracy of said equipment shall be within plus or minus two percent. If metering equipment inaccuracy exceeds plus or minus two percent, the correct amount of Energy and capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

8. POWER PURCHASE PROVISIONS

Prior to the date of Firm operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission. If at any time electrical energy can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver electrical energy to Edison and for any electrical energy purchased by Edison Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price

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from the Standard Offer No. 1 Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

8.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment option selected by Seller in Section 1.8. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract.

8.1.1 Capacity Payment Option A -- As-Available Capacity.

If Seller selects capacity Payment Option A, Seller shall be paid a Monthly Capacity Payment calculated pursuant to the following formula:

$$\text{Monthly Capacity Payment} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.8.

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8.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.8, then the formula set forth in Section 8.1.1 shall be computed with D equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

8.1.1.2 If Seller specifies the Forecast of Annual As-Available

Capacity Payment Schedule in Section 1.8, the formula set forth in Section 8.1.1 shall be computed as follows:

a. During the First Period of the Contract Term, D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.

b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.

8.1.2 Capacity Payment Option B--Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.3, or as adjusted pursuant to Section 8.1.2.6, and Seller shall be paid as follows;

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8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

$$\text{Monthly Capacity Period} = A \times B \times C \times D$$

Payment

Where A = Contract Capacity Price specified in Section 1.8 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by the Commission and in effect on the date of the execution of this Agreement.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.3.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

Period Performance Factor = [Period kWh Purchased by Edison
(Limited by the Level of Contract Capacity)]

[0.8 x Contract Capacity x (Period Hours minus Maintenance Hours
Allowed in Section 4.5.)]

8.1.2.2 Performance Requirements

To receive the Monthly Capacity Payment in Section 8.1.2.1, Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined in Edison's Tariff Schedule No. TOU-8 on file with the Commission,

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except that Seller is entitled to a 20% allowance for Forced Outages for each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

a. If Seller fails to meet the requirements specified in Section 8.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 15 months. If Seller fails to meet the requirements specified in Section 8.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in Contract Capacity as a result of this Section 8.1.2.2 shall be subject to Section 8.1.2.5.

b. If Seller fails to meet the requirements set forth in this Section 8.1.2.2 due to a Forced Outage on the Edison system, or a request to reduce or curtail delivery under Section 8.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the calculation of the Monthly Capacity Payment.

8.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages.

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8.1.2.4 Capacity Bonus Payment

For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

a. Bonus During Peak Months

For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.

b. Bonus During Non-Peak Months

For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.

c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

Capacity Bonus Payment = A x B x C x D
Where A = (1.2 x On-Peak Capacity Factor)-1.02

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Where the On-Peak Capacity Factor, not to exceed 1.0, is

calculated as follows:

[Period kWh Purchased by Edison (Limited by the Level of Contract Capacity)]

On-Peak Capacity Factor = ((Contract Capacity) x (Period Hours minus Maintenance Hours Allowed in Section 4.5))

B = Contract Capacity Price specified in Section 1.8 for Capacity Payment Option B

C = 1/12

D = Contract Capacity specified in section 1.3

d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 8.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section 8.1.2.4.

8.1.2.5 Capacity Reduction

a. Seller may reduce the Contract Capacity specified in Section 1.3, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

Amount of Contract Capacity Reduced	Length of Notice Required
-----	-----
25,000 kW or under	12 months
25,001 - 50,000 kW	36 months
50,001 - 100,000 kW	48 months
over 100,000 kW	60 months

b. Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate, an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity Price for the amount of Contract Capacity being reduced.

d. Seller may reduce Contract Capacity without the notice prescribed in Section 8.1.2.5(a), provided that Seller shall refund to Edison the amount specified in Section 8.1.2.5(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving the prescribed notice. If the Current Capacity Price is less than the Contract Capacity Price, only payment under Section 8.1.2.5(b) shall be due to Edison.

8.1.2.6 The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section

8.1.2.5. Seller may increase the Contract Capacity with Edison's approval and thereafter receive

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payment for the increased capacity in accordance with the Contract capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

8.1.2.7 For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer No. 1 Capacity Payment Schedule, as updated and approved by the Commission.

8.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the electrical energy delivered by the Seller and purchased by Edison at the Point of Interconnection pursuant to the Energy Payment Option selected by the Seller in Section 1.9, as follows.

8.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy.

If Seller selects Energy Payment Option 1, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection during each month in the First Period of the Contract Term pursuant to the following formula:

$$\text{Monthly Energy Payment} = [(A \times D) + (B \times D) + (C \times D)] \times E$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

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C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.

E Energy Loss Adjustment Factor For Remote Generating Sites*

8.2.2 Energy Payment Option 2 -- Levelized Forecast of Marginal Cost of Energy. If Seller selects Energy Payment Option 2, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison each month during the First Period of the Contract Term pursuant to the following formula:

$$\text{Monthly Energy Payment} = [(A \times D) + (B \times D) + (C \times D)] \times E$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff schedule No. TOU-8.

* The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.

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B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal equivalent of the percentage of the levelized forecast specified in Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in section 1.9.

E = Energy Loss Adjustment Factor For Remote Generating Sites*

8.2.2.1 Performance Requirement for Energy Payment Option 2

During the First Period when the annual forecast referred to in Section 8.2.1 is greater than the levelized forecast referred to in Section 8.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 8.2.2 is greater than

* The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.

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the annual forecast referred to in Section 8.2.1. If Seller does not meet the performance requirements of this Section 8.2.2.1, Seller shall be subject to Section 8.5.

8.3 Energy Payment - Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection at a rate equal to 100% of Edison's published avoided cost of energy as updated periodically and accepted by the Commission, pursuant to the following formula:

Monthly Energy Payment = kWh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule

x Edison's published avoided cost of energy by time of delivery for each time period

x Energy Loss Adjustment Factor for Remote Generating Sites*

8.4 Edison shall not be obligated to accept or pay for electrical energy generated by the Generating Facility, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of electric energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs

* The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.

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greater than those which Edison would incur if it did not purchase electrical energy from Seller but instead utilized an equivalent amount of electrical energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

8.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

8.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in section 8.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.9.

8.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee, or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion, accept another form of

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security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 8.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

8.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy

Payment Refund provided in Section 8.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1.

8.5.4 If Edison at any time determines the security to be otherwise inadequate, and so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith.

9. PAYMENT AND BILLING PROVISIONS

9.1 For Energy and capacity purchased by Edison:

9.1.1 Edison shall mail to Seller no later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified

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in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.

9.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.

9.1.3 If the payment period is less than 27 days or greater than 33 days, the capacity payment shall be prorated on the basis of the average days per month per year.

9.1.4 If, within thirty days of receipt of the statement, Seller does not make a report in writing to Edison of an error, Seller shall be deemed to have waived any error in Edison's statement, computation, and payment, and they shall be considered correct and complete.

9.2 Edison shall bill the Seller, on a monthly basis, for the costs Edison has incurred in the transmission of the electrical energy from the Project to the Point of Interconnection pursuant to the provisions of Section 26.

9.3 Payments Due to contract Capacity Reduction

9.3.1 The Parties agree that the refund and payments provided in Section 8.1.2.5 represent a fair compensation for the reasonable losses that would result from such reduction of Contract Capacity.

9.3.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 8.1.2.5, as applicable.

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9.3.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this Section 9 which shall be due within 60 days.

9.3.4 If Seller does not make payments as required in Section 9.2.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

9.4 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 8.5.

10. TAXES

10.1 Seller shall pay ad valorem taxes and other taxes properly attributable to the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.

10.2 Seller shall pay ad valorem taxes and other taxes properly attributed to land, land rights, or interest in land for the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.

10.3 Seller or Edison shall provide information concerning the Project to any requesting taxing authority.

11. TERMINATION

This Contract shall terminate if Firm Operation does not occur within 5 years of the date of Contract execution.

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12. SALE OF GENERATING FACILITY

12.1 If Seller desires to sell the Generating Facility, Seller shall promptly offer to Edison, or any entity designated by Edison in its sole discretion, the right to purchase the Generating Facility. Edison, or any such entity designated by Edison, shall have up to sixty days following the offer to accept Seller's offer or reach agreement with Seller.

12.2 If the Parties are unable to reach a satisfactory agreement within sixty days following the offer pursuant to Section 12.1, and the Generating Facility is offered to any third party or parties, Edison, or any such entity designated by Edison, has the right for thirty days following each offer to agree to purchase the Generating Facility under the same terms and conditions, if such terms and conditions are better to Edison than those offered in Section 12.1. Any offers to sell made more than two years after Edison's failure to accept a previous offer to sell under Section 12.1, shall again be subject to the terms of Sections 12.1 and 12.2

12.3 Notwithstanding the foregoing, Seller shall have the right at any time to sell or transfer the Generating Facility to an affiliate of Seller and an affiliate of Seller may sell, transfer, or lease to Seller without giving rise to any right of first refusal of Edison. An "affiliate" of Seller shall mean a Party's parent, a Party's subsidiary, or any company of which a Party's parent is a parent. An "affiliate" of Seller shall also mean a partnership or joint venture from which the Seller leases and operates the Generating

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Facility. A "parent" shall mean a company which owns directly or indirectly not less than 51% of the shares entitled to vote in an election of directors of another company.

13. ABANDONMENT OF PROJECT

13.1 The Generating Facility shall be deemed to be abandoned if Seller discontinues operation of the Generating Facility with the intent that such discontinuation be permanent. Such intent shall be conclusively presumed by either (i) Seller's notice to Edison of such intent, or (ii) Seller's operation of the Generating Facility in such a manner that no Energy is generated therefrom for 200 consecutive days during any period after Firm Operation of the first generating unit, unless otherwise agreed to in writing by the Parties. If the Project is prevented from generating Energy due to an Uncontrollable Force, then such period shall be extended for the duration of the Uncontrollable Force, not to exceed one year.

13.2 If Seller abandons the Generating Facility during the term of this Agreement, Edison, or any entity designated by Edison in its sole discretion, shall have the right to purchase the Generating Facility pursuant to the provisions of Section 12.

14. LIABILITY

14.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation incurred by the First Party, in connection with damage to property of the First

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Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

14.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for and shall bear all cost of claims brought by its contractors or its own employees and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or

liability arising from any contrary representation concerning the effect of Edison's review of the design, construction, operation, or maintenance of the Project.

14.3 The provisions of this Section 14 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

14.4 Neither Party shall be indemnified by the other Party under Section 14.2 for its liability or loss resulting from its sole negligence or willful misconduct.

15. INSURANCE

15.1 Until Contract is terminated, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of not less than \$1,000,000 each occurrence. The insurance carrier or carriers and form of policy shall be subject to review and approval by Edison.

15.2 Prior to the date Seller's generating facility first delivers electrical energy to the Point of Interconnection, Seller shall (i) furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is delivering electrical energy to the Point of Interconnection, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form:
"In consideration of the premium charged, Southern California Edison Company (Edison)

is named as additional insured with respect to all Liabilities arising out of Seller's use and ownership of Seller's Generating Facility.

"The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.

"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to the contrary."

15.3 If Seller fails to comply with the provisions of this Section 15, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorney's fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions

16. UNCONTROLLABLE FORCES

16.1 Neither Party shall be considered to be in default in the performance of any of the agreements contained in this Contract, except for obligations to pay money, when and to the extent failure of performance shall be caused by an Uncontrollable Force.

16.2 If either Party, because of an Uncontrollable Force, is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be excused from whatever performance is affected by the Uncontrollable Force to the extent so affected provided that:

(1) The non-performing Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence;

(2) The suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force;

(3) The non-performing Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty);

(4) When the non-performing Party is able to resume performance of its obligations under this Contract, that Party shall give the other Party written notice to that effect; and

(5) Capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 8.1.2.3.

16.3 In the event that either Party's ability to perform cannot be corrected when the Uncontrollable Force is caused by the actions or inactions of legislative, judicial or regulatory agencies or other proper authority, this Contract may be amended to comply with the legal or regulatory change which caused the nonperformance.

If a Loss of Qualifying Facility status occurs due to an Uncontrollable Force and Seller fails to make the changes necessary to maintain its Qualifying Facility status, the Seller shall compensate Edison for any economic detriment incurred by Edison as a result of such failure.

17. NONDEDICATION OF FACILITIES

Neither Party, by this Contract, dedicates any part of its facilities involved in this Project to the public or to the service provided under the Contract, and such service shall cease upon termination of the Contract.

18. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.

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19. NOTICES AND CORRESPONDENCE

All notices and correspondence pertaining to this Contract shall be in writing and shall be sufficient if delivered in person or sent by certified mail, postage prepaid, return receipt requested, to Seller as specified in Section 1.1, or to Edison as follows:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Attention: Secretary

All notices sent pursuant to this Section 19 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.

20. PREVIOUS COMMUNICATIONS

This Contract contains the entire agreement and understanding between the Parties, their agents, and employees as to the subject matter of this contract, and merges and supersedes all prior agreements, commitments, representations, and discussions between the Parties. No Party shall be bound to any other obligations, conditions, or representations with respect to the subject matter of this Contract.

21. THIRD PARTY BENEFICIARIES

This Contract is for the sole benefit of the Parties and shall not be construed as granting any rights to any person or entity other than the Parties or imposing obligations on either Party to any person or entity other than the Parties.

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22. NONWAIVER

None of the provisions of the Contract shall be considered waived by either Party except when such waiver is given in writing. The failure of either Edison or Seller to insist in any one or more instances upon strict performance of any of the provisions of the Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue to remain in full force and effect.

23. DISPUTES

23.1. Any dispute arising between the Parties relating to interpretation of the provisions of this Contract or to performance of the Parties hereunder, other than matters which may not be settled without the consent of an involved insurance company, shall be reduced to writing stating

the complaint and proposed solution and submitted to the appropriate Edison manager, whose interpretation and decision thereon shall be incorporated into a written document which shall specify Edison's position and that it is the final decision of such manager. A copy of such document shall be furnished to Seller within ten days following the receipt of Seller's written complaint.

23.2 The decision of such manager pursuant to Section 23.1 shall be final and conclusive from the date of receipt of such copy by the complaining Party, unless within thirty days Seller furnishes a written appeal to such manager. Following receipt of such appeal, a joint hearing shall be held within fifteen days of said appeal, at which time the Parties shall each be afforded an opportunity to present evidence in support of their

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respective positions. Such joint hearing shall be conducted by one authorized representative of Seller and one authorized representative of Edison and other necessary persons. Pending final decision of a dispute hereunder, the Parties shall proceed diligently with the performance of their obligations under this Contract and in accordance with Edison's position pursuant to Section 23.1.

23.3 The final decision by the Parties' authorized representatives shall be made within fifteen days after presentation of all evidence affecting the dispute, and shall be reduced to writing. The decision shall be final, and conclusive.

23.4 If the authorized representatives cannot reach a final decision within the fifteen-day period, any remedies which are provided by law may be pursued.

24. SUCCESSORS AND ASSIGNS

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be unreasonably withheld. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under the Contract. Seller may assign all or any part of its interest under this Contract to a financing institution to facilitate financing for the Project by the Seller.

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25. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

26. TRANSMISSION

26.1 Edison shall endeavor to make arrangements with third parties for the necessary transmission of the electrical energy from the Project to the Point of Interconnection. Seller shall be responsible for all costs associated with such transmission of electrical energy, including the cost of transmission losses from the Project to the Point of Interconnection as determined by Edison

in its sole judgement.

26.2 If Edison is unable to secure firm transmission service or equivalent arrangements from third parties which are required to transmit the electrical energy from the Project to the Point of Interconnection at terms and conditions satisfactory to Edison in its sole judgement, then Edison shall not be liable to the Seller for any damages arising from Edison's failure to secure said transmission service or arrangements nor will Edison be required to purchase Energy which is not delivered or capacity which is not made available at the Point of Interconnection.

27. AMENDMENT

If at any time during the term of this Agreement a change in circumstances not anticipated at the time this Agreement was executed significantly alters the rights or obligations of either Party, the terms of the Agreement which are directly affected by the change shall be amended by mutual agreement of Parties.

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28. GOVERNING LAW

This Contract shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

29. CONFIDENTIALITY

29.1. Except as provided herein, the Parties shall hold all information in this Contract and all informatin related to or received pursuant to this Contract as confidential.

29.2 Neither Party shall disclose any part nor the whole of this Contract to any third party without the express prior written consent of the other Party; such consent shall not be unreasonably withheld.

29.3 From time to time governmental and/or regulatory agencies may request disclosure of the Contract or Contract-related information from either Party or both Parties and if such is the case either Party or both Parties may consent to such disclosure provided, that (i) the requestor(s) be notified by the disclosing Party that the information being released is confidential, and that (ii) the disclosing Party inform the other Party, in writing, as to the nature of the information disclosed and to whom disclosed.

30. MULTIPLE ORIGINALS

This Contract is executed in two counterparts, each of which shall be deemed an original.

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SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 13th of June, 1984.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Edward A. Myers, Jr.

Name Edward A. Myers, Jr.

Title Vice President

ORMAT SYSTEMS INC.

By /s/ Barbara M. Christopher

Name Barbara M. Christopher

Title Vice President

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Exhibit 10.3.4

POWER PURCHASE AND SALES AGREEMENT

BETWEEN

CHEVRON U.S.A. INC.

AND

SOUTHERN CALIFORNIA EDISON COMPANY

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1. PARTIES

The Parties to this Agreement are Chevron U.S.A., Inc. a Delaware corporation, hereinafter referred to as "Seller", and Southern California Edison Company, a California corporation, hereinafter referred to as "Edison;" individually, "Party," and collectively, "Parties."

2. RECITALS

2.1 Seller is willing to construct and operate an electrical generating facility with a nameplate capacity rating of 52,000 kW (47,000 kW Net) located at Heber, California, and sell the capacity and associated net energy to Edison.

2.2 Edison is willing to purchase from the Seller, the Capacity made available and all Net Energy delivered to Edison at the Point of Interconnection on the terms and conditions set forth herein.

3. DEFINITIONS

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the following meanings:

3.1 Adjusted Capacity Price: The capacity purchase price, expressed in \$/kW/year, in the Capacity Payment Schedule for the period beginning on the Date of Firm Operation and ending on the date of termination of this Agreement or reduction in Capacity.

3.2 Agreement: This Power Purchase and Sales Agreement as it may be amended from time to time.

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3.3 Avoided Operating Cost: Edison's incremental cost of electric energy, that but for this Agreement, Edison would have generated from sources of electric energy within the Edison electric system. In the event any federal or state legislation, future Commission orders, rulings or guidelines are in conflict with the definition contained in this Section 3.3, this definition shall take precedence over such federal or state legislation, Commission orders, rulings or guidelines.

3.4 Capacity Payment Schedule: Edison's published Capacity Payment Schedule as authorized by the Commission and in effect at the time of execution of this Agreement.

3.5 Commission: The Public Utilities Commission of the State of California.

3.6 Capacity: That portion of the Project's electric power producing capability (initially 47,000 KW) which is dedicated to Edison and made available to Edison at the Point of Interconnection.

3.7 Capacity Price: The capacity purchase price, expressed in \$/kW/year, in the Capacity Payment Schedule for the Contract Term and Date of Firm Operation.

3.8 Contract Term: The term of this Agreement shall be thirty (30) years beginning on the Date of Firm Operation.

3.9 Control: To regulate the electrical output of the Project.

3.10 Current Capacity Price: The capacity price, expressed in \$/kW/year, in the Capacity Payment Schedule in effect at the time Edison receives a termination of this Agreement or reduction in Capacity notice for a term equal to the number of years from

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the date of termination of this Agreement or reduction in Capacity to the end of the Contract Term.

3.11 Date of Firm Operation: The date established by the Operating Representatives on which the Project is determined to be a reliable source of generation as determined by a seventy-two (72) hour continuous demonstration test at 80% of the capacity rating (47,000 KW).

3.12 Edison Electric System Integrity: Operation of the Edison electric system in a manner which minimizes unreasonable risk of injury to persons and/or damage to property and enables Edison to provide safe, adequate and reliable electric service.

3.13 Emergency: A condition or situation which in Edison's sole judgment affects Edison's ability to maintain Edison Electric System Integrity.

3.14 Forced Outage: Any unscheduled outage on either the Edison electric system or the Project which results in a complete or partial curtailment in either the generation of Net Energy or the acceptance of Net Energy from the Project.

3.15 Generating Facilities: All of Seller's Generators and all protective and other associated equipment and improvements necessary for the Project to produce electrical energy, excluding associated land, land rights, geothermal leases, or interests in land.

3.16 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facilities.

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3.17 Interconnecting Utility: The electric utility or any other utility that is directly connected with the Project and which receives delivery of Net Energy from the Project.

3.18 Interconnection Facilities: The electrical interconnection facilities furnished, at no cost to Edison, by Seller, or by the Interconnecting Utility on Seller's behalf, which is appurtenant to, and/or incidental to, the Project. The Interconnection Facilities shall include, but are not limited to, transmission lines and/or distribution lines between the Project and transmission lines and/or distribution lines of the Interconnecting Utility, relays, power circuit breakers, metering devices, telemetering devices, and other control and protective devices specified by the Interconnecting Utility as necessary for operation of the Project in parallel with the Interconnecting Utility's electric system.

3.19 Net Energy: Kilowatthours generated by the Project which are purchased by Edison at the Point of Interconnection pursuant to this Agreement.

3.20 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of, and for the Generating Facility in accordance with applicable utility standards and good

engineering practices.

3.21 Operating Representatives: Individual(s) appointed by each Party to secure effective cooperation and interchange of information between the Parties in connection with this Agreement.

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3.22 Peak Months: Those months during which the annual system peak demand of the Edison electric system may occur. Currently, those months are June, July, August and September. Such designation is subject to change upon written notice consistent with Commission guidelines.

3.23 Point of Interconnection: The point where the transfer of Net Energy from Seller to Edison occurs.

3.24 Project: The Generating Facilities, Interconnection Facilities, the site for the Generating Facilities, and metering equipment necessary to permit the Generator to deliver Net Energy and make Capacity available to Edison at the Point of Interconnection.

3.25 Qualifying Facility: A Small Power Production Facility as defined in Title 18, Code of Federal Regulations Section 292.201 through 292.207 or a geothermal power producer under California Public Utilities Code Section 2801 and following.

3.26 Renewable Resources: Wind parks, small hydroelectric, solar and geothermal resources which produce electric power.

3.27 Summer Period: The Summer Period as defined in Tariff Schedule No. TOU-8 now in effect or as may hereafter be authorized by the Commission to be revised.

3.28 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric loads of 500 kW or more as now in effect or as may hereafter be revised as authorized by the Commission.

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3.29 Winter Period: The Winter Period as defined in Tariff Schedule No. TOU-8 now in effect or as may hereafter be authorized by the Commission to be revised.

4. TERM AND TERMINATION

4.1 This Agreement shall become effective upon execution and remain in effect for the Contract Term (30 years from Date of Firm Operation) unless sooner terminated as provided herein.

4.2 This Agreement shall terminate if the Date of Firm Operation does not occur by December 31, 1987. In the event the Date of Firm Operation is delayed due to an uncontrollable force, such date shall be extended for the period of such delay, not to exceed one (1) year.

4.3 This Section 4.3 shall apply if this Agreement is terminated or Capacity is reduced or terminated prior to the expiration of the Contract Term. The Parties agree that the amount Edison pays Seller for Capacity is based on the agreed value of Seller's performance of its obligations to provide Capacity during the full Contract Term.

4.3.1 The Parties agree that the refund and payments provided in Sections 4.4 and 4.5 represent a fair compensation for the reasonable losses that would result from termination of this Agreement or reduction in Capacity, and shall represent Edison's sole and exclusive remedy resulting from such termination of this Agreement or reduction in Capacity.

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4.3.2 Edison shall provide Seller invoices for all amounts due Edison pursuant to this Section. Such amounts shall be due on presentation and paid within sixty (60) days of the invoice date.

4.3.3 If Seller does not make payments as specified in Section 4.3.2, Edison shall have the right to offset any amounts Seller owes Edison against any amounts Edison owes Seller or declare that all sums then due Edison under this Agreement are immediately due and payable.

4.4 Seller may terminate this Agreement or reduce Capacity, provided that Seller gives Edison (i) 12 months prior written notice for the reduction of all or part of the first 25,000 KW of Capacity and (ii) 36 months prior written notice for the termination of this Agreement or any reduction to Capacity which results in a total aggregate reduction in Capacity in excess of 25,000 KW. [See Amendment 1, Page 3 of Exhibit 10.3.5]

4.4.1 Upon termination of this Agreement or reduction in Capacity, Seller shall pay Edison, for the amount of Capacity reduction, an amount equal to the difference between (i) the total Capacity payments paid by Edison up to and including the date of receipt of notice and (ii) Capacity payments which Edison would have paid Seller for the period of Seller's actual performance at the Adjusted Capacity Price with interest compounded monthly at the current published Federal Reserve Board three (3) months prime commercial paper rate up to the date of the termination of this Agreement or reduction in Capacity.

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4.4.2 From the date of receipt of a termination or reduction notice to the date of termination of the Agreement or reduction in Capacity, Edison shall pay Seller until the effective date of such termination or reduction at the Adjusted Capacity Price for the amount of Capacity reduced or terminated by said notice.

4.4.3 Edison shall pay Seller for the amount of Capacity not terminated, if any, at the Capacity Price.

4.5 If Seller terminates this Agreement or reduces the Capacity without providing the notice specified in Section 4.4, the provisions of Section 4.4 shall apply, and additionally Seller shall pay Edison an amount equal to the product of: (i) the amount of Capacity reduced or terminated times (ii) the difference between the Current Capacity Price and the Capacity Price times (iii) the period in years and fractions thereof (not less than one year) that the Seller was deficient in providing notice pursuant to Section 4.4. If the Current Capacity Price is less than the Capacity Price, no payment under this Section 4.5 shall be required.

4.6 In the event this Agreement is terminated and Capacity is immediately made available to Edison under the terms of a new agreement, the Seller's payments due Edison, pursuant to Sections 4.4 and 4.5 herein, may be repaid over the first eight (8) years of the new agreement term at the Seller's option. The unpaid balance of the Seller's payments shall draw interest monthly at an annual rate equal to the current published Bank of America prime

commercial rate plus 1%.

5. CURTAILMENT

Edison may interrupt or reduce the acceptance of Net Energy from the Project if such an interruption or reduction is required (i) to allow Edison to perform scheduled maintenance, tests, or repairs on the Edison electric system as required, in Edison's sole judgment, to maintain Edison Electric System Integrity or (ii) during an Emergency or Forced Outage on the Edison electric system when acceptance of Net Energy from the Project in Edison's sole judgment, would jeopardize Edison Electric System Integrity. Upon such Interruptions or reductions of the acceptance of Net Energy from the Project, Edison shall continue to make capacity payments pursuant to Sections 15.7.2 and 15.7.3. Each Party shall use its best efforts to correct, within a reasonable period, the conditions on its system or in its facilities necessitating such interruption or reduction of the acceptance of Net Energy from the Project. Such interruption or reduction shall be limited to the period of time such a condition exists.

6. DESIGN AND CONSTRUCTION OF THE PROJECT

6.1 Seller, at no cost to Edison, shall design, engineer, procure, construct and test the Project in accordance with applicable utility standards and good engineering practices

6.2 Seller, at no cost to Edison, shall design, engineer, procure, construct and test the Interconnection Facilities in accordance with applicable utility standards and good engineering practices and the rules and regulations of the Interconnecting Utility.

6.3 Except to the extent as previously obtained by Edison pursuant to the agreement between Edison and Chevron in the Contract for the Engineering and Construction of Heber Geothermal Generating Plant No. 1, executed on February 4, 1982 (E&C Contract), Seller, at no cost to Edison, shall acquire all permits and approvals, and complete, or have completed, all environmental impact studies necessary for the construction, operation, and maintenance of the Project.

6.4 Edison shall have the right to review the construction schedule and to monitor the construction, start-up, operation and maintenance of the Project. Seller shall notify Edison as far in advance of the Date of Firm Operation as reasonably possible, of changes in the construction schedule which may affect the Date of Firm Operation. Edison shall have the right to review technical data and technical records of the operation of the Project. Edison agrees not to interfere with the Seller's operations, and agrees to adhere to Seller's work rules and operating regulations. All information or data received by Edison under this Section 6 shall be treated in accordance with Section 30.

6.5 Seller, at no cost to Edison, shall make modifications to the Interconnecting Facilities as required to maintain Edison Electric System Integrity so that Edison can continue to accept Net Energy from the Project.

7. OPERATION OF THE PROJECT

7.1 Seller shall Operate, Control and maintain the Project in accordance with applicable utility standards and good engineering practices and shall produce the maximum electrical output from the Project consistent with such standards and practices.

7.2 Each Party shall keep the other Party's Operating Representative informed regarding the operating schedule of their respective facilities which affect the other Party's operations hereunder, including any reduction in Capacity availability. Each Party shall use its best efforts to provide the other Party with reasonable advance notice regarding scheduled outages of its facilities, including any reduction in Capacity availability as follows, unless otherwise agreed to by the Parties:

Scheduled Outage Expected Duration -----	Advance Notice Required -----
Less than one day	24 Hours
One day or more (except major overhaul)	1 Week
Major overhaul	6 Months

7.3 The Operating Representatives shall notify each other by telephone regarding outage dates and durations and shall use their best efforts to coordinate the schedule of such outages as to facilitate the maximum output of the Project.

7.4 Neither Seller nor Edison shall schedule major overhauls during Peak Months and shall make reasonable efforts to avoid scheduling routine maintenance during the Peak Months. Seller's and Edison's outages for scheduled maintenance shall not exceed an aggregate of 30 peak hours during the entire period encompassed by the Peak Months per year.

7.5 Seller shall maintain an operating log at Seller's Generating Facility with records of real and reactive power production, changes in operating status, outages,

protective apparatus operations and any unusual conditions found during inspections. Seller shall also maintain records applicable to the Generating Facility, including records regarding the electrical characteristics of the Generator and settings or adjustments of the Generator control equipment and protective devices. Seller shall, under provisions of Section 30 herein, make such information available to Edison upon request and provide copies of such logs and records, if requested, to Edison within thirty (30) days of Edison's request.

7.6 Seller shall use reasonable efforts to notify Edison at least 14 calendar days prior to initial energizing of the Point of Interconnection and initial parallel operation of the Project with the Edison electric system. Edison shall have the right to have a representative present at such times.

7.7 Seller shall use reasonable efforts to obtain Qualifying Facility status for the Project prior to the Date of Firm Operation and maintain such status during the term of this Agreement. If Seller fails to maintain Qualifying Facility status, Seller, at its sole discretion, may elect to (i) suspend the deliveries of Net Energy until such time the Qualified Facility status is reestablished, subject to the provisions of Sections 9 and 15 or (ii) continue the delivery of Net Energy and shall hold Edison harmless from any and all liability, loss, damage, claim, action, cause of action, cost, charge or expense resulting from such loss of Qualifying Facility status.

7.8 Seller and Edison, as applicable, shall obtain and maintain necessary government authorization(s) and permit(s). The Seller or Edison shall hold the other

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party harmless from any and all liability, loss, damage, claim, action, cause of action cost, charge or expense resulting from the failure to obtain or maintain the necessary government authorization(s) and permit(s). Seller may elect to suspend the delivery of Net Energy until all necessary government authorization(s) and permit(s) are obtained or maintained by the Seller subject to Sections 9 and 15.

7.9 At Edison's request, Seller shall make all reasonable efforts to deliver Net Energy at an average rate of delivery at least equal to the Capacity during periods of Emergency. If the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. Edison shall waive the notification specified in Section 7.2 if Seller reschedules an outage.

8. SALE OF THE PROJECT

8.1 If Seller offers to sell its interest in the Project or relinquish its interest under any lease of the Project, Seller shall promptly offer to Edison, or any Edison subsidiary, the right to be substituted for Seller under the lease of the Project or the right to purchase Seller's interest in the Project. Edison shall have up to 60 days following any such offer to accept Seller's offer or otherwise reach agreement with Seller.

8.2 If the Parties are unable to reach a satisfactory agreement as specified in Section 8.1, and Seller offers to Sell its interest in the Project to any third party, Edison, or any Edison subsidiary, shall have the right for 30 days following each offer to agree to purchase Seller's interest in the Project under the same terms and conditions, if such terms and conditions are better to Edison than those offered in Section 8.1 herein. Any

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offers to sell made more than two years after Edison's failure to accept a previous offer to sell, under Section 8.1, shall again be subject to the terms of Section 8.1 and 8.2.

8.3 Seller shall have the right to require Edison to purchase the Project if the average cost of electric energy and capacity to Edison based on the purchase price for the Project, and a projected price for geothermal heat would result in a cost to Edison of electric energy and capacity delivered to Edison's electric system in the aggregate below avoided costs for a consecutive three hundred sixty-five day period which is reasonably representative of a longer term. Such a purchase of the Project by Edison shall be subject to prior regulatory approval (e.g. Commission Certificate of Public Convenience and Necessity and rate base treatment of the investment) as required in Edison's sole judgment, and subject to prior negotiation and execution of contracts between Edison and Seller for the purchase of the Project and geothermal heat for the Project consistent with such objective.

8.4 If the Project is sold to a third party and said third party does not assume the obligations of this Agreement, as specified in Section 26, then this Agreement shall be considered terminated and the provisions set forth in Sections 4.4 and 4.5 shall apply.

8.5 If the Seller offers to sell the Project to Edison, or any Edison subsidiary, under the provisions of Section 8, then Edison, or any Edison subsidiary, shall establish a value of the Project to Edison. When determining

the value of the Project, Edison shall take into consideration any and all monies due Edison under the terms of this Agreement in event of a termination.

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9. ABANDONMENT

9.1 The Project shall be deemed abandoned if Seller terminates operation of the Project with the intent that such termination be permanent. Such intent shall be presumed by either Seller's written notice to Edison of such intent or operation of the Project so that no Energy is generated therefrom for 730 consecutive days during any period after the Date of Firm Operation, unless otherwise agreed to in writing by the Parties. If the Project is prevented from generating energy due to an uncontrollable force, then such period shall be extended for the duration of the uncontrollable force, not to exceed one (1) year.

9.2 If Seller abandons the Project during the term of this Agreement, Edison, or any Edison subsidiary shall have the right to substitute itself for Seller under the Seller's lease arrangement with its lender or in the event the Project is to be sold subsequent to such abandonment, Edison shall have the right to purchase the Seller's interest in the Project under the terms of Section 8.1 and 8.2.

9.3 If Seller abandons the Project, this Agreement may be terminated and the provisions of Sections 4.4 and 4.5, as applicable, will control unless otherwise provided herein.

10. DISCLAIMER

Any review by Edison of the design, engineering, construction, operation, control, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the economic or technical feasibility,

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operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project , including but not limited to, any review of the design, engineering, construction, operation, or maintenance of the Project by Edison is a representation by Edison as to the economic or technical feasibility, operational capability, or reliability of the Project. Seller is solely responsible for economic feasibility, technical feasibility, operational capability or reliability of the Project. Edison shall not be liable to Seller for, and Seller shall, at its cost, defend, indemnify and hold harmless Edison, its directors, officers, employees, agents, assigns and successors from and against any loss, damage, claim, action, cause of action, cost, charge or expense arising from any contrary representation concerning the effect of Edison's review of the design, engineering, construction, operation or maintenance of the Project.

11. METERING

11.1 Seller shall install or shall cause the Interconnecting Utility to install and maintain metering equipment as specified and provided by the Interconnecting Utility at the Point of Interconnection, pursuant to an interconnection agreement to be entered into between Seller and the Interconnecting Utility, to allow monitoring by the Parties and the Interconnecting Utility and to record and measure kilowatthours and time. Edison shall not be liable or responsible for any costs of acquisition, installation, ownership or maintenance of such metering equipment, including costs incurred by Seller for inspecting and calibrating such equipment. This metering equipment shall be utilized for

the measurement of Net Energy and Capacity in order to determine Edison's payments to Seller pursuant to this Agreement.

11.2 Edison shall install, as required by Edison Electric System Integrity, at Seller's cost, generation telemetering equipment to monitor the Project's net generation. Seller shall install as required by Edison Electric System Integrity in order that Edison can accept Net Energy from the Project, additional meters at the Project to enable Seller to make daily telephone reports in the event telemetering equipment is inoperative. Seller shall bear all costs of additional meter equipment, installation, ownership and administration and all costs for inspecting and testing such equipment.

11.3 The Parties shall seal all meters used to determine billings hereunder. The seals shall be broken only when the meters are to be inspected, calibrated or adjusted. Edison shall, at Seller's cost, inspect and calibrate, or shall request that the Interconnecting Utility inspect and calibrate, all meters upon their installation and annually thereafter. If requested to do so by Seller, or if at any reading, the metering inaccuracy exceeds 2%, the meters shall be calibrated promptly. Each Party shall give reasonable notice, both oral and written, to the other Party, of at least five (5) working days of when any inspection or calibration is to take place. The other Party may have representatives present at the calibration or inspection. If metering equipment inaccuracy exceeds 2%, the Operating Representatives shall estimate and agree upon the correct amount of Net Energy delivered during the period of inaccuracy.

11.4 Each Party shall within ten (10) days after written notice to the other Party have the right of access during regular business hours to all metering and billing records relevant to the purchase of Net Energy under this Agreement.

12. AVAILABILITY

12.1 Seller shall make all reasonable efforts to limit Project outages.

12.2 If Seller fails to meet the performance requirements specified in Section 15, Edison shall have the right to require the Seller to demonstrate the ability of the Project to generate Capacity once a year and to observe said demonstration. The Seller shall, at its expense, conduct said demonstration at a time and under procedures mutually agreed upon by the Parties.

13. POWER PURCHASE AND SALE

13.1 Seller hereby agrees to sell to Edison, and Edison hereby agrees to accept and purchase from Seller, all Net Energy delivered by Seller to Edison hereunder at the Point of Interconnection regardless of economic dispatch or hydro-spill consideration. Edison may interrupt or reduce such deliveries due to scheduled or Forced Outages, Emergencies, and uncontrollable forces only. During any such interruption or reduction, Edison shall continue to make capacity payments to the Seller pursuant to Sections 15.7.2 and 15.7.3.

13.1.1 Seller shall begin delivery of Net Energy on or before the Date of Firm Operation.

13.1.2 If at any time, Seller can physically deliver Net Energy to Edison while it is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, at its

sole discretion and risk, shall have the right to deliver Net Energy to Edison. Edison shall pay Seller for Net Energy pursuant to Section 14. However, unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time, at no cost or liability to Seller.

13.1.3 In the event there has been an interruption or reduction in the deliveries of Net Energy pursuant to Section 5 and during such period Seller makes deliveries, with notice to Edison, of Net Energy to the Interconnecting Utility which are subsequently delivered to Edison pursuant to schedules agreed upon by Edison and the Interconnecting Utility, Edison shall notify Seller of such scheduled deliveries within thirty (30) business days of such scheduled deliveries, Edison shall pay Seller for such Net Energy at the price applicable at the time of scheduled delivery to Edison. In the event of an interruption or reduction in the deliveries of Net Energy pursuant to Section 5 and the Interconnecting Utility is either unable or unwilling to accept such Net Energy, the Seller may sell such Net Energy to a third party. During any such sale of Net Energy to a third party, Edison shall continue to make capacity payments to the Seller pursuant to Sections 15.7.2 and 15.7.3.

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13.2 Seller shall sell to Edison, and Edison shall purchase from Seller, Capacity as specified in Section 2.1 or Capacity as adjusted pursuant to Section 13.3.

13.3 Seller may, with Edison's approval, which shall not be unreasonably withheld, increase the amount of Capacity. Edison shall pay for such additional Capacity at a rate equal to current Capacity Price for the remaining Contract Term. Seller may reduce the amount of Capacity at any time by giving written notice thereof to Edison pursuant to Section 4.4. Edison may reduce the amount of Capacity as a result of demonstration tests or prior performance. The amount by which Capacity is reduced shall be deemed a reduction in Capacity pursuant to Section 4. Either Party may request the other Party to agree in writing to a revised Capacity whenever it appears that Capacity has changed.

13.4 Monthly Payment

13.4.1 Edison shall determine from monthly meter readings Net Energy and Capacity purchased by Edison during the periods specified in Tariff Schedule No. TOU-8 for the preceding monthly billing period, and calculate the amount due Seller. Edison shall use its best efforts to read the meter on a regular, monthly interval

13.4.2 If a monthly payment period involves portions of different published Energy payment schedule periods, Edison shall prorate the monthly Energy payment on the basis of the percentage of days at each price.

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13.4.3 Within 20 business days of each monthly meter reading, Edison shall mail a statement to Seller indicating the amount of Net Energy and Capacity purchased during the billing period and the amount to be paid. Edison shall prepare and mail a check to Seller within ten (10) business days of mailing of the statement.

14. PAYMENTS FOR ENERGY

14.1 Seller shall receive a monthly payment for Net Energy received and accepted by Edison at the Point of Interconnection. Seller shall have the

option, to be exercised by the Seller prior to Date of Firm Operation, to elect to sell Net Energy at a price based on the payment provisions described in Section 14.2, 14.3 or 14.4.

14.2 Edison's Standard Offer No. 2 for Firm Power Purchases (effective date February 14, 1983).

14.2.1 Seller shall receive monthly payments for Net Energy, based on Edison's Avoided Operating Cost, received by Edison during the on-peak, mid-peak and off-peak periods. These periods are defined and published in Edison Tariff Schedule No. TOU-8.

14.2.2 Monthly payment for Net Energy shall be calculated as follows:

Monthly Payment for Net Energy = A + B + C

where:

A = on-peak energy payment

B = mid-peak energy payment

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C = off-peak energy payment

where, for each period:

Period Energy Payment = (Avoided Operating Cost/KwH) x (Period Net Energy, KwH) x energy loss adjustment factor.*

14.3 Edison's Standard Offer No. 5 for Firm Power Purchases. This option is valid only if Standard Offer No. 5 is approved and implemented by the Commission prior to the Date of Firm Operation.

14.4 Net Energy Payment Option No. 3.

14.4.1 For the first 15 years of the Contract Term, Seller shall receive monthly payments for Net Energy based on the pricing provisions specified in Section 14.4.2. For the second 15 years of the contract term, Seller shall receive monthly payments for Net Energy equal to 98% of Edison's full Avoided Operating Costs as specified in Section 14.2.

14.4.2 For the first 15 years of the Contract Term, Seller shall receive monthly payments for Net Energy based on the higher of (i) Edison's full Avoided Operating Cost as specified in Section 14.2 or (ii) the floor price. The floor price payments shall be calculated as follows:

* The energy loss adjustment factor shall be one (1), subject to adjustment by Commission orders or rulings.

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Monthly Floor Payment (floor price/kwh) x (Net Energy, kwh) x energy loss adjustment factor*

where, the floor price is:

Year -----	Floor Price -----
1985	4.6(cent)/kwh
1986	5.1
1987	5.4
1988	5.4
1989	5.9
1990	5.9
1991	5.9
1992	7.0
1993	7.5
1994	7.5
1995	8.0
1996	8.0
1997	8.5

* The energy loss adjustment factor shall be one (1), subject to adjustment by Commission orders or rulings.

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1998	8.5
1999	8.5

14.4.3 If Seller elects the payment provision specified in Section 14.4, then Edison shall pay for the transmission service costs, as specified in Section 34, which are incurred in delivering the Net Energy to the Point of Interconnection, for the first 5 years of the Contract Term and simultaneously enter an identical amount as a debit in the Payment Tracking Account specified Section 14.4.4.

14.4.4 Payment Tracking Account

14.4.4.1 Edison shall establish a Payment Tracking Account (PTA) to account for (i) transmission service costs described in Section 14.4.3 and (ii) the amount by which Edison's monthly payment for Net Energy to Seller exceeds the payment which would have been paid the Seller under Section 14.2. These entries shall be considered debits in the PTA. Sums in the PTA will draw interest monthly at an annual rate equal to the current published Bank of America prime commercial rate plus 1%.

14.4.4.2 The balance in the PTA, including accrued interest, shall not exceed \$5,000,000.

14.4.4.3 Whenever a balance exists in the PTA, the Seller shall repay the balance using credits in the form of reductions to Edison's

payment for Net Energy to Seller. PTA credits shall include, but not be limited to the following:

- a. When Edison's full Avoided Operating Cost exceeds the floor price, Edison shall make a monthly payment for Net Energy equal to one-half (1/2) of the sum of monthly payments calculated using Edison's full Avoided Operating Cost and the floor price. The difference between the monthly payment made in accordance with this Section 14.4.4.3 and the monthly payment pursuant to Section 14.2 shall be credited against the PTA balance.
- b. Seller shall at any time have the option of paying to Edison part or all of the existing balance in the PTA without incurring any penalties. To implement this each month, Seller shall notify Edison in writing within 20 business days after the monthly meter reading of its election to receive a reduced monthly payment for Net Energy and credit that reduction against the PTA balance.
- c. If the PTA balance reaches the \$5,000,000 limit, Edison's monthly payment for Net Energy to Seller shall be reduced by an amount which ensures the PTA balance does not exceed \$5,000,000. At no time shall the credits to the PTA exceed the current balance. When the PTA balance is zero, the monthly

payment for Net Energy to the Seller shall be made pursuant to Section 14.4.2.

14.4.4. If at the end of the first fifteen years the Contract Term a PTA balance remains, the said PTA balance shall be due and payable and paid within 60 days, including interest up to the date of payment.

15. PAYMENTS FOR CAPACITY

15.1 If the Seller selects the net energy payment provisions in Section 14.3, then the Seller shall be paid for Capacity delivered pursuant to the provision of Edison's Standard Offer No. 5 for Firm Power Purchases. This option is valid only if Standard Offer No. 5 is approved and implemented by the Commission prior to the Date of Firm Operation.

15.2 If the Seller selects the net energy payment provisions in either Section 14.2 or 14.4, then the Seller shall receive monthly payments for Capacity pursuant to Section 15.3.

15.3 Seller shall receive monthly payments for Capacity made available at the Point of Interconnection. Seller shall have the option, to be exercised prior to the Date of Firm Operation, to elect to sell the Capacity pursuant to the payment provisions specified in Section 15.4 or 15.5.

15.4 Payment Option 1 -- Performance Based on Availability/Dispatchability

15.4.1 Minimum Performance Requirement in Option 1 to receive full capacity payments.

15.4.1.1 The Generating Facility must be dispatchable to Edison upon

request, and meet the following conditions:

(i) The Generating Facility must be available during all on-peak hours of each Peak Month except during hours of allowable Forced Outage as specified in Section 15.4.1.3.

(ii) The Generating Facility must be available for all other hours of the year except during hours of allowable maintenance as specified in Section 15.6 and during hours of allowable maintenance as specified in Section 15.4.1.3.

15.4.1.2 The measure of availability shall be the performance during the hours that the Generating Facility is dispatched, ignoring energy produced in any hour in excess of the Capacity of the Generating Facility. Dispatching requests can only increase power production, and only up to Capacity.

15.4.1.3 The Seller is allowed a 20% Forced Outage rate for the on-peak hours of each Peak Month, a 20% Forced Outage rate for the mid- and off-peak hours of each Peak Month, and 20% Forced Outage rate for the hours of each non-Peak Month. Except during the Peak Months, Seller may accumulate and apply the 20% allowance for Forced Outage for any consecutive three month period.

15.4.2 Payment Provision in Option 1

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15.4.2.1 When the requirements of Section 15.4.1 are met, the monthly payment is:

Monthly Capacity Payment =

$(\text{Capacity Price}) \times (1/12) \times (\text{Capacity})$

15.4.2.2 When the requirements of Section 15.4.1 are not met, the monthly payment is:

Monthly Capacity Payment*

$(\text{Capacity Price}) \times (1/12) \times (\text{Capacity}) \times (\text{Availability}/.8)^*$

15.4.3 Payments in excess of 100% of Capacity Price.

15.4.3.1. Bonus During Peak Months

For a Peak Month, the Seller will receive a bonus if

- 1) The performance requirements of Section 15.4.1 have been met; and,
- 2) The on-peak availability exceeds 85%.

15.4.3.2 Bonus During Non-Peak Months

In a non-Peak Month, the Seller will receive a bonus if

* (Availability/.8) cannot be greater than 1.0.

- 1) The performance requirements of Section 15.4.1 have been met;
- 2) The on-peak availability for each of the year's Peak Month was at least 85%; and
- 3) The on-peak availability exceeds 85%.

15.4.3.3 Bonus Payment

For any eligible month, the bonus payment will be calculated according to the following formula.

$$\text{Monthly Bonus Payment} = [(1.2 \times \text{on-peak availability}) - 1.02] \times (1/12) \text{ Capacity Price} \times \text{Capacity}$$

Where:

Availability =

kWh Purchased by Edison

(Capacity) x (Hours dispatched - Allowable Maintenance Hours)

15.4.3.4 Total monthly Capacity payment when a bonus is earned shall be the sum of the monthly Capacity payments specified in Section 15.4.2.1 and 15.4.3.3.

15.4.4 Only by mutual agreement can the kilowatthours used in the calculation of capacity payments specified in Section 15.4 be greater than a delivery rate equal to Capacity.

15.5 Payment Option 2 -- Performance Based on Capacity Factor

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15.5.1 Minimum performance Requirement in Option 2 to receive full capacity payments.

15.5.1.1 The Capacity shall be available for all of the on-peak hours as defined in Tariff Schedule No. TOU-8 in each of the Peak Months subject to a 20% allowance for Forced Outages for each month.

15.5.1.2 There is no minimum performance requirement for the rest of the year.

15.5.2 Payment Provision in Option 2.

The monthly capacity payment shall be calculated as the sum of the on-peak, mid-peak, and off-peak capacity payments. Each capacity period payment is calculated as follows:

Monthly Capacity Period Payment =

(Capacity Price) x (Conversion to Monthly Payment) x (Capacity)
x (Period Performance Factor)

Where:

Period Performance Factor =

kWh Purchased by Edison

$$0.8 \times (\text{Capacity}) \times (\text{Period Hrs.} - \text{Allowable Maintenance Hrs.})$$

The Period Performance Factor cannot exceed

1. When the allowable maintenance hours equals the period hours, the period performance factor shall equal 1.0.

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Conversion to Monthly Payments: The following factors convert Capacity Price to monthly payments by time period of delivery. These conversion factors will be subject to periodic change as approved by the Commission.

	Summer Period -----	Winter Period -----
On-peak	.13125	.02094
Mid-peak	.00267	.01054
Off-peak	.00000	.00127

15.5.3 Payments in Excess of 100% of Capacity Price

15.5.3.1 Bonus During Peak Months

For a Peak Month, the Seller will receive a bonus if

- 1) The Performance Requirements of Section 15.5.1 have been met;
- and
- 2) The on-peak capacity factor exceeds 85%.

15.5.3.2 Bonus During Non-Peak Months

- 1) The performance requirements of Section 15.5.1 have been met;
- 2) The on-peak capacity factor for each of the year's Peak Months was at least 85%;
- and
- 3) The on-peak capacity factor exceeds 85%.

15.5.3.3 Bonus Payment

For any eligible month, the bonus payment is the following:

Bonus Payment =

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$$[(1.2 \times \text{on-peak capacity factor}) - 1.02]$$

x Capacity Price

x (1/12)

x Capacity

Where:

On-peak Capacity Factor =

kWh Purchased by Edison

(Capacity) x (Period Hrs. - Allowable Maintenance Hrs.)

15.5.3.4 The monthly capacity payment when a bonus is earned shall be the sum of the monthly capacity payment (Section 15.5.2) and the monthly bonus payment (Section 15.5.3.3).

15.5.4 Only by mutual agreement can the kilowatthours used in the calculation of capacity payments specified in Section 15.5 be greater than a delivery rate equal to Capacity.

15.6 Scheduled Maintenance Allowances

The allowance for scheduled maintenance is as follows:

15.6.1 Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or non-consecutive basis.

15.6.2 Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be

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used only for major overhauls, as such major overhauls are reasonably defined by the Seller.

15.7 Failure to Meet Minimum Performance Requirements

15.7.1 Except when caused by uncontrollable forces, if Seller fails to meet the minimum performance requirements as set forth in Sections 15.4.1 and 15.5.1. The following shall apply:

15.7.1.1 Seller may be placed on probation for a period not to exceed 15 months or as otherwise agreed to by the Parties. During this period, the monthly capacity payment will be based on the level of Capacity actually made available as calculated in Sections 15.4.2.2 and 15.5.2, as applicable.

15.7.1.2 If Seller meets or demonstrates to Edison pursuant to Section 12.2 that it can meet its minimum requirement during the probationary period, Edison shall reinstate regular capacity payments.

15.7.1.3 If Seller fails to meet its minimum requirements during the probationary period, Edison may derate the Capacity to the greater of the Capacity actually made available when the minimum requirements stated in Sections 15.4.1 and 15.5.1 were not met, or the Capacity at which Seller is reasonably likely to meet the minimum requirements. In either case, the quantity by which the Capacity is reduced shall be

considered terminated without prescribed notice as provided in Section 4.4.

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15.7.2 If Seller is prevented from meeting the minimum performance requirement because of a schedule outage, a Forced Outage or an Emergency on the Edison electric system, Edison shall continue to make capacity payments to Seller. Under Option 2, the calculations of capacity payments will treat hours of Forced Outage and Emergency on the Edison system the same as scheduled maintenance outages.

15.7.3 If deliveries are interrupted or reduced because of uncontrollable forces, Edison shall continue to make capacity payments to Seller for 90 days from the occurrence of the uncontrolled force event. Under Option 2, the calculation of capacity payments will treat hours of interruption or reduction by reason of an uncontrollable force, the same as scheduled maintenance outages with reductions in Capacity treated on a pro rata basis.

16. TAXES: Seller shall pay ad valorem taxes and other taxes properly attributed to the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison the amount of such assessment or levy within thirty (30) days of presentation of documentation thereof. The Parties shall provide information concerning the Project to any requesting taxing authority.

17. LIABILITY

17.1 As used in this Section 17, the word "liability" shall mean "all liability, damages, costs, losses, claims, demands, actions, causes of action, attorneys' fees and expenses, or any of them."

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17.2 Seller shall defend at its own cost and indemnify and hold harmless Edison, its officers, directors, employees, agents, contractors and subcontractors from and against any and all liability resulting directly or indirectly from or connected with the development and/or furnishing of Net Energy by Seller as provided herein (including but not limited to such liability arising from the death of or injury to an officer, director, agent or employee of Seller or Edison or damage to property of Seller or Edison or of any officer, director, agent or employee of Seller or Edison) to the extent caused by the negligent acts of Seller.

17.3 Edison shall defend at its own cost and indemnify and hold harmless Seller, its officers, directors, employees, agents, contractors and subcontractors from and against any and all liability resulting directly or indirectly from or connected with the utilization of Net Energy by Edison as provided herein (including but not limited to such liability arising from the death or injury to an officer, director, agent or employee of Seller or Edison or damage to property of Seller or Edison or of any officer, director, agent or employee of Seller or Edison) to the extent caused by the negligent acts of Edison.

17.4 Seller shall defend at its own cost and indemnify and hold harmless Edison, its officers, directors, employees, agents, contractors and subcontractors from or connected with an infringement of a patent by Seller in the performance or non-performance of this Agreement.

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17.5 Edison shall defend at its own cost and indemnify and hold harmless Seller, its officers, directors, employees, agents, contractors and subcontractors from and against any and all liability resulting directly or indirectly from or connected with an infringement of a patent by Edison in the performance or non-performance of this Agreement.

17.6 Notwithstanding anything in this Agreement to the contrary, under no circumstances, whether arising in contract, equity, tort (including negligence) or otherwise, shall either Party hereto be responsible or liable to the other for loss of profit, loss of operating time or loss of use or reduction in the use of any equipment or facilities or any portion thereof, increased expense of operation or maintenance, cost of replacement power, claims of customers, third parties or for any special, indirect, incidental or consequential damages.

18. INSURANCE

18.1 During the term of this Agreement, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of not less than \$5,000,000 each occurrence. The insurance carrier or carriers and form of policy shall be subject to review and approval by Edison.

18.2 Prior to the date the Project is first operated in parallel with the Edison electric system, Seller shall furnish to Edison: (i) a certificate of insurance providing that such insurance shall not be terminated nor expire except on thirty (30) days prior written

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notice to Edison, and (ii) an additional insured endorsement with respect to such insurance in substantially the following form:

"In consideration of the premium charged, Southern California Edison Company ("Edison") is named as additional insured with respect to all liabilities arising out of Seller's use and ownership of Seller's Generating Facility.

"The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.

"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to the contrary."

18.3 Seller shall maintain such insurance in effect for so long as Seller's Generating Facility is operated in parallel with Edison's electric system. If Seller fails to comply with the provisions of this Section 18, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors from and against any and all liability, loss, damage, claim, action, cause of action, cost, charge, or expense of any kind of nature including attorneys' fees and other costs of litigation, resulting from death of, or injury to, any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 18.

19. REGULATORY AUTHORITY

Seller and Edison shall at all times conform to all applicable laws and regulations.

20. DISPUTES

20.1 Any dispute arising between the Parties relating to interpretation of the provisions of this Agreement or to performance of the Parties hereunder, other than matters which may not be settled without the consent of an involved insurance company, shall be reduced to writing by the complaining party stating the complaint and proposed solution and submitted to the other party's manager responsible for the administration of this Agreement. Such manager's interpretation and decision shall be incorporated into a written document outlining his interpretation and decision and specifying that it is the final decision of such manager. A copy of such document shall be furnished to the complaining party within ten (10) days following the receipt of the complaining party's written complaint.

20.2 The decision of such manager pursuant to Section 20.1 shall be final and conclusive from the date of receipt of such copy by the complaining Party, unless, within a thirty (30) day period the complaining party furnishes a written appeal to such manager delivered pursuant to Section 21. The Parties shall hold a joint hearing within 15 days of receipt of such appeal. The Parties shall each be afforded an opportunity to present evidence in support of their respective positions at the hearing. One authorized representative of Seller and one authorized representative of Edison and other necessary

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persons shall conduct such hearing. Pending final decision of a dispute hereunder, the Parties shall proceed diligently with the performance of their obligations under this Agreement

20.3 The authorized representatives shall make their final decision within 15 days of presentation of all evidence affecting the dispute and shall reduce their decision to writing. The decision shall be final and conclusive.

20.4 If the authorized representatives cannot reach a final decision within the 15 day period, any remedies which are provided by law may be pursued.

21. NOTICES

Except as otherwise specifically provided herein, any notice from one Party to the other, shall be given in writing and shall be deemed to be given as of the date the same is enclosed in a sealed envelope, addressed to the other by certified first class mail, postage prepaid, and deposited in the United States Mail. For the purposes of this Section 21, such notices shall be mailed to the following respective addresses or to such others as may be hereafter designated by either Party:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Attention: Secretary

Seller: Chevron U.S.A. Inc.
c/o Chevron Geothermal Company

Address: P.O. Box 7147
San Francisco, California 94119

Attention: Manager, Geothermal Operations

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22. NON-DEDICATION OF FACILITIES

Neither Party by this Agreement dedicates any part of its facilities involved in this Project to the public or to the service provided under this Agreement, and such service shall cease upon termination of this Agreement.

23. PREVIOUS COMMUNICATIONS

This Agreement contains the entire agreement and understanding between the Parties, their agents and employees as to the subject matter of this Agreement, and merges and supersedes all prior agreements, commitments, representations and discussions between the Parties. No Party shall be bound to any other obligations, conditions, or representations with respect to the subject matter of this Agreement.

24. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

25. SUCCESSORS & ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties subject to the limitations on assignments set forth in Section 26.

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26. ASSIGNMENT

26.1 A Party may assign all or part of its interests under this Agreement to an affiliate. An "Affiliate" shall mean a Party's parent, a Party's subsidiary, or any company of which a Party's parent is a parent. A "parent" shall mean a company which owns directly or indirectly more than 50% of the shares entitled to vote in an election of directors of another company.

26.2 Any assignment to a third party of all or any part of its interest under this Agreement shall be subject to the prior written consent of the non-assigning party. Consent shall not be unreasonably withheld. Any such assignment shall be to an assignee that (a) is a financially responsible entity, (b) is an experienced and prudent operating entity, and (c) has the rights, title and interest necessary to perform the assigned obligations. In this regard Seller intends to assign this Agreement to the Heber Geothermal Company (HGC) and by execution of this Agreement, Edison hereby consents to this assignment pursuant to this Section 26.2.

26.3 Any assignment by Chevron of its interest in this Agreement shall

not relieve Chevron as the assigning Party from liability for the duties and obligations of Seller under this Agreement, except to the extent such duties and obligations are expressly assumed by HGC, a general partnership of Centennial Geothermal, a wholly owned subsidiary of Centennial Energy, Inc. and Dravo Energy, Inc., a wholly owned subsidiary of Dravo Corporation under the assignment agreement between Chevron and HGC.

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26.4 Whenever an assignment of a Party's interest in this Agreement is made, the assigning Party's assignee shall expressly assume in writing the duties and obligations of the assigning Party pursuant to this Agreement and, within 30 days after any such assignment and assumption of duties and obligations, the assigning Party shall furnish, or cause to be furnished, to the other Party a true and correct copy of such assignment and assumption of duties and obligations. Seller, or its assignee, may assign all or any part of its interest under this Agreement to a financing institution to facilitate financing for the project by Seller or its assignee.

27. NO THIRD PARTY BENEFICIARIES

Except as otherwise specifically provided in this Agreement or under separate agreements creating such rights, the Parties do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this Agreement.

28. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

29. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the United States as applicable as if executed and to be performed wholly within the State of California.

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30. CONFIDENTIALITY

30.1 Except as provided herein, the Parties shall hold all information in this Agreement and all information related to or received pursuant to this Agreement as proprietary and confidential.

30.2 Neither Party shall disclose any part nor the whole of this Agreement to any third party without the express prior written consent of the other Party, such consent shall not be unreasonably withheld.

30.3 From time to time governmental and/or regulatory agencies may request disclosure of the Agreement or Agreement-related information from either Party or both Parties and if such is the case either Party or both Parties may consent to such disclosure provided, that (i) the requestor(s) be notified by the disclosing Party that the information being released is confidential, and that (ii) the disclosing Party inform the other Party, in writing, as to the nature of the information disclosed and to whom disclosed.

31. UNCONTROLLABLE FORCES

31.1 Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement, other than an

existing obligation to pay money, when, and to the extent, failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the Party failing to perform, including, but not limited to, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority, and action or nonaction

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by, or inability to obtain and maintain the necessary authorizations or approvals from, any governmental agency or authority, which by the exercise of due diligence such Party could not reasonably have been expected to avoid and which, by exercise of due diligence it has not overcome. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such facts to the other Party and shall exercise due diligence to remove such inability. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved.

31.2 The failure of the Commission to approve the pass through to Edison's ratepayers of monies paid to Seller for Net Energy and Capacity under this Agreement, subject to the limitations of Sections 7.7 and 7.8, shall not be deemed to be an uncontrollable force.

31.3 In the event the applicable provisions of this Section 31 are invoked by Seller, Seller shall not be obligated to deliver Net Energy and Net Capacity and may interrupt or reduce deliveries to Edison, and Edison shall not be obligated to make any payments hereunder. In the event the applicable provisions of this Section 31 are invoked by Edison, except as provided in Section 15.7.3, Edison shall not be obligated to accept or pay for, and may require Seller to interrupt or reduce, deliveries of Net Energy.

32. PUBLICITY

Except as required for compliance with Commission rules and regulations, Edison shall not make any press releases, statements or other disclosures to the public

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regarding the construction, construction schedule, start-up, operation and maintenance of the Project without the prior written consent of Seller.

33. WATER

Edison has entered into a Water Supply Agreement with Imperial Irrigation District (IID) dated December 22, 1981 which provides that IID will permit Edison to take from the Daffodil Canal, Delivery No. 1, water sufficient to satisfy the reasonable requirements of the Project. Pursuant to the E&C Contract referred to in Section 6.3 herein, Edison is required to assign the Water Supply Agreement to Seller. If for any reason whatsoever, Edison is unable to assign such Water Supply Agreement to Seller, then Edison shall maintain such Water Supply Agreement in effect and provide water to the Project in accordance with its terms. In such event, the cost of water for the Project paid by Edison shall be a credit against payments due Seller as calculated in accordance with Section 13.4

34. TRANSMISSION COST

34.1 Seller shall select the method for determining transmission service costs specified in Sections 34.2 or 34.3. Seller shall make this selection prior to the Date of Firm Operation.

34.2 Edison, with Seller's assistance, shall seek to contract with third parties in order to secure the most economic transmission path and service costs for the delivery of Net Energy from the Project to the Point of Interconnection at terms and conditions

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acceptable to Seller. Seller shall be responsible for all costs incurred in the delivery of the Net Energy from the Project to the Point of Interconnection.

34.3 For the first 5 years of the Contract Term, the Seller shall pay for the transmission of the Net Energy from the Project to the Path of Interconnection at a transmission service cost based on a method comparable to the method which is in effect or will be negotiated for Edison's geothermal facilities at Brawley and Salton Sea. The exact, mutually agreed upon transmission service cost shall be established prior to the Date of Firm Operation and may be adjusted periodically as necessary. The transmission service cost shall consist of (i) a flat monthly service cost expressed in \$ per kilowatt per month and (ii) transmission losses expressed in % of Net Energy or delivery to the Point of Interconnection. The Seller may elect this Section 34.3 subject to the following conditions:

34.3.1 The date of initial delivery of Net Energy shall occur on or before August 1, 1985.

34.3.2 Seller shall upgrade Edison's 115/92 kV interconnection substation with the Interconnecting Utility by increasing its capacity by 25,000 kW. Seller shall pay the capital cost of the upgrade and pay the monthly charges related to the upgrade facilities under the terms and conditions of Edison's Rule No. 2 H for added facilities. If the Seller is unable to use the upgraded facilities, at any time, then Edison shall have the option to use such facilities and reduce the Seller's monthly charges accordingly. The upgrade must be complete prior

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to Date of Firm Operation. At the end of 5 years, the transmission service costs shall be handled under the provisions of Section 34.2, unless the Seller elects to continue to use the provisions specified in is Section 34.3 after the first 5 years of the Contract Term absent the transmission service cost methodology contained in this Section 34.3. In the event of such election Section 34.4 shall not apply.

34.4 If the Seller exercises the provisions specified in Section 34.3 then for said five (5) year period, the applicable portion of the Interconnecting Utility electric system shall be considered part of the Edison electric system but only to the extent that the capacity payment provisions specified in Sections 15.7.2 and 15.7.3 apply.

35. RECORDS AND AUDITS

35.1 Edison and Seller shall maintain true and correct records in connection with this Agreement and all transactions related thereto and shall retain all such records for at least 24 months after termination of this Agreement.

35.2 No director, employee or agent of either Party shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Agreement, or enter into any business arrangement with any director, employee or agent of the other Party, except as a representative of one of the Parties, without prior written notification thereof to both Parties. Any representative(s) authorized by either Party may audit any and all records of the other Party pertaining to the administration of this

Agreement for the sole purpose of determining whether there has been compliance with this Section 35.2

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35.3 Any representative(s) authorized by either party may from time to time and at any time after the date of this Agreement until 24 months after its termination make an audit of all records of the other Party in connection with payments made on a cost reimbursement basis under this Agreement. Audit may also cover procedures and controls with respect to such reimbursable costs. Upon completion of the audit, the Parties shall pay each other any amounts shown due by the audit. If the audited Party disagrees with the results of the audit, it may have an independent audit conducted, at its expense, by a third party acceptable to both Parties and pursuant to auditing instructions acceptable to both Parties. The findings of the audit shall be binding upon both Parties.

36. CONDITIONS PRECEDENT

This Agreement shall be effective upon execution of all the following documents:

36.1 1983 Geothermal Energy Contract between Chevron Geothermal Company of California and Southern California Edison.

36.2 Corporate Guarantee from Dravo Constructors, Inc. to Southern California Edison for the repayment of the Payment Tracking Account pursuant to Section 14.4.4.

36.3 Geothermal Sales Agreement between Chevron Geothermal Company of California and Heber Geothermal Company.

36.4 Geothermal Energy Agreement between Chevron Geothermal Company of California and Dravo Energy, Inc.

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36.5 Assignment and Assumption Agreement between Chevron U.S.A., Inc. and Heber Geothermal Company.

36.6 The acceptance and execution of the final commitment letter from General Electric Credit Corporation to Heber Geothermal Company.

36.7 The approval of this Agreement by the Board of Directors or Management Committee, as appropriate, of the following entities:

36.7.1 Centennial Energy, Inc.

36.7.2 Dravo Corporation

36.7.3 General Electric Credit Corporation

37. AGREEMENT AND SIGNATURE

This Agreement is executed in multiple counterparts, each of which shall be deemed an original. The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign. This Agreement is hereby executed as of this 26th day of August, 1983.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Indecipherable

Vice President

CHEVRON U.S.A., INC., represented by
its agent, Chevron Resources Company

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By /s/ Indecipherable

Title Vice President

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Exhibit 10.3.5

AMENDMENT NO. 1
TO
POWER PURCHASE AND SALES AGREEMENT
BETWEEN
CHEVRON U.S.A. INC.
AND
SOUTHERN CALIFORNIA EDISON

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AMENDMENT NO. 1 TO
POWER PURCHASE AND SALES AGREEMENT BETWEEN
HEBER GEOTHERMAL COMPANY AND
SOUTHERN CALIFORNIA EDISON COMPANY

1. PARTIES

The Parties to this Amendment No. 1 to the Power Purchase and Sales Agreement, hereinafter referred to as Amendment No. 1, are Heber Geothermal Company, a California partnership, hereinafter referred to as "HGC" and Southern California Edison Company, a California corporation, hereinafter referred to as "Edison," hereinafter sometimes referred to individually as "Party" and collectively as "Parties."

2. RECITALS

This Amendment No. 1 is made with reference to the following facts, among others:

2.1 On August 26, 1983, Edison and Chevron U.S.A Inc. executed the Power Purchase and Sales Agreement to provide the terms and conditions for the sale by Chevron and purchase by Edison of capacity and energy delivered to the Point of Interconnection from a 47 MW (net) electrical generating facility located at Heber, California utilizing geothermal steam as the prime mover energy source.

2.2 On August 26, 1983, Chevron assigned and HGC assumed Chevron's right, title and interest in the Power Purchase and Sales Agreement between Chevron and Edison, dated August 26, 1983.

2.3 On March 16, 1984, Chevron and HGC issued a Notice of Intention to Proceed to Edison. The Notice of Intention to Proceed stated Chevron and HGC's desire to construct the facilities necessary to proceed with the Power Purchase

and Sales Agreement, dated August 26, 1983.

2.4 The Public Utilities Commission of the State of California has issued Decision No. 83-09-054, which authorized the long-term power-purchase contract, to be known as Standard Offer No. 4, which established the terms and conditions of the sale of power produced by Qualifying Facilities and the purchase by Edison of electrical energy therefrom.

2.5 The Parties wish to provide definitive terms for the exercise of Seller's option to deliver Net Energy to the Point of Interconnection pursuant to the terms of Section 34.3 of the Power-Purchase and Sales Agreement by electing to pay for the upgrade of Edison's 115/92 kV substation facility and agreeing to pay the flat monthly transmission service cost, as specified in Section 34.3 of the Power-Purchase and Sales Agreement, commencing on August 1, 1985.

2.6 The Parties, therefore, desire to amend the Agreement to modify the provisions covering (i) payments by Edison for energy, (ii) payments by Edison for capacity and (iii) transmission cost to be paid by HGC as Seller.

3. Agreement: The Parties agree to amend the Power Purchase and Sales Agreement as follows:

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4. Effective Date: This Amendment No. 1 shall become effective upon execution by the Parties and consent by Chevron U.S.A., Inc., represented by its agent Chevron Resources Company.

5. Amendment to Section 4:

The last sentence in Section 4.4 is deleted in its entirety and replaced with the following:

The prior written notice requirement in this Section 4.4 will apply in the event Edison reduces Seller's capacity as outlined in Sections 12.2, 13.3 and 15.4.1.3.

6. Amendment to Section 14:

Section 14 is deleted in its entirety and replaced with the following:

Seller shall receive a monthly payment for Net Energy received and accepted by Edison at the Point of Interconnection pursuant to the provisions of this Section 14.

14.1 Net Energy Payments - First Period

14.1.1 During the First Period of the Contract Term, which shall be defined as the first 10 years of the Contract Term commencing upon date of Firm Operation but not later than five years from the date of execution of this Contract, Seller shall be paid a Monthly Energy Payment for Net Energy received and accepted by Edison at the Point of Interconnection. The Monthly Energy Payment shall be based on the Energy Payment Option selected by the Seller prior to the date of Firm Operation. The Energy Payment Options shall be selected by the Seller prior to the date of Firm Operation in increments of 10% with a total equal to 100%.

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[100] % Energy Payment Option No. 1 -- Forecast of Annual
Marginal Cost of Energy in effect at the date of

execution of this Amendment No. 1. (Appendix B)

[0] % Energy Payment Option No. 2 -- Edison's Avoided Operating Cost.

14.1.2 Seller shall be paid a Monthly Energy Payment for Net Energy received and accepted by Edison at the Point of Interconnection during each month in the First Period of the Contract Term pursuant to the following formula:

Monthly Energy Payment = $[(A \times D) + (B \times D) + (C \times D)] \times E$

Where A = kwh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kwh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kwh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time-differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 14.1.1, and
(ii) the appropriate time-differentiated energy price from Edison's Avoided Operating Cost multiplied by the decimal equivalent of the percentage of Edison's Avoided Operating Cost specified in Section 14.1.1.

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E = Energy Loss Adjustment Factor For Remote Generating Sites*

14.2 Net Energy Payments - Second Period

During the Second Period of the Contract Term, which shall be defined as the period commencing upon expiration of the First Period and continuing for the remainder of the Contract Term, Seller shall be paid a Monthly Energy Payment for Net Energy received and accepted by Edison at the Point of Interconnection based on Edison's Avoided Operating Cost. The Monthly Energy Payment shall be calculated by the following formula:

Monthly Energy Payment = kwh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8

x Edison's Avoided Operating Cost by time of delivery for each time period

x Energy Loss Adjustment Factor For Remote Generating Sites*

7. Amendment to Section 15:

Section 15 is deleted in its entirety and replaced with the following:

Seller shall sell to Edison and Edison shall purchase from Seller Capacity pursuant to the Capacity Payment Option selected by the Seller in Section 15.1.

* The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.

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15.1 The Seller hereby elects Option B from the following Capacity Payment Options:

[] Option A - As-Available capacity based upon Forecast of Annual As-Available Capacity Payment Schedule (Appendix A).

[X] Option B - Firm Capacity

Capacity Payment Schedule contained in Edison's Standard Offer No. 2 for Firm Power Purchases in effect at the time of Amendment No. 1 execution. Capacity Price (Firm Capacity): \$147/kW--Year.

15.2.1 Capacity Payment Option A -- As Available Capacity.

If Seller selects Capacity Payment Option A, Seller shall be paid a Monthly Capacity Payment calculated pursuant to the following formula:

Monthly Capacity Payment = (A x D) + (B x D) + (C x D)

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule (Appendix A) or the Capacity Payment Schedule contained in Edison's Standard Offer No. 1 for As-

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Available Power Purchases, as updated periodically and accepted by the Commission.

15.2.1.1 During the First Period of the Contract Term, the formula shall be computed with D equal to the appropriate time-differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule (Appendix A).

15.2.1.2 During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time-differentiated capacity price from the Capacity Payment Schedule contained in Edison's Standard Offer No. 1 for As-Available Power Purchase as updated periodically and accepted by the Commission, but not less than the greater of (i) the appropriate time-differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule (Appendix A) in effect at the end of the First Period, or (ii) the appropriate time-differentiated capacity price from the Capacity Payment Schedule contained in Edison's Standard Offer No. 1 for As-Available Power Purchases for the beginning of the Second Period.

15.2.2 Capacity Payment Option B - Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to

Edison for the Contract Term the Capacity specified in Section 3.6, or as adjusted pursuant to Section 13.3, and Seller shall be paid as follows:

15.2.2.1 If Seller meets the performance requirements set forth in Section 15.2.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of

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Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

Monthly Capacity Period = A x B x C x D Payment

Where A = Capacity Price specified in Section 15.1 based on the Capacity Payment Schedule contained in Edison's Standard Offer No. 2 for Firm Power Purchases in effect at the time of Amendment No. 1 execution.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Appendix C and subject to periodic modifications as approved by the Commission.

C = Capacity specified in Section 3.6 or as adjusted pursuant to Section 13.3.

D = Period Performance Factor: (Period kWh Purchased by Edison (Limited by the Level of

Period
Performance
Factor = Capacity))

(0.9 x Capacity x (Period Hours minus Allowable
Maintenance Hours)

The Period Performance Factor cannot exceed 1.0. When the allowable maintenance hours equal the period hours, the Period Performance Factor shall equal 1.0.

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15.2.2.2 Minimum Performance Requirement in Capacity Payment Option B to Receive Full Capacity Payment:

a. The Capacity shall be available for all of the on-peak hours as defined in Tariff Schedule No. TOU-8 in each of the Peak Months subject to a 20% allowance for Forced Outages for each month.

b. There is no minimum performance requirement for the rest of the year.

15.2.2.3 Capacity Bonus Payment. For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

a. Bonus During Peak Months. For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 15.2.2.2

have been met, and (ii) the on-peak capacity factor exceeds 85%.

b. Bonus During Non-Peak Months

For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in section 15.2.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.

c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

Capacity Bonus Payment = A x B x C x D

Where A = (1.2 x On-Peak Capacity Factor) - 1.02

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Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

On-Peak Capacity Factor = (Period kWh Purchased by Edison (Limited by the Level of Capacity))

[(Capacity) x (Period Hours minus Allowable Maintenance Hours)]

B = Capacity Price specified in Section 15.1 for Capacity Payment Option B

C = 1/12

D = Capacity specified in Section 3.6

d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 15.2.2.3 and the Monthly Capacity Bonus Payment pursuant to this Section 15.2.2.3.

15.2.2.4 For Capacity Payment Option B, Seller shall be paid for capacity in excess of Capacity as specified in Section 3.6, or as adjusted pursuant to Section 13.3, based on as-available capacity price contained in Edison's Standard Offer No. 1 for As-Available Power Purchases Capacity Payment Schedule, as updated and approved by the Commission.

15.3 Scheduled Maintenance Allowances

The allowance for scheduled maintenance is as follows:

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15.3.1 Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.

15.3.2 Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used only for major overhauls, as such major overhauls are reasonably defined by the Seller.

15.4 Failure to Meet Minimum Performance Requirements

15.4.1 Except when caused by uncontrollable forces, if Seller fails to meet the minimum performance requirements as set forth in Section 15.2.2.2. The following shall apply:

15.4.1.1 Seller may be placed on probation for a period not to exceed 15 months or as otherwise agreed to by the Parties. During this period, the monthly capacity payment will be based on the level of Capacity actually made available as calculated in Section 15.2.2.1.

15.4.1.2 If Seller meets or demonstrates to Edison pursuant to Section 12.2 that it can meet its minimum requirement during the probationary period, Edison shall reinstate regular capacity payments.

15.4.1.3 If Seller fails to meet its minimum requirements during the probationary period Edison may derate the Capacity to the greater of the Capacity actually made available when the minimum requirements stated in Section 15.2.2.2 were not met, or the Capacity at which Seller is reasonably likely to meet the minimum

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requirements. In either case, the quantity by which the Capacity is reduced shall be Considered terminated without prescribed notice as provided in Section 4.4.

15.4.2 If Seller is prevented from meeting the minimum performance requirement because of a schedule outage, a Forced Outage or an Emergency on the Edison electric system, Edison shall continue to make capacity payments to Seller. Under Option B, the calculations of capacity payments will treat hours of Forced Outage and Emergency on the Edison system the same as scheduled maintenance outages.

15.4.3 If deliveries are interrupted or reduced because of uncontrollable forces, Edison shall continue to make capacity payments to Seller for 90 days from the occurrence of the uncontrolled force event. Under Option B, the calculation of capacity payments will treat hours of interruption or reduction by reason of an uncontrollable force, the same as scheduled maintenance outages with reductions in Capacity treated on a pro rata basis.

8. Amendment to Section 34:

Section 34 is deleted in its entirety and replaced with the following:

34.1 Edison, with Seller's assistance, shall seek to contract with Interconnecting Utility and/or third parties in order to secure the most economic transmission path and service costs for the delivery of Net Energy from the Project to the Point of Interconnection during the Contract Term at terms and conditions acceptable to Seller. Seller shall be responsible for all costs including transmission losses, incurred in the delivery of the Net Energy from the Project to the Point of Interconnection.

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The exact, mutually agreed-upon transmission service cost shall be established prior to the Date of Firm Operation and may be adjusted periodically as necessary. The transmission service payments shall consist of (i) a flat monthly service charge expressed in dollars per kilowatt per month and (ii) transmission losses expressed in percentage of Net Energy lost in the transmission of Net Energy from the Project to the Point of Interconnection.

34.2 Notwithstanding Section 34.1, for the first five years of the

Contract Term, the Seller shall pay for the transmission of the Net Energy from the Project to the Point of Interconnection at a transmission service cost based on a method of transmission comparable to the method which is then in use or would be negotiated for Edison's geothermal facilities at Brawley and Salton Sea utilizing transmission facilities in existence at that point in time. Power-exchange arrangements which are in effect or might be in effect for the transmission of the energy generated at Edison's geothermal facilities at Brawley and Salton Sea will apply to the provisions of this Section 34.2 only to the extent there is uncommitted capacity available in such exchange arrangements at the date of Firm Operation. The provisions of this Section 34.2 are subject to the following conditions:

34.2.1 The date of initial delivery of Net Energy shall occur on or before August 1, 1985. If Seller does not deliver Net Energy to the Point of Interconnection by August __, 1985, Seller shall commence making the flat monthly transmission service payments on August 1, 1985 to retain the benefit of this Section 34.2.1.

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34.2.2 Seller shall upgrade Edison's 115/92 kV interconnection substation with the Interconnecting Utility by increasing its capacity by 25,000 kVA prior to Date of Firm Operation. Seller shall pay the capital cost of the upgrade and pay the monthly charges related to the upgrade facilities under the terms and condition of Edison's Rule No. 2 H for added facilities. If the Seller is unable to use the upgraded facilities, at any time, then Edison shall have the right to use such facilities.

34.3 For the first five years of the Contract Term, the applicable portion of the Interconnecting Utility electric system shall be considered part of the Edison electric system for the application of Sections 15.4.2. and 15.4.3.

34.4 Edison shall prepare and mail a bill to Seller for the transmission service payments provided for in Sections 34.1 and 34.2 within 30 days of the end of each month. Seller shall pay such bills within 20 calendar days of the receipt of said bill. The provisions contained within Section 35 shall apply to the records generated in the preparation and mailing of such bill.

9. Effect of this Amendment No. 1

Except as amended herein, all terms, covenants and conditions contained in the Power Purchase and Sales Agreement shall remain in full force and effect.

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10. Signature Clause

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 on behalf of the Party for whom they sign. This Amendment No. 1 is hereby executed as of this 11th day of December, 1984.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Edward A. Myers

Name Edward A. Myers
Title Vice President

HEBER GEOTHERMAL COMPANY, A
PARTNERSHIP DRAVO ENERGY, INC.,
PARTNER

By /s/ W. H. Balke

Name W. H. Balke

Title

CENTENNIAL GEOTHERMAL, INC., PARTNER

By /s/ Robert O'Leary

Name Robert O'Leary

Title

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CHEVRON U.S.A., INC., REPRESENTED BY
ITS AGENT, CHEVRON RESOURCES
COMPANY HEREBY CONSENTS TO
AMENDMENT NO. 1

By /s/ C. Dohletron

Name C. Dohletron
Title Vice-President

Exhibit 10.3.6

SETTLEMENT AGREEMENT AND
AMENDMENT NO. 2 TO POWER
PURCHASE CONTRACT BETWEEN
HEBER GEOTHERMAL COMPANY AND

1. PARTIES

The Parties to this Settlement Agreement and Amendment No. 2 ("Amendment") to the Power Purchase and Sales Agreement ("Agreement"); are Heber Geothermal Company, a California partnership, hereinafter referred to as "HGC" or "Seller", and Southern California Edison Company, a California corporation, hereinafter referred to as "Edison," hereinafter sometimes referred to individually as "Party" and collectively as "Parties."

2. RECITALS

This Amendment No. 2 is made with reference to the following facts, among others:

2.1 On August 26, 1983, Edison and Chevron U.S.A., Inc. executed the Agreement to provide the terms and conditions for the sale by Chevron and purchase by Edison of Capacity and Energy delivered to the Point of Interconnection from a 47 MW (net) electrical generating facility located at Heber, California utilizing geothermal steam as the prime mover energy source.

2.2 On August 26, 1983, Chevron assigned and HGC assumed Chevron's right, title and interest in the Agreement between Chevron and Edison, dated August 26, 1983.

2.3 On December 11, 1984, the Parties executed Amendment No. 1 to the Agreement.

2.4 In June 1993, a dispute arose between the Parties regarding Seller's ability to deliver Capacity in accordance with the terms and conditions of the Agreement. On September 10, 1992, HGC performed a Capacity demonstration in accordance with Edison's procedures. HGC performed the demonstration under protest, as HGC contested Edison's right to request such demonstration. In a letter dated June 10, 1993, Edison informed HGC that, based on the results of the September 1992 demonstration, HGC's Capacity was reduced from 47 MW to 40 MW. Beginning in June 1993, and continuing to the present, Edison has calculated HGC's capacity payment based on a capacity of 40 MW. Edison also requested HGC to repay \$2,967,037.37 in capacity payments resulting from the capacity deration. On July 14, 1993, HGC performed a second capacity demonstration, which showed that the plant could generate 45 MW.

2.5 In March 1995, the Parties reached agreement on principles to resolve the dispute. These principles include the obligation of Seller to repay any capacity overpayments and Edison to adjust Statements of Energy Purchased pursuant to this Amendment.

2.6 The Parties desire to amend the Power Purchase and Sales Agreement to (i) reduce the Capacity from 47 MW to 45 MW, (ii) clarify the circumstances leading to performance of a Capacity demonstration, (iii) set forth the protocol for and

consequences of such demonstration, and (iv) modify certain aspects of the probation and deration provisions of this Agreement.

3. AGREEMENT

Therefore, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

3.1 Edison hereby relinquishes its claims that (i) HGC's Capacity should be derated from 47,000 kW to 40,000 kW, and (ii) HGC must repay to Edison \$2,967,037.37 in unearned capacity payments plus interest.

3.2 The Parties agree that HGC's Capacity shall be 45,000 kW, effective as of May 1, 1993.

3.3 HGC agrees that it owes Edison \$926,310.86 in unearned Capacity Payments and interest resulting from the Capacity reduction set forth in Section 3.2, above. Edison agrees that it owes HGC \$764,856.96, representing the Capacity payments which HGC would have earned based on a Capacity of 45,000 kW effective as of May 1, 1993. The net difference of these amounts owed is \$161,453.90 which Edison shall offset against HGC's power purchase payment for the first full payment and billing cycle following execution of this Amendment in full satisfaction of all amounts owed as described in this Section.

3.4 Mutual Releases

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3.4.1 Edison, on behalf of itself and each of its successors and assigns by operation of law or otherwise hereby releases and discharges HGC, its proprietors, parents, subsidiaries, partners, partnerships, limited partnerships, limited partners, affiliates, related entities, agents, attorneys, employees, successors and assigns by operation of law or otherwise, and each of them from any and all rights, claims, causes of action, damages, liabilities, losses, and costs, whether known or unknown, Edison may ever have had, may now have, or may hereafter acquire against HGC arising out of, relating to or in connection with the dispute described in Recital 2.4.

3.4.2 HGC, on behalf of itself and each of its successors and assigns by operation of law or otherwise hereby releases and discharges Edison, its proprietors, parents, subsidiaries, partners, partnerships, limited partnerships, limited partners, affiliates, related entities, agents, attorneys, employees, successors and assigns by operation of law, or otherwise, and each of them from any and all rights, claims, causes of action, damages, liabilities, losses, and costs, whether known or unknown, HGC may ever have had, may now have, or may hereafter acquire against Edison arising out of, relating to or in connection with the dispute described in Recital 2.4.

3.5 The Agreement is hereby amended as follows:

3.5.1 Replace Section 3.6 to read in its entirety as follows:

"3.6 Capacity: 45,000 kW, which is dedicated to Edison and shall be made available to Edison at the Point of Interconnection."

3.5.2 Replace Section 12.2 to read in its entirety as follows:

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"12.2 If Seller fails to meet the performance requirements specified in Section 15 and is placed on probation, Edison shall have the right, at its sole discretion, to require the Seller to demonstrate the ability of the Project to generate Capacity during each peak hour of one peak day during the probationary period. The Seller shall, at its expense, conduct such demonstration at a time mutually agreed upon by the Parties. Such agreement shall not be unreasonably withheld. The demonstration shall be conducted in accordance with the annual firm capacity demonstration test procedures attached hereto as Exhibit I."

3.5.3 Replace Section 13.2 to read in its entirety as follows:

"13.2 Seller shall sell to Edison, and Edison shall purchase from Seller, Capacity as specified in Sections 3.6 or as adjusted pursuant to Section 13.3."

3.5.4 Replace Section 13.3 to read in its entirety as follows:

"13.3 Seller may reduce the amount of Capacity at any time by giving written notice thereof to Edison pursuant to Section 4.4. Edison may reduce the amount of Capacity as a result of a demonstration test pursuant to Section 12.2. The amount by which Capacity is reduced shall be deemed a reduction in Capacity pursuant to Section 4. Either Party may request the other Party to agree in writing to a new Capacity whenever it appears that Capacity has changed."

3.5.5 Replace Section 15.4.1.2 to read in its entirety as follows:

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"15.4.1.2 If Seller is placed on probation, Edison shall remove Seller from probation and reinstate Seller's Capacity and regular capacity payments in the following events:

(a) Edison requires Seller to perform a capacity demonstration pursuant to Section 12.2 and Seller demonstrates that it can generate Capacity; or

(b) Edison does not require Seller to perform a capacity demonstration and Seller meets the minimum performance requirements as set forth in Section 15.2.2.2 during the probationary period."

3.5.6 Replace Section 15.4.1.3 to read in its entirety as follows:

"15.4.1.3 If Seller is placed on probation, Edison shall derate Seller's Capacity in the following events:

(a) Edison requires Seller to perform a capacity demonstration pursuant to Section 12.2 and Seller fails to demonstrate that it can generate Capacity, then Edison shall derate the Capacity to the lowest level generated by Seller and recorded by IID during any hour over the test period; or (b) Edison does not require Seller to perform a capacity demonstration and Seller fails to meet the minimum performance requirements as set forth in Section 15.2.2.2 during the probationary period, then Edison shall derate the Capacity to the greater of the Capacity actually made available when the minimum requirements stated in Section 15.2.2.2 were not met, or the Capacity at which Seller is reasonably likely to meet the minimum requirements. In either case, the quantity by

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which the Capacity is reduced shall be considered terminated without prescribed notice as provided in Section 4.4.

4. SUCCESSORS AND ASSIGNS

Each Party agrees that this Agreement shall be binding on its respective successors and assigns. The Parties further agree that the Agreement shall remain fully effective even if the facts and assumptions upon which the parties are currently acting turn out to be different from what they now believe them to be.

5. PRIOR CORRESPONDENCE

The parties agree that this Amendment sets forth the entire agreement and understanding of the Parties concerning the subject matter of this Amendment, and that in entering into this Amendment, the Parties have not relied on any promises or representations that are not specifically described in this Amendment.

6. ACCEPTANCE OF TERMS

By the signatures below, both Parties confirm the acceptance of and the effectiveness of the terms and conditions set forth above.

7. OTHER PROVISIONS

Except as specifically set forth in this Amendment all other provisions of the Agreement are unchanged and unaffected.

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8. EFFECTIVE DATE

This Amendment No. 2 shall be effective as of May 1, 1993, with regard to the change in Contract Capacity from 47 MW to 45 MW. All other provisions of this Amendment No. 2 shall be effective as of April 30, 1995.

9. SIGNATURE CLAUSE

This Amendment No. 2 is executed in two originals. The signatories hereto represent that they have been duly authorized to enter into this Amendment No. 2 on behalf of the Party for whom they sign.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Harold B. Ray

Name: Harold B. Ray

Title: Executive Vice President

Date: August 7, 1995

HEBER GEOTHERMAL COMPANY, A PARTNERSHIP
ERC ENERGY, INC.
PARTNER

By: /s/ John F. Walter

Name: Dr. John F. Walter

Title: Vice President

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Date:

CENTENNIAL GEOTHERMAL, INC., PARTNER

By: /s/ F. Neil Smith

Name: F. Neil Smith

Title: President

Date:

Exhibit 10.3.7

POWER PURCHASE CONTRACT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

SECOND IMPERIAL GEOTHERMAL COMPANY

I, Glenn S. Burns, Secretary of Second Dravo Geothermal, Inc. do hereby certify that the foregoing Special Power of Attorney is an exact duplicate of that executed on the 15th of April 1985.

In Witness Whereof, I hereby set my hand this 7th day of May 1985.

/s/ Glenn S. Burns

Secretary

Subscribed and sworn to before me this 7th day of May 1985.

/s/ Audrey J. Janosco

Notary Public

I, William C. Rickards, Secretary of Dravo Constructors, Inc. do hereby certify that the foregoing Power Purchase Contract between Southern California Edison Company and Second Imperial Geothermal Company is an exact duplicate of the original which is maintained by Dravo Constructors, Inc.

In Witness Whereof, I have hereunto set my hand and seal of said corporation this 7th day of May, 1985.

/s/ William C. Rickards

William C. Rickards, Secretary
Secretary

Sworn and subscribed to before me this 7th day of May, 1985.

/s/ Glenn S. Burns

Notary Public

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1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Second Imperial Geothermal Company ("Seller"). Seller is

willing to construct, own, or lease, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following address:
Second Imperial Geothermal Company
c/o Dravo Constructors, Inc.
226 West Brokaw Road
San Jose, California 95110
Attn: S.D. Hayward

1.2 Seller's Generating Facility:

a. Nameplate Rating: 44,000 kW.

b. Location: Heber, California

c. Type (check one):

 Cogeneration Facility

 x Small Power Production Facility

d. Delivery of power to Edison at a nominal 230,000 volts.

e. Seller shall commence construction of the Generating Facility by February, 1998.

f. Generating Facility Designation: Imperial Geothermal Unit 2.

1.3 Edison Customer Service District:

Eastern Division
Palm Springs District
Palm Springs, California

1.4 Location of Edison Operating Switching Center:
Devers Substation

1.5 Contract Capacity: 40,000 kW

1.5.1. Estimated as-available capacity: 0kW.

1.6 Expected annual production: 280,000,000 kW

1.7 Expected Firm Operation: May, 1989.

1.8 Contract term: 30 years.

1.9 Operating Options pursuant to Section 5: (Check One)

 x Operating Option I. Excess Generator output dedicated to
--- Edison. No electric service or standby service required
 from Edison.

1.10 The Capacity Payment Option selected by Seller pursuant to Section 8.1 shall be: (Check One)

 Option A - As-available capacity based upon:

 Standard Offer No. 1 Capacity Payment Schedule, or

 Forecast of Annual As-Available Capacity Payment
--- Schedule.

 The as-available capacity price (first year):

\$ kw-yr. (Appendix A)

x Option B - Firm Capacity (Check One)

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x Standard Offer No. 2 Capacity Payment

Schedule in effect at time of Contract execution.

____ Standard Offer No. 2 Capacity Payment Schedule in effect at
time of Firm Operation of first generating unit.

1.11 The Energy Payment Option selected by Seller pursuant to
Section 8.2 shall be: (Check One)

x Option 1 - a Forecast of Annual Marginal Cost of Energy in
--- effect at date of execution of this Contract. (Appendix B)

Option 2 - Levelized Forecast of Marginal Cost of Energy
--- in effect at date of execution of this Contract.

Levelized Forecast for expected date of Firm
Operation is (cent)/kWh. If Seller's Generating
Facility is an oil/natural gas fueled cogenerator,
Seller may not select Option 2.

For the energy payment refund pursuant to Section 8.5 under
Option 2, Edison's Incremental Cost of Capital is 15%.
Seller may change once between Options 1 and 2, provided
Seller delivers written notice of such change at least 90
days prior to the date of First operation:

For Option 1 or 2, Seller elects to receive the following
percentages in 20% increments, the total of which shall
equal 100%:

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100 Percent of Forecast of Marginal Cost of Energy (Annual
--- or Levelized), not to exceed 20% of the annual forecast
for oil/ natural gas fueled cogenerators, and

0 Percent of Edison's published avoided cost of energy
--- based on Edison's full avoided operating costs as
updated periodically and accepted by the Commission.

Option 3 - Incremental Energy Rate. Seller may select:

Forecast of Incremental Energy Rate in effect at date
--- of execution of this Contract (Appendix C),
or

A range in increments of 100 Btu/kWh above and below
--- the forecast of incremental energy rates for each
year during the First Period of the Contract Term as
follows:

Year	Range	Year	Range	Year

1.12 Metering Location (Check one)

4

Seller elects metering location pursuant to Section 7 as follows:

 x Edison's side of the Point of Interconnection

 Seller's side of the Point of Interconnection.
 Loss compensation factor is equal to _____
 pursuant to Section 7.2.

GENERAL TERMS & CONDITIONS

2. DEFINITIONS

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the. following meanings:

- 2.1 Adjusted Capacity Price: The \$/kW-yr capacity purchase price based on the Capacity Payment Schedule in effect at time of Contract execution for the time period beginning on the date of Firm Operation for the first generating unit and ending on the date of termination or reduction of Contract Capacity under Capacity Payment Option B.
- 2.2 Appendix A: Forecast of Annual As Available Capacity Payment Schedule.
- 2.3 Appendix B: Forecast of Annual Marginal Cost of Energy
- 2.4 Appendix C: Forecast of Incremental Energy Rates.
- 2.5 Capacity Payment Schedule(s): Published capacity payment schedule(s) as authorized by the Commission for as-available or firm capacity.

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- 2.6 Cogeneration Facility: The facility and equipment which sequentially generate thermal and electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.202.
- 2.7 Commissions: The Public Utilities Commission of the State of California.
- 2.8 Contracts: This document and Appendices, as amended from time to time.

- 2.9 Contract Capacity: The electric power producing capability of the Generating Facility which is committed to Edison.
- 2.10 Contract Capacity Price: The capacity purchase price from the Capacity Payment Schedule approved by the Commission for Capacity Payment Option B.
- 2.11 Contract Term: Period in years commencing with date of Firm Operation for the first generating unit(s) during which Edison shall purchase electric power from Seller.
- 2.12 Current Capacity Price: The \$/kw-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.
- 2.13 Edison: The Southern California Edison Company.

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- 2.14 Edison Electric System Integrity: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.
- 2.15 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.
- 2.16 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.
- 2.17 Firm Operation: The date agreed on by the parties to the PPA on which each Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its effective rating (expressed in kW). Firm Operation shall be demonstrated by a seventy-two (72) hour continuous demonstration test at 85% of the Contract Capacity.
- 2.18 First Period: The period of the Contract Term specified in Section 3.1.
- 2.19 Forced Outages: Any outage other than a scheduled outage of the Generating Facility that fully or partially curtails its electrical output.

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- 2.20 Generating Facility: All of Seller's generators, together with all metering, protective and other associated equipment and improvements, necessary to produce electrical energy at Seller's Facility and deliver such power to the Interconnecting Utility's electric system, excluding associated land, land rights, and interests in land.

- 2.21 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.
- 2.22 Incremental Heat Rate(s): Those Edison system values expressed in Btu/kWh by time of delivery for the Summer and Winter Periods which are authorized and adopted by the Commission to be used in the calculation of Edison's published avoided cost of energy.
- 2.23 Interconnecting Utility: The electric utility, or any other utility which takes delivery of electrical energy generated by the Generating Facility.
- 2.24 KVAR: Reactive kilovolt-ampere, a unit of measure of reactive power.
- 2.25 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and

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maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.

- 2.26 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.
- 2.27 Parties: Edison and Seller.
- 2.28 Party: Edison or Seller.
- 2.29 Peak Months: Those months which the Edison annual system peak demand could occur.

Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

- 2.30 Point of Interconnection: The point where the electrical energy generated by the Seller, at the Generating Facility, is delivered to the Edison electric system.
- 2.31 Protective Apparatus: That equipment and apparatus installed by Seller and/or Interconnecting Utility necessary for proper and safe operation of the Generating Facility in parallel with the Interconnecting Utility's electric system.

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- 2.32 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 293.207.
- 2.33 Second Period: The period of the Contract Term specified

in Section 3.2.

- 2.34 Seller: The Party identified in Section 1.0.
- 2.35 Seller's Facility: The premises and equipment of Seller located as specified in Section 1.2.
- 2.36 Small Power Production Facility: The facilities and equipment which use biomass, waste, or Renewable Resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.
- 2.37 Summer Period: Defined in Edison's Tariff Schedule No. Tou-8 as now in effect or as may hereafter be authorized by the Commission.
- 2.38 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission.
- 2.39 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its

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obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, action or inaction of legislative, judicial, or regulatory agencies, or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California.

- 2.40 Winter Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.8.

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- 3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than five years from the date of execution of this Contract.
 - a. If the Contract Term specified in Section 1.8 is 15 years, the First Period of the Contract Term shall be for five years.

- b. If the Contract Term specified in Section 1.8 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.
- c. For Energy Payment Option 3 only, the First Period of the Contract Term shall be 15 years, but shall not extend beyond 1998.

3.2 The Second Period of the Contract Term shall commence upon expiration of the First Period and shall continue for the remainder of the Contract Term.

4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned or leased by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

- a. Design the Generating Facility.

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- b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.
- c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.

4.2.2 Edison shall have the right to:

- a. Review the design of the Generating Facility's electrical system. Such review shall be required if necessary to maintain Edison Electric System Integrity when in parallel with the Edison electric system. Such review may include, but not be limited to the Generator, governor, excitation system, synchronizing equipment, protective relays, and neutral grounding. The Seller shall be notified in writing of the outcome of the Edison review within 30 days of the receipt of all specifications for the Generating Facility's electrical system. Any flaws perceived by Edison in the design shall be described in Edison's written notice.
- b. Edison shall have the right to request modifications to the design of the Generating Facility's electrical system. Such modifications shall be required if necessary to maintain

Edison Electric System Integrity when in parallel with the Edison electric system.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, at least one year prior to Firm Operation, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation

4.4.1 The Generating Facility and Seller's Protective Apparatus shall be operated and maintained in accordance with applicable California utility industry standards and good engineering practices with respect to synchronizing, voltage and reactive power control. Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

4.4.2 Seller shall notify in writing Edison's Operating Representative at least 14 days prior to the initial delivery of electrical energy

from the Generating Facility to the Point of Interconnection. Edison shall have the right to have a representative present.

4.4.3 Edison shall have the right to require Seller to curtail or reduce the delivery of electrical energy from the Generating Facility to the Point of Interconnection, whenever Edison determines, in its sole judgment, that such curtailment or reduction is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the curtailment or reduction delivery of electrical energy from the Generating Facility. The duration of the curtailment or reduction of delivery of electrical energy from the Generating Facility shall be limited to the period of time such a condition exists.

4.4.4 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide

Edison with reasonable advance notice regarding its scheduled outages including any reduction

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Contract Capacity availability. Reasonable advance notice is as follows:

SCHEDULED OUTAGE EXPECTIVE DURATION	ADVANCE NOTICE TO EDISON
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

- 4.4.5 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's operating Representative by telephone.
- 4.4.6 Seller shall not schedule major overhauls during Peak Months.
- 4.4.7 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings or adjustments of the Generator control equipment. Information maintained pursuant to this Section 4.4.7 shall be provided to Edison, within 30 days of Edison's request.

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- 4.4.8 The Seller warrants that the Generating Facility meets the requirements of a Qualifying Facility as of the date of initial delivery of electrical energy from the Generating Facility to the Point of Interconnection and continuing through the Contract Term.
- 4.4.9 The Seller warrants that the Generating Facility shall at all times conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If at any time Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any lots which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.
- 4.4.10 At Edison's request, Seller shall make all reasonable

effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of Emergency. In the event that the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.4 shall be waived by Edison if Seller reschedules the Outage.

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- 4.4.11 Seller shall demonstrate the ability to provide Edison the specified Contract Capacity during the seventy-two (72) hour continuous demonstration test prior to the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 8.1.2.6.
- 4.4.12 Seller shall maintain operating communications with the Edison switching center designated by the Edison Operating Representative. The operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage or power factors, and daily capacity and generation reports.
- 4.5 Maintenance

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- 4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.
- 4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months. Outages for scheduled maintenance shall not exceed a total of 30 peak hours for the Peak Months.
- 4.5.3 The allowance for scheduled maintenance is as follows:
 - a. Outage periods for scheduled maintenance (shall not exceed 840 hours (35 days) in any 12-month

period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.

- b. Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used consecutively and only for major overhauls.

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4.6 Any review by Edison, under the terms of this Contract, of the design, construction, operation, or maintenance of the Generating Facility is solely for the information of Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Generating Facility. Seller shall in no way represent to any third party that any such review by Edison of the Generating Facility, including, but not limited to, any review of the design, construction, operation, or maintenance of the Generating Facility by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

4.7 Edison shall have access to Seller's power-generating facilities for the purpose of gathering technical information and records. The technical information and records shall include, but not be limited to, power plant performance data an design, and operation and maintenance data. Edison agrees not to interfere with Seller's rules and regulations.

5. OPERATING OPTIONS

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5.1 Seller shall Operate its Generating Facility pursuant to the following options

- a. Operating Option I: Seller dedicates the excess Generator output to Edison with no electrical service required from Edison.

6. ELECTRIC LINES AND ASSOCIATED EASEMENTS

6.1 Edison shall, as it deems necessary or desirable, build electric lines, facilities and other equipment, both overhead and underground, on and off Seller's Facility, for the purpose of effecting the agreements contained in this Contract. The physical location such electric lines, facilities and other equipment on Seller's Facility shall be determined by agreement of the Parties.

6.2 Seller shall reimburse Edison for the cost of acquiring

property rights off Seller's Facility required by Edison to meet its obligations under this Contract.

- 6.3 Seller shall grant to Edison, without cost to Edison, and by an instrument of conveyance, acceptable to Edison, rights of way, easements and other property interests necessary to construct, reconstruct, use, maintain, alter, add to, enlarge, repair, replace, inspect and remove, at any time, the electric lines, facilities or

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other equipment, both overhead and underground, which are required by Edison to effect the agreements contained in the Contract. The rights of ingress and egress at all reasonable times necessary for Edison to perform the activities contemplated in the Contract.

- 6.4 The electric lines, facilities, or other equipment referred to in this Section 6 installed by Edison on or off Seller's Facility shall be and remain the property of Edison.
- 6.5 Edison shall have no obligation to seller for any delay or cancellation due to inability to acquire a satisfactory right of way, easements, or other property interests.

7. METERING

- 7.1 All meters and equipment used for the measurement of electric power for determining Edison's payments to Seller pursuant to this Contract shall be provided, owned, and maintained by Edison at Seller's expense in accordance, with Edison's Tariff Rule No. 21.
- 7.2 The meters and equipment used for measuring the Energy sold to Edison shall be located on the side of the Point of Interconnection as specified by Seller in Section 1.12. If the

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metering equipment is located on Seller's side of the Point of Interconnection, then a loss compensation factor agreed upon by the Parties shall be applied. At the written request of the Seller, and at Seller's sole expense, Edison shall measure actual transformer losses. If the actual measured value differs from the agreed upon loss compensation factor, the actual value shall be applied prospectively.

- 7.3 For purposes of monitoring the Generator operation, Edison shall have the right to require, at Seller's expense, the installation of generation metering. Edison may also require the installation of telemetering equipment at Seller's expense for Generating Facilities equal to or greater than 10 MW. Edison may require the installation of telemetering equipment at Edison's expense for Generating Facilities less than 10 MW.

- 7.4 Edison's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison; Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.
- 7.5 Edison's meters installed pursuant to this Contract shall be tested by Edison, at Edison's expense, at least once each year and at any

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reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison within thirty days after presentation of a bill therefor.

- 7.6 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison such that the metering accuracy of said equipment shall be within two percent. If metering equipment inaccuracy exceeds two percent, the correct amount of Energy and Contract Capacity delivered during the period of said inaccuracy, and the appropriate compensation adjustments, shall be estimated by Edison and agreed upon by the Parties.

8. POWER PURCHASE PROVISIONS

Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission. If at any time Energy can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver Energy to Edison and for any Energy purchased by Edison Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on capacity price from the Standard Offer No. 1

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Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

8.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.10. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract.

- 8.1.1 Capacity Payment Option A -- As Available Capacity. If Seller selects Capacity Payment Option A, Seller shall

be paid a monthly capacity payment calculated pursuant to the following formula:

MONTHLY CAPACITY PAYMENTS = (A x D)+(B x D)+(C x D)

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

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C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The appropriate time differentiated capacity price from either the Standard Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.10.

8.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.10, then the formula set forth in Section 8.1.1 shall be computed with D equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

8.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.10, the formula set forth in Section 8.1.1 shall be computed as follows:

- a. During the First Period of the Contract Term D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.
- b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time

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differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.

8.1.2 Capacity Payment Option B -- Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.5, or as adjusted pursuant to Section 8.1.2.7, and Seller shall be paid as follows:

- 8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period

payment is calculated pursuant to the following, formula:

$$\text{MONTHLY PERIOD CAPACITY PAYMENT} = A \times B \times C \times D$$

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Where A = Contract Capacity Price specified in Section 1.10 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by the Commission and in effect on the date of the execution of this Contract.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.5.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

$$\text{Period Performance Factor} = \frac{(\text{Period kWh purchased by Edison at the Point of Interconnection limited by the level of Contract Capacity})}{(0.8 \times \text{Contract Capacity} \times (\text{Period Hours minus Maintenance Hours Allowed in Section 4.5.}))}$$

- 8.1.2.2 Performance Requirements

To receive the Monthly Capacity Payment in Section 8.1.2.1, Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined in Edison's Tariff Schedule No. TOU-8 on file with the Commission, except that Seller is entitled to a 20% allowance for Forced Outages for

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each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

- a. If Seller fails to meet the requirements specified in Section 8.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 15 months. If Seller fails to meet the requirements specified in Section 8.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in Contract Capacity as a result of this Section 8.1.2.2 shall be subject to Section 8.1.2.6.
 - b. If Seller fails to meet the requirements set forth in Section 8.1.2.2 due to a Forced Outage on the Edison system or a request to reduce or curtail delivery under Section 8.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the Calculation of the Monthly Capacity Payment.
- 8.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity

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Payments for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages. An Uncontrollable Force on the Interconnecting Utility's electrical system which results in an interruption or a reduction in the delivery of electrical energy generated by the Generating Facility to the Point of Interconnection shall be specifically excluded from the provisions of this Section 8.1.2.3.

- 8.1.2.4 Hydroelectric facilities which have their Contract Capacity based on five dry-year average, shall not have their Contract Capacity derated when failure to meet the requirements set forth in Section 8.1.2.2 is due solely to the occurrence of a dry year which is drier than the five dry-year average.
- 8.1.2.5 Capacity Bonus Payment

For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

- a. Bonus During Peak Months -- For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2

have been met, and (ii) the on-peak capacity factor exceeds 85%.

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- b. Bonus During Non-Peak Months - For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, (ii) the on-Peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.
- c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

CAPACITY BONUS PAYMENT= A x B x C x D

Where A = (1.2 x On-Peak Capacity Factor) - 1.02

Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

On-Peak Capacity Factor =
$$\frac{\text{(Period kWh purchased by Edison at the Point of Interconnection limited by the level of Contract Capacity)}}{\text{((Contract Capacity) x (Period Hours minus Maintenance Hours Allowed in Section 4.5))}}$$

B = Contract Capacity Price specified in Section 1.10 for Capacity Payment Option B

C = 1/12

D = Contract Capacity specified in Section 1.5

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- d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 8.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section.

8.1.2.6 Capacity Reduction

- a. Seller may reduce the Contract Capacity specified in Section 1.5, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

Amount of Contract Capacity Reduced	Length of Capacity Notice Required
-----	-----

25,000 kW or under
25,001 - 50,000 kW
50,001 - 100,000 kW
over 100,000 kW

12 months
36 months
48 months
60 months

- b. Subject to Section 9.2, Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by

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Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

- c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity Price for the amount of Contract Capacity being reduced.
- d. Seller may reduce Contract Capacity without the notice prescribed in Section 8.1.2.6(a), provided that Seller shall refund to Edison the amount specified in section 8.1.2.6(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving prescribed notice. If the Current Capacity Price is less than the Contract Capacity Price only payment under Section 8.1.2.6(b) shall be due to Edison.

8.1.2.7 Adjustment to Contract Capacity The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section 8.1.2.6. Seller may increase the Contract Capacity with Edison's approval and

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thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

8.1.2.8 For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based of the as-available capacity price in Standard Offer No. 1

Capacity Payment Schedule, as updated and approved by the Commission.

8.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the Energy delivered by the Seller to Edison at the Point of Interconnection pursuant to the Energy Payment Option selected by Seller in Section 1.11, as follows.

8.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy.

If Seller selects Energy Payment Option 1, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection during each month in

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the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.11, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.11.

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8.2.2 Energy Payment Option 2 -- Levelized Forecast of

Marginal Cost of Energy. If Seller selects Energy Payment Option 2, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection each month during

the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal

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equivalent of the percentage of the levelized forecast specified in Section 1.11, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.11.

8.2.2.1 Performance Requirement for Energy Payment Option 2
During the First Period when the annual forecast referred to in Section 8.2.1 is greater than the levelized forecast referred to in Section 8.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 8.2.2 is greater than the annual forecast referred to in Section 8.2.1 as resource conditions permit for solar, wind, and hydro Generating Facilities and excluding uncontrollable forces. If Seller does not meet the performance requirements of this Section 8.2.2.1, Seller shall be subject to Section 8.5.

8.2.3 Energy Payment Option 3 - Forecast of Incremental Energy Rate (IER)

If Seller selects Energy Payment Option 3, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and

purchased by Edison at the Point of Interconnection each month during the First Period of the Contract Term based on the Forecast of Incremental Energy Rates authorized by the Commission as specified in Section 1.11. The Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection shall be calculated pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No, TOU-8.

D = appropriate time differentiated energy price equal to:

$$D = (i + ii + iii) \times iv$$

Where (i) = the proportion of time express in hours oil is expected to be the avoided fuel.

x = IER, converted to the appropriate time of delivery for Winter/Summer Periods, expressed in Btu/kWh

x Price of boiler oil fuel, expressed in \$/million Btu used in Edison's published avoided cost of energy

(ii) = The proportion of time expressed in hours gas is expected to be the avoided fuel

= IER, converted to the appropriate time of delivery for Winter/Summer Periods, expressed in Btu/kWh

x Gas IER conversion factor of 1.035

x Price of gas pursuant to Southern California Gas Co. Tariff Schedule No. GN-5, expressed in \$/million Btu used in Edison's published avoided cost of energy

(iii) = Variable Operating and Maintenance expense expressed in(cent)/kWh as accepted by the Commission

(iv) = Energy Loss Adjustment Factor as authorized by the Commission

- 8.2.3.1 Seller may elect during the First Period to specify a range in increments of 100 Btu/kwh above and below Edison's Forecast of Incremental Energy Rates in effect at the time of execution of this Contract as specified in Section 1.11 for the basis of calculation of Seller's Monthly Energy Payment.

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- a. If the Incremental Heat Rates for the Edison system fall within the range of the forecast IER and increments specified in Section 1.11, Seller's Monthly Energy Payment shall be equal 100% of Edison's published avoided cost of energy as updated and authorized by the Commission pursuant to the formula set forth in Section 8.3.
- b. If the Incremental Heat Rates for the Edison system fall outside the range of the forecast IER and increments specified in Section 1.11, Seller's Monthly Energy Payment shall be calculated pursuant to the formula used in Section 8.2.3 using as the IER the following value:

IER = Forecast IER + IER increments as specified in Section 1.11.

8.3 Energy Payments - Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection at a rate equal to 100% of Edison's published avoided cost of energy based on Edison's full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the following formula:

MONTHLY ENERGY PAYMENT = kwh purchased by Edison at the Point of Interconnection for each on-peak, mid-peak, and

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off-peak time period defined in Edison's Tariff Schedule No. TOU-8

x Edison's published avoided cost of energy by time of delivery for each time period.

- 8.4 Edison shall not be obligated to accept or pay for Energy, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of Energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs greater than those which Edison would incur if it did not purchase Energy from Seller but instead utilized an equivalent amount of Energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to

reduce generation.

8.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

- 8.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in Section 1.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant

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to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.11.

- 8.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee, or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion accept another form of security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 8.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

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- 8.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the

Energy Payment Refund provided in Section 8.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1.

- 8.5.4 If Edison at any time determines the security to be otherwise inadequate, and so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 8 shall be payable forthwith.

9. PAYMENT AND BILLING PROVISIONS

- 9.1 For Energy and capacity purchased by Edison:

- 9.1.1 Edison shall mail to Seller not later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and Contract Capacity delivered to Edison during the on-peak, mid-peak, and off-peak

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periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.

- 9.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.
- 9.1.3 If the payment period is less than 27 days or greater than 33 days, the capacity payment shall be prorated on the basis of the average days per month per year.
- 9.1.4 If within thirty days of receipt of the statement Seller does not make a report in writing to Edison of an error, Seller shall be deemed to have waived any error in Edison's statement, computation, and payment, and they shall be considered correct and complete.

9.2 Payments due to Contract Capacity Reduction

9.2.1 The Parties agree that the refund and payments provided in Section 8.1.2.6 represent a fair compensation for the reasonable losses that would result from such reduction of Contract Capacity.

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9.2.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 8.1.2.6, as applicable.

9.2.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this section which shall be due within 60 days.

9.2.4 If Seller does not make payments as required in Section 9.2.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

9.3 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 8.5.

10. TAXES

10.1 Seller shall pay ad valorem taxes and other taxes properly attributable to the Generating Facility. If such taxes are assessed

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or levied against Edison, Seller shall pay Edison for such assessment or levy.

10.2 Seller shall pay ad valorem taxes and other taxes properly attributed to land, land rights, or interest in Land for the Generating Facility. If such taxes are assessed or levied against Edison, seller shall pay Edison for such assessment or levy.

10.3 Seller or Edison shall provide information concerning the Generating Facility to any requesting taxing authority.

11. TERMINATION

- 11.1 This Contract shall terminate if Firm Operation does not occur within 5 years of the date of Contract execution.

12. LIABILITY

- 12.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or/expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorneys' fees and other costs of litigation, incurred by the First Party in connection with damage to property of the First Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation,

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maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

- 12.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible

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for and shall bear all cost of claims brought by its contractors or its own employees and shall indemnify and hold harmless the other

Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or liability arising from any contrary representation concerning the effect of Edison's review of the design, construction, operation, or maintenance of the Generating Facility.

12.3 The provisions of this Section 12 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

12.4 Neither Party shall be indemnified under this Section 12 for its liability or loss resulting from its sole negligence or willful misconduct.

13. INSURANCE

13.1 Until Contract is terminated, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of (i) not less than \$1,000,000 each occurrence for Generating Facilities 100 kW or greater; (ii) not less than \$500,000 for each occurrence for Generating Facilities

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between 20 kW and 100 kW; and (iii) not less than \$100,000 for each occurrence for Generating Facilities less than 20 kW. The insurance carrier or carriers and form of policy shall be subject to review and approval Edison.

13.2 Prior to the date Seller's Generating Facility is first operated in parallel with Edison's electric system, Seller shall (i) furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is operated in parallel with Edison's electric system, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form:

"In consideration of the premium charged, Southern California Edison Company (Edison) is named as additional insured with respect to all liabilities arising out of Seller's use and ownership of Seller's Generating Facility." "The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against

another insured and the coverages afforded by this policy will apply as though separate

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policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy."

"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to the contrary."

If the requirement of Section 13.2(iii) prevents Seller from obtaining the insurance required in Section 13.1, then upon written notification by Seller to Edison Section 13.2(iii) shall be waived.

- 13.3 The requirements of this Section 13 shall not apply to Seller who is a self-insured governmental agency with established record of self-insurance. Edison agrees to review requests by Seller to waive the requirements of this Section 13 for Seller, who is a self-insured non-governmental agency with an established record of self-insurance. Edison's consent to such waiver shall not be unreasonably withheld.

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- 13.4 If Seller fails to comply with the provisions of this Section 13, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorneys' fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 13.

14. UNCONTROLLABLE FORCES

- 14.1 Neither Party shall be considered to be in default in the performance of any of the agreements contained in this Contract, except for obligations to pay money, when and to the

extent failure of performance shall be caused by an Uncontrollable Force.

- 14.2 If either Party because of an Uncontrollable Force is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be excused from whatever performance

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is affected by the Uncontrollable Force to the extent so affected provided that:

- (1) the nonperforming Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence,
- (2) the suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force,
- (3) the nonperforming Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty),
- (4) when the nonperforming Party is able to resume performance of its obligations under this Contract, that Party shall give the other Party written notice to that effect, and

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- (5) capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 8.1.2.3.

- 14.3 In the event that either Party's ability to perform cannot be corrected when the Uncontrollable Force caused by the actions or inactions of legislative, judicial or regulatory agencies or other proper authority, this Contract may be amended to comply with the legal or regulatory change which caused the nonperformance.

If a loss of Qualifying Facility status occurs

due to an Uncontrollable Force and Seller fails to make the changes necessary to maintain its Qualifying Facility status, the Seller shall compensate Edison for any economic detriment incurred by Edison as a result of such failure.

15. NONDEDICATION OF FACILITIES

Neither Party, by this Contract, dedicates any part of its facilities involved in this Generating Facility to the public or to the service provided under the Contract, and such service shall cease upon termination of the Contract.

16. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the

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other immediately upon the determination of the existence of any such conflict.

17. NOTICES AND CORRESPONDENCE

All notices and correspondence pertaining to this Contract shall be in writing and shall be sufficient if delivered in person or sent by certified mail, postage prepaid, return receipt requested, to Seller as specified in Section 1.1, or to Edison as follows;

Southern California Edison Company
Post Office Box 500
Rosemead, California 91770
Attention: Secretary

All notices sent pursuant to this Section 17 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.

18. PREVIOUS COMMUNICATIONS

This Contract contains the entire agreement and understanding between the Parties, their agents, and employees as to the subject matter of this Contract, and merges and supersedes all prior agreements, commitments, representations, and discussions between the Parties. No Party shall be bound to any prior obligations,

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conditions or representations with respect to the subject matter of this Contract.

19. NONWAIVER

None of the provisions of the Contract shall be considered waived by either Party except when such waiver is given in writing. The failure of either Edison or Seller to insist in any one or more instances upon strict performance of any of the provisions of the Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue to remain in full force and effect.

20. SUCCESSORS AND ASSIGNS

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties or except an assignment to an Affiliate. "Affiliate" shall mean a Party's parent, a Party's subsidiary or any company of which a Party's parent is a parent. "Parent" shall mean a company which owns directly or indirectly more than 50% of the shares entitled to vote in an election of directors of another company. Any such

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assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be withheld unreasonably. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under this Contract.

21. EFFECT OF SECTION HEADINGS

Section headings appearing in this Contract are inserted for convenience only, and shall not be construed as interpretations of text.

22. GOVERNING LAW

This Contract shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

23. MULTIPLE ORIGINALS

This Contract is executed in two counterparts, each of which shall be deemed an original.

24. TRANSMISSION AND INTERCONNECTION

24.1 Seller shall be solely responsible, using all reasonable efforts, to negotiate and conclude all required transmission and interconnection agreements with the Interconnecting Utility. Such agreements shall provide for the transmission of electrical

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energy generated by the Generating Facility to the Point of Interconnection.

24.2 It is contemplated that these agreements shall include:

24.2.1 An agreement between Seller and/or syndicate (which includes Seller), and the Interconnecting Utility to develop those facilities, as determined by the Interconnecting Utility, which are necessary to transmit electrical energy generated by the Generating Facility to the Point of Interconnection. Such agreement shall be executed no later than 36 months prior to the expected date of Firm Operation as specified in Section 1.7. Such agreement should include the following terms:

- a) Financial responsibility
- b) Default/Remedies;
- c) Facilities and scope of work associated thereto; and
- d) Scheduling provisions reflecting the development of the facilities.

24.2.2 An agreement between Seller and the Interconnecting Utility for the transmission services necessary to transmit the electrical energy generated by the Generating Facility to the Point of Interconnection. Such an agreement shall be executed no later

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than three months prior to the expected date of Firm Operation as specified in Section 1.7.

24.2.3 An agreement between Seller and the Interconnecting Utility for the interconnection of the Generating Facility and the Interconnecting Utility. Such agreement shall be executed no later than three months prior to the expected date of Firm Operation as specified in Section 1.7.

24.2.4 Edison shall, in its reasonable judgement, determine if the proposed arrangements described in this Section 24.2 satisfies the requirement of transmitting the electrical energy generated by the Generating Facility to the Point of Interconnection pursuant to the dates and terms contained in this Contract.

24.3 Notwithstanding the provisions contained in

Section 24.2, Seller may pursue and/or develop alternate means, routes or agreements for the transmission of electrical energy generated by the Generating Facility to the Point of Interconnection. Should Seller obtain such alternative means, routes or agreements, Seller shall submit such alternative method to Edison for review and approval at least six months prior to the expected date of Firm Operation as specified in Section 1.7. Edison shall, in its reasonable judgement, determine if the

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proposed alternative method satisfies the requirement of transmitting the electrical energy generated by the Generating Facility to the Point of Interconnection pursuant to the dates and terms contained in this Contract.

24.4 Should Seller be unable to comply with the provisions contained in Section 24.2 and 24.3, Seller shall have the option to either terminate this Contract without penalty of any type or abrogate its selection of Capacity Payment Option in Section 1.10 and select in its place Capacity Payment Option A, Forecast of Annual As-Available Capacity Payment Schedule. Further, should Seller select the later alternative, Section 8.1.1.2 shall be deleted in its entirety and replaced with the following:

"If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule pursuant to Section 24.4, then the formula set forth in Section 8.1.1 shall be computed as follows:

- a. During the First Period of the Contract Term, D shall equal 70% of the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.
- b. During the first five years of the Second Period of the Contract Term, D shall equal 95% of the appropriate time

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differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period of the Contract Term.

- c. For the remainder of the Contract Term, D shall equal 70% of the appropriate time differentiated capacity price from the

Forecast of Annual As-Available Capacity
Payment Schedule for the last year of the
First Period of the Contract Term."

- 24.5 Nothing in Section 24 shall be construed to obligate Seller to enter into any transmission or interconnection agreements, or to participate in the financing and/or the construction of any electrical power transmission facility, except on terms and conditions satisfactory to Seller, in its reasonable judgement, nor to render Seller subject to any penalty for failure to do so.

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 16th of April, 1985.

SOUTHERN CALIFORNIA EDISON COMPANY,

By /s/ Edward A. Myers, Jr.

EDWARD A. MYERS, JR.
Vice President

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SECOND IMPERIAL GEOTHERMAL COMPANY,
A PARTNERSHIP

SECOND IMPERIAL CONTINENTAL INC., PARTNER

By /s/ Robert O'Leary

Name Robert O' Leary

Title

SECOND DRAVO GEOTHERMAL, INC., PARTNER

By /s/ John E. Jacobsen

Name John E. Jacobsen

Title Attorney-in-Fact

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Exhibit 10.3.8

AMENDMENT NO. 1

TO THE

POWER PURCHASE CONTRACT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

SECOND IMPERIAL GEOTHERMAL COMPANY

QFID NO. 3021

AMENDMENT NO. 1 TO THE
POWER PURCHASE CONTRACT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY AND
SECOND IMPERIAL GEOTHERMAL COMPANY

1. PARTIES

The Parties to this Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Second Imperial Geothermal Company, executed on April 16, 1985 ("Contract"), are Southern California Edison Company, a California corporation, ("Edison") and Second Imperial Geothermal Company, a California general partnership, ("Seller") referred to individually as "Party" and collectively as "Parties".

2. RECITALS

This Amendment No. 1 is made with reference to the following facts, among others:

2.1 On April 16, 1985, Edison and Seller executed the Contract to provide the terms and conditions for the sale by Seller and the purchase by Edison of electrical power delivered by Seller to Edison at the Point of Interconnection from the 40.000 kW Contract Capacity electrical Generating Facility located at Heber, California.

2.2 The Parties wish to extend the expected date of Firm Operation and Termination Date.

2.3 Edison desires that Seller's Forecast of Annual Marginal Cost of Energy be shifted one year forward and that each year's price remain valid for 12 months after it first becomes effective.

2.4 The Parties wish to amend the Contract to provide for the changes listed above.

3. AGREEMENT

The Parties agree to amend the Contract as follows:

3.1 Section 1.2e is amended to change the data when construction shall start and shall now read as follows:

"a. Seller shall commence construction of the Generating Facility by September 1, 1989."

3.2 Section 1.7 is amended to change the date of Seller's Firm Operation and shall now read as follows:

"1.7 Firm Operation: December 31, 1990."

3.3 Section 2 is amended to add a new Section 2.11.1 which shall read as follows:

"2.11.1 Contract Year: Except for the first Contract Year, a Contract Year shall consist of twelve (12) monthly billing periods beginning on the first day of the billing period following the anniversary date of Firm Operation. At Edison's option, the first Contract Year may consist of either twelve or thirteen billing periods commencing on the date of Firm Operation. If the first billing period of the contract term is less than a normal billing month, then the Contract year may consist of thirteen billing periods. If the first billing period is greater than a normal billing month, then the first contract year shall consist of twelve billing periods.

3.4 Section 3.1 is amended to provide for a delayed development schedule and shall now read, in part, as follows:

"3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than December 31, 1990."

3.4 Section 11 is amended to provide for the extended date of Firm Operation and shall now read as follows:

"This Contract shall terminate if Firm Operation does not occur on or before April 16, 1991."

3.5 Appendix B is amended to reflect the Annual Marginal Cost of Energy that Seller shall be paid for the First Period and shall now read as follows:

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SOUTHERN CALIFORNIA EDISON COMPANY

LONG-TERM STANDARD OFFER

ENERGY PAYMENT SCHEDULE -

FORECAST OF ANNUAL MARGINAL COST OF ENERGY(1)

Line No.	Year Payments Start	Contract Year	Annual Marginal Cost of Energy(2) (c/kWh)
1	1991	1	8.1
2	1992	2	8.6
3	1993	3	9.3
4	1994	4	10.1
5	1995	5	10.9
6	1996	6	11.8
7	1997	7	12.6
8	1998	8	13.6
9	1999	9	14.6
10	2000	10	15.6

- 1 This forecast to be used in conjunction with Energy Payment Option 1.
- 2 The annual energy payments in the table will be converted to seasonal time-of-delivery energy payment rates that are consistent with the time-of-delivery rates currently authorized by the Commission for Avoided Energy Cost Payments.

4. OTHER CONTRACT TERMS AND CONDITIONS

Except as amended herein, all terms, covenants, and conditions contained in the Contract shall remain in full force and effect.

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5. SIGNATURE CLAUSE

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 on behalf of the Party for whom they sign. This Amendment No. 1 is hereby executed as of this 23rd day of October 1987.

SOUTHERN CALIFORNIA EDISON
COMPANY

By /s/ Glenn J. Bjorklund

GLENN J. BJORKLUND
Vice President

SECOND IMPERIAL GEOTHERMAL
COMPANY, A PARTNERSHIP

SECOND IMPERIAL CONTINENTAL,
INC., PARTNER

By /s/ F. Neil Smith

Name F. Neil Smith

Title President

SECOND DRAVO GEOTHERMAL, INC.,
PARTNER

By /s/ J.J. Burke

Name J.J. Burke

Title General Manager,
Geothermal Projects &
Operations

Exhibit 10.3.9

AMENDMENT NO. 2
TO THE
POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
SECOND IMPERIAL GEOTHERMAL COMPANY
QFID NO. 3021

1. PARTIES

The Parties to this Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Second Imperial Geothermal Company, executed on April 16, 1985 ("Contract"), are Southern California Edison Company, a California Corporation ("Edison"). and Second Imperial Geothermal Company, a California General Partnership ("Seller") referred to individually as "Party" and effectively as "Parties."

2. RECITALS

This Amendment No. 2 is made with reference to the following facts, among others:

2.1 On April 16, 1985, Edison and Seller executed the Contract to provide the terms and conditions for the sale by Seller and the purchase by Edison of electrical power delivered by Seller to Edison at the Point of Interconnection from Seller's electrical Generating Facility located at Heber, California.

2.2 On October 23, 1987, Edison and Seller executed Amendment No. 1 to the Contract. This Amendment No. 1 provides for the extension of the date of Firm Operation and the Termination Date, as well as amendment of the Forecast of Annual Marginal Cost of Energy.

2.3 The Parties desire to amend the Contract to:

a. Divide the project into two phases to achieve initial operation approximately one year apart.

b. Extend the project schedule by one year.

c. Reduce the Contract and Nameplate capacity values each to 37 MW.

d. Revise the forecast of energy payments to begin at a specified value and following achievement of Firm Operation, increase by a fixed percentage over a period of ten (10) years, followed by fixed values to be paid in addition to published avoided cost for an additional period of five (5)

years. Thereafter, energy payments will be based on Edison's published avoided cost of energy.

e. Seller will provide testimony and/or documentation as may reasonably be required by Edison to support this Amendment in regulatory proceedings.

2.4 The Parties wish to amend the Contract to provide for the changes listed above.

3. AGREEMENT

The Parties agree to amend the Contract as follows:

3.1 Section 1.1 is amended to read as follows:

"1.1 All notices shall be sent to Seller at the address:

Second Imperial Geothermal Company
c/o Ormat Energy Systems, Inc.
610 East Glendale Ave.
Sparks, NV 89831-5811"

3.2 Section 1.2a is amended to read as follows:

"a. Nameplate Rating: 37,000 kW"

3.3 Section 1.2e is amended to read as follows:

"e. Seller shall commence construction, as defined in the Qualifying Facilities Milestone Procedure of the Generating Facility by January 1, 1992."

3.4 Section 1.2f is amended to read as follows:

"f. Generating Facility Designation: Second Imperial Geothermal."

3.5 Section 1.5 is amended to read as follows:

"1.5 Contract Capacity: 37.000 kW"

3.6 Section 1.6 is amended to read as follows:

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"1.6 Expected annual production: 259,000,000 kWh."

3.7 Section 1.7 is amended to read as follows:

"1.7 Firm Operation: April 16, 1993."

3.8 Add Section 1.2g to read as follows:

"g. The Generating Facility may deliver up to 20 MW of electric power during the period commencing on April 16, 1992, and ending on the date of Firm Operation. Such electric power shall be purchased on an energy only basis (no capacity payment) as further set forth in Section 8."

3.9 Section 1.10 is amended to read as follows:

"1.10 The Contract Capacity Price shall be \$187/kW-yr."

3.10 Add the following sentence to Section 2.17:

"Firm Operation shall not occur prior to April 16, 1993, nor later than December 31, 1993."

3.11 Section 3.1 is amended to read as follow:

"3.1 The first period of the Contract Term shall commence upon the date of Firm Operation but not later than December 31, 1993. The first period of the Contract Term shall be 15 years."

3.12 The first sentence of Section 8 is deleted and replaced with the following:

"Prior to April 26, 1992, Seller shall be paid for energy pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission; from April 16, 1992 to the date of Firm Operation. Seller shall be paid for energy at the rate of 8.1(cent)/kWh. Prior to the date of Firm Operation. Capacity shall not be purchased."

3.13 Section 8.1.2.1 is amended to read as follows:

"8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity

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Period Payments. Each capacity period payment is calculated pursuant to the following formula:

MONTHLY PERIOD CAPACITY PAYMENT = A x B x C x D

Where A = Contract Capacity Price specified in Section 1.10 for Capacity Payment Option B.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.5.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

(Period kWh purchased by Edison at the Point of Interconnection limited by the level of Contract Capacity)

Period Performance Factor = $(0.8 \times \text{Contract Capacity} \times (\text{Period Hours minus Maintenance Hours Allowed in Section 4.5.}))$

3.14 Section 8.2.1 is amended to read as follows:

"8.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy.

8.2.1.1 If Seller selects Energy Payment Option 1, then during the first ten (10) Contract Years of the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection during each month in the first ten (10) Contract Years of the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

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C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) The appropriate time differentiated energy price from the Contract Annual Price of Energy as set forth in Appendix B, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.11, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.11.

8.2.1.2 During the following five Contract Years of the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at the Point of Interconnection during each month in the following five Contract Years of the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison at the Point of Interconnection during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison at the Point of Interconnection during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison at the Point of Interconnection during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) The appropriate time differentiated energy price from Edison's published avoided cost of energy plus the appropriate time differentiated energy price from the Contract Annual Price of Energy as set forth in Appendix B, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.11, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.11."

3.14 Section 11 is amended to read as follows:

"11. TERMINATION

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11.1 This Contract shall terminate if Firm Operation does not occur on or before December 31, 1993."

3.15 Add a new Section 25 to read as follows:

"25. Seller agrees that, to the extent reasonably required by Edison pursuant to regulatory activities, Seller shall provide evidence by testimony and/or documentation in support of the reasonableness of this Amendment. In particular, Seller agrees to provide evidence by testimony and/or documentation in support of the viability of the second Imperial Geothermal project in the absence of this Amendment."

3.16 Appendix B. FORECAST OF ANNUAL MARGINAL COST OF ENERGY is deleted and replaced with the attached new Appendix B.

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APPENDIX B

ENERGY PAYMENT SCHEDULE

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SOUTHERN CALIFORNIA EDISON COMPANY
LONG-TERM STANDARD OFFER
ENERGY PAYMENT SCHEDULE(1)

Line No.	Calendar Year	Contract Annual Price of Energy
1	1992	8.10(cent)/kWh(2)
2	1993	8.10(cent)/kWh(2)
3	1994	8.44(cent)/kWh(2)
4	1995	8.80(cent)/kWh(2)
5	1996	9.18(cent)/kWh(2)
6	1997	9.57(cent)/kWh(2)
7	1998	9.97(cent)/kWh(2)
8	1999	10.40(cent)/kWh(2)
9	2000	10.84(cent)/kWh(2)
10	2001	11.30(cent)/kWh(2)
11	2002	11.78(cent)/kWh(2)
12	2003	(4)
13	2004	4.42(cent)/kWh(3)
14	2005	4.12(cent)/kWh(3)

15	2006	3.90(cent)/kWh(3)
16	2007	3.75(cent)/kWh(3)
17	2008	3.41(cent)/kWh(3)

(1) The annual energy payments in the table will be converted to seasonal time-of-delivery energy payment rates that are consistent with the time-of-delivery rates currently authorized by the Commission for Avoided Energy Cost Payments.

(2) These values are to be used in conjunction with Contract Section 8.2.1.1 during the first 10 Contract Years of the First Period of the Contract Term.

(3) These values to be used in conjunction with Contract Section 8.2.1.2 during the following 10 Contract Years of the First Period of the Contract Term and are added to Published Avoided Cost as set forth therein.

(4) During that portion of Calendar Year 2003 prior to the anniversary date of Firm Operation, the Contract Annual Price of Energy shall be 12.28(cent)/kWh. During that portion of Calendar Year 2003 subsequent to the anniversary date of First Operation, the Contract Annual Price of Energy shall be 4.60(cent)/kWh and applied in accordance with Footnote 3.

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4. OTHER CONTRACT TERMS AND CONDITIONS

Except as amended in Amendment No. 1 and this Amendment No. 2, all terms, covenants and conditions contained in the Contract shall remain in full force and effect.

5. SIGNATURE CLAUSE

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 2 on behalf of the Party for whom they sign. This Amendment No. 2 is hereby executed as of this 27th day of July, 1990.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Robert Dietch

Robert Dietch
Vice President

SECOND IMPERIAL GEOTHERMAL COMPANY

By Second Imperial Continental, Inc., Partner

By /s/ F. Neil Smith

Name F. Neil Smith

Title President

By Geothermal, Inc., Partner

By /s/ John F. Walter

Name John F. Walter

Title Vice President

By AMOR 14 Corporation

By /s/ Hezy Ram

Name Hezy Ram

Title Vice President

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Exhibit 10.3.10

AMENDMENT NO. 3
TO THE
POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
SECOND IMPERIAL GEOTHERMAL COMPANY
QFID NO. 3021

1. PARTIES:

The Parties to this Amendment No. 3 to the Power Purchase Contract between Southern California Edison Company and Second Imperial Geothermal Company, executed on April 16, 1985 ("Contract"), are Southern California Edison Company, a California Corporation ("Edison"), and Second Imperial Geothermal Company, a California General Partnership ("Seller"), referred to individually as "Party" and collectively as "Parties."

2. RECITALS:

This Amendment No. 3 is made with reference to the following facts, among others:

2.1 On April 16, 1985, Edison and Seller executed the Contract to provide the terms and conditions for the sale by Seller and the purchase by Edison of electrical power delivered by Seller to Edison at the Point of Interconnection from Seller's electrical Generating Facility located at Heber, California.

2.2 On October 23, 1987, Edison and Seller executed Amendment No. 1 to the Contract. Amendment No. 1 provided, among other things, for the extension of the Firm Operation date to December 31, 1990 and extension of the Termination Date to April 16, 1991, as well as reducing the prices paid under the Forecast of Annual Marginal Cost of Energy.

2.3 On July 27, 1990, Edison and Seller executed Amendment No. 2 to the Contract. Amendment No. 2 provided, among other things, for the Project to achieve operation in two phases, extended the date of Firm Operation to April 16, 1993 and extended the Contract Termination Date to December 31, 1993, reduced Contract Capacity value from 40,000 kW to 37,000 kW and Nameplate Capacity value from 44,000 kW to 37,000 kW, and reduced the Forecast of Annual Marginal Cost of Energy payment.

2.4 Seller wishes to reduce the Contract Capacity from 37,000 kW to 32,000 kW to match Seller's project development plans.

3. AGREEMENT:

The Parties agree to amend the Contract as follows:

3.1 Section 1.5 is amended to read as follows:

"1.5 Contract Capacity: 32,000 kW."

4. OTHER CONTRACT TERMS AND CONDITIONS:

Except as amended in Amendment No. 1, Amendment No. 2, and this Amendment No. 3, all terms, covenants, and conditions contained in the Contract shall remain in full force and effect.

5. SIGNATURE CLAUSE:

The signatories hereto represent that they have been duly authorized to enter into this Amendment No. 3 on behalf of the Party for whom they sign. This Amendment No. 3 is hereby executed as of this 24th day of November, 1992.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Vikram S. Budhraj

Name: VIKRAM S. BUDHRAJA
Title Vice President
Date: Nov. 24, 1992

SECOND IMPERIAL GEOTHERMAL COMPANY

By: /s/ indecipherable

Name:
Title Treasurer
Date: 11/24/92

AMENDED AND RESTATED
POWER PURCHASE AND SALES AGREEMENT
BETWEEN
MAMMOTH-PACIFIC
AND
SOUTHERN CALIFORNIA EDISON COMPANY
EXISTING FACILITY G1

12/01/86

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AMENDED AND RESTATED
POWER PURCHASE AND SALES AGREEMENT

1. PARTIES:

1.1 The Parties to this Amended and Restated Power Purchase and Sales Agreement are: Mammoth-Pacific ("Seller"), a California general partnership, and Southern California Edison Company ("Edison"), a California corporation,

individually "Party", and collectively, "Parties."

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 This is an Amended and Restated Power Purchase and Sales Agreement which supercedes and replaces, in all terms and conditions, the original Mammoth Power Purchase and Sales Agreement between Mammoth Binary Power Company and Southern California Edison Company, executed on October 20, 1983, and assigned to Mammoth Pacific on October 20, 1983, and Amendment No. 1 thereto, executed on December 30, 1983;

2.2 This Amended and Restated Power Purchase and Sales Agreement provides for the following revisions, among others; restructuring of payment provisions for energy and capacity purchased by Edison, redefining the "Megawatt Hour Credit Accumulation," providing additional financial security to Edison and outlining Seller's option to supply power from the Generating Facility for operation of the Geothermal Facility and the Generating Facility;

2.3 This Amended a Restated Power Purchase and Sales Agreement is made and entered into with reference to the concurrent execution of that certain Power Purchase and Sales Termination Agreement, which is set forth as Exhibit E, attached hereto and made part hereof by this reference, by which Pacific Lighting Energy Systems, a California Corporation, the owner of all the capital stock of Pacific Geothermal Company, a California Corporation, (successor in interest to Pacific Energy Resources, Inc. a wholly owned subsidiary of Pacific Lighting Energy Systems), and general partner of Seller, will terminate those certain landfill project Power Purchase and Sales Agreements identified therein;

2.4. Seller desires to construct, own, operate and control a 10 MW (gross) generating facility to be located near Casa Diablo Hot Springs, California beginning in 1984 for a term of thirty years;

2.5 The Generating Facility is presently in operation, with a Date of Initial Delivery of November 26, 1984, and a date of Firm Operation of February 26, 1985;

2.6 Edison desires to purchase Net Energy and capacity to be made available by Seller to Edison from the Project;

2.7 The Parties desire that the Project be operated and maintained as a base load generating resource for the Edison electric system;

2.8 The Parties desire, by this Agreement, to establish the terms, conditions and obligations pursuant to which they can accomplish the above desires and needs.

3. AGREEMENT: The Parties agree as follows:

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4. DEFINITIONS: When used with initial capitalization, whether in the singular or in the plural, the following terms shall have the following meanings:

4.1 Agreement: This "Amended and Restated Power Purchase and Sales Agreement Between Mammoth-Pacific and Southern California Edison Company," and Exhibits thereto, as may be amended from time to time.

4.2 Agreement Price: The price, expressed in cents per kilowatthour, paid by Edison to Seller for Net Energy delivered and Net Capacity made available under the terms of this Agreement. The Agreement Price includes the Base

Capacity Price.

4.3 Auxiliary Components: All equipment necessary for the operation and maintenance of the Project except the Geothermal Facilities.

4.4 Auxiliary Load: That energy necessary to meet the electrical requirements of the Auxiliary Components. Such requirements shall approximate 3,000 kilowatts (kW) as delivered over a period of time.

4.5 Avoided Cost: For the purposes of this Agreement, "Avoided Cost" shall be equal to the time period weighted average cost of energy as reflected in Edison's Published avoided cost plus the Base Capacity Price converted to d/kWh. If no applicable Published avoided cost of energy or Base Capacity Price is available, an avoided cost of energy and Base Capacity Price shall be determined in a manner consistent with the methodology used for the most current avoided cost of energy and Base Capacity Price.

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4.6 Base Capacity Price: For the purposes of this Agreement, the Base Capacity Price shall be 1.94(cents) per kWh. The Base Capacity Price is the capacity price currently Published in the Annual Capacity-Payment Schedule for Standard Offer No: 2 Firm Power Purchases, effective February 14, 1983 for 30-year power purchase contracts with an initial date of operation in 1984. The Published capacity price (\$137 per kW per year) has been adjusted by a factor of 1.24 to conform with the change in capacity price methodology ordered by the Commission in Decision No. 82-12-120. The Base Capacity Price may change if the Date of Initial Delivery does not occur in 1984.

4.7 Commission: The Public Utilities Commission of the State of California.

4.8 Control: To establish the electrical output of the Project through dispatching procedures including shutdown and startup procedures.

4.9 Date of Initial Delivery: The date when Seller initially delivers Net Energy to the Point of Interconnection.

4.10 Date of Firm Operation: The applicable date mutually agreed upon by the Operating Representatives on which one or both generating units of the Project are determined to be a reliable source of generation and when such unit or units can reasonably be expected to operate continuously and reliably at the applicable Net Capacity.

4.11 Edison Electric System Integrity: A state of being which contemplates the normal operation of the Edison electric system in a manner which minimizes risks of

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injury to persons and/or damage to, or loss of, property and enables Edison to provide reliable electric service.

4.12 Effective Net Capacity: A nominal value of Net Capacity, expressed in megawatts (MW), selected by the Operating Representatives for use in determining the Monthly Capacity Factor. The Effective Net Capacity shall be established and agreed upon by the Operating Representatives as set forth in Exhibit F, attached hereto and made part hereof by this reference.

4.13 Emergency: A condition or situation which, in Edison's sole judgment, affects Edison's ability to provide reliable electric service.

4.11 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

4.15 Geothermal Facilities: The geothermal fluid gathering and disposal system, including all pipes, valves, pumps, meters and electrical equipment, which are utilized in conjunction with the Project.

4.16 Interconnection Facilities: Those protection, metering, electric line(s) and other Facilities required, in Edison's sole judgment, to permit connection of the Edison electric system and the Project at the Point of Interconnection.

4.17 Magma: Magma Energy, Incorporated, a Nevada corporation.

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4.18 Magma Lease: The lease agreement between Holt Geothermal Company and Magma which has been, or is to be, assigned to Seller and is attached hereto as Exhibit D.

4.19 Magma Resource: The geothermal reservoir underlying the land owned in fee by Magma as described in the Magma Lease.

4.20 Monthly Capacity Factor: For each month, the Net Energy delivered to Edison, expressed in megawatthour (Kwh), divided by the product of Effective Net Capacity, expressed in megawatts (MW), and the sum representing the total hours in the month less the number of hours of curtailment in the month resulting from requests by Edison pursuant to Section 8.2, Uncontrollable Forces and Project scheduled outages. For the purpose of determining the Monthly Capacity Factor, scheduled outage hours shall be limited to a maximum of 480 hours per unit per year.

4.21 Net Capacity: Gross generating capacity of the Project less the capacity requirements of the Auxiliary Components, expressed in megawatts (MW). Net Capacity available to Edison will vary with ambient temperature, as set forth in Exhibit F, with one and two generating units in operation.

4.22 Net Energy: Total electrical energy, expressed in kilowatthours (kWh) or megawatthours (MWh), generated by the Project less all Auxiliary Load energy requirements provided by the Project.

4.23 Operating Representatives: Representatives of the Parties appointed pursuant to Section 18.

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4.24 Point of Interconnection: The point at the Seller's 33 kilovolt (kV) dead end structure in the Project switchyard where Edison's electrical conductors connect with Seller's electrical conductors and where Net Energy is transferred from the Project to Edison.

4.25 Project: Seller's electric generating facility which shall consist of two (2) independent 5 MW (gross) binary cycle generating units with a total design rating of 10 MW (gross), including facilities appurtenant to, or incidental to, said units. The Project shall not include, among other things, the Interconnection Facilities or the Geothermal Facilities or any land, land rights or interests in land associated with such facilities.

4.26 Published: For the purposes of this Agreement, "Published" is defined as publication by, or for, Edison in accordance with any order or decision by the Commission.

4.27 Quarter: A calendar quarter of three months ending on the last day of March, June, September or December.

5. TERM AND TERMINATION:

5.1 This Agreement shall become effective when executed by the Parties and shall remain in effect until terminated pursuant to any of the following:

5.1.1 Upon not less than five (5) years prior written notification by either Party to the other Party, which notification shall not be given prior to the expiration of twenty-five years from the Date of Firm Operation; or

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5.1.2 If the Date of Initial Delivery does not occur prior to January 1, 1985, or if the Date of Firm Operation does not occur prior to March 1, 1985, unless otherwise agreed to, in writing, by the Parties; or

5.1.3 Should Edison, or any Edison subsidiary or affiliate designated by Edison in its sole judgment, exercise Edison's rights pursuant to Section 13 or Section 14.2.

6. POWER SALES:

6.1 Subject to the terms and conditions of this Agreement, Seller hereby agrees to deliver and sell to Edison, and Edison hereby agrees to accept and purchase from Seller, all Net Energy delivered and all Net Capacity made available by Seller to Edison at the Point of Interconnection.

6.2 Upon request by Seller, Edison shall supply, and Seller shall purchase, capacity and energy in amounts necessary to meet the Project's start-up and Auxiliary Load requirements. Seller shall pay Edison for such capacity and energy in accordance with Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission to be revised ("Tariff Schedule TOU-8").

6.3 Seller shall use its best efforts to design, construct; operate and maintain the Project so as generate the maximum amount of Net Energy and associated Net Capacity.

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6.4 Seller shall operate the Project as a base load facility with a planned long-term annual capacity factor of 75% in accordance with generally accepted practices in the electric utility industry in the State of California.

6.5 If Seller desires to develop any additional capacity from the Magma Resource, Edison shall have the right to Purchase such additional capacity and associated energy therefrom. If the Parties are unable to reach a satisfactory agreement and such additional capacity and associated energy is offered to any other party or parties, Edison shall have the right to purchase such capacity and energy under the same terms and conditions as those under which Seller is willing to sell, and another party or parties are willing to purchase, the additional capacity and associated energy.

6.6 Seller shall have an option to elect to provide power for the operation of the Geothermal Facilities from its own Generating Facility or to purchase such power from Edison. If Seller elects to exercise such option, Seller shall

give Edison prior written notice thereof. If Seller elects to exercise such option, this Agreement shall be amended to provide appropriate reimbursement to Edison for interconnection facilities. If metering changes are required to implement the exercise of such option, such changes shall be at the expense of Seller. If such option is exercised by Seller, then Seller shall repay unearned capacity payments in accordance with the following formula calculated for each year of delivery until the date Seller begins serving the Geothermal Facilities from its own generating facility:

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Reduction in annual average contract capacity x
annual average contract capacity

(\$0.0194/kWh - annual as-available"
capacity price \$/kWh) x
(annual kWh purchased
by Edison)

" From Edison's Standard Offer No. 1 capacity table.

7. PROJECT LAND:

7.1 Seller, at no cost to Edison, shall acquire and own all land, land rights and interests in land necessary for Seller to construct, operate and maintain the Project.

7.2 Edison shall, as it deems necessary or desirable, build electric lines and facilities, both overhead and underground, and install metering and any other equipment, for the purpose of effecting the arrangements contemplated in this Agreement. The aforementioned shall be done after satisfaction of the requirements of Sections 7.3 and 7.4. The physical location of such electrical lines, facilities, metering and any other equipment shall be determined by agreement of the Parties.

7.3 Seller shall reimburse Edison for the cost of any property rights or interests which are required by Edison to meet its obligations under this Agreement.

7.4 Seller shall grant to Edison, without cost to Edison, and by a mutually acceptable instrument(s) the following:

7.4.1 Rights-of-way, licenses, easements and all other rights and interests necessary to construct, reconstruct, use, maintain, alter, add to, enlarge, repair, replace, inspect or remove, at any time, the electric lines and facilities, both overhead and

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underground, or any other equipment installations required by Edison to effect the arrangements contemplated in this Agreement. The contemplated arrangements include those necessary to install, operate and maintain the meters for the Geothermal Facilities (Meters 1-A, 2-A and 1-B, 2-B) and the 33 kV meters, both as depicted in Exhibit A, and the arrangements necessary to supply capacity and energy to the Geothermal Facilities;

7.4.2 Rights of ingress and egress at all reasonable times necessary for Edison to perform any one or more of the activities contemplated in this Agreement;

7.5 The electric lines, facilities, metering and/or any other equipment referred to in this Section 7 installed by Edison, shall be, and shall remain,

the property of Edison; and

7.6 All rights or interests granted by Seller to Edison pursuant to this Section 7 shall be coterminous with this Agreement.

8. OWNERSHIP AND CONTROL OF PROJECT:

8.1 Seller, at no cost to Edison, shall own the Project and shall design, construct, operate and maintain the Project in accordance with good engineering and operating practices in California.

8.2 Seller shall Control the Project. However, to facilitate maintenance of Edison facilities, or during periods of Emergency, or to maintain Edison Electric System Integrity, Seller shall, if requested by Edison, and at no cost or obligation to Edison: (i) disconnect the Project from the Edison electric system or (ii) reduce the electrical output of the Project to the level of the Project's total electrical requirement, as appropriate.

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Each Party shall endeavor to correct within a reasonable period the conditions on its facilities and/or system which necessitate such disconnection or reduction of output. Such disconnection or reduction of electrical output shall be limited to the period of time such condition exists.

9. DESIGN AND CONSTRUCTION OF PROJECT:

9.1 Seller, at no cost to Edison, shall acquire all permits and approvals, and complete, or have completed, all environmental impact studies required for the construction, operation and maintenance of the Project.

9.2 Edison shall have the right to review the electrical drawings pertaining to the design of the Project and the Point of Interconnection. Such review shall be done in a timely manner and may include, but not be limited to, the generator, governor, excitation system, synchronizing equipment, protective relays and neutral grounding.

9.3 Edison shall have the right to require modifications to the design of the Project and/or the Point of Interconnection as it deems necessary for proper and safe operation of the Project when in parallel with the Edison electric system. If Seller does not agree to such modifications, the differences between the Parties shall be resolved pursuant to Section 25 prior to design approval.

9.4 Seller shall furnish, install, operate and maintain in good order and repair and without cost to Edison, the relays, meters, power circuit breakers, synchronizer and other control and protective apparatus as shall be agreed to by the Parties pursuant to Section 9.3.

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9.5 Future changes on the Edison electric system and/or to the Project may require modification of the design of the Project or the Point of Interconnection. Any such modification, whether proposed by Edison or Seller, shall be subject to the provisions of this Section 9.

9.6 Edison shall have the right to monitor the construction, start-up, operation and maintenance of the Project and have the right to consult with, and make recommendations, to Seller's Operating Representative.

9.7 Seller shall furnish to Edison the Project construction schedule and shall notify Edison, at last one (1) year prior to the Date of Firm Operation, of any changes in such schedule which affect the Date of Firm Operation.

9.8 Edison shall have full access to all Project operations and have the right to use, solely for itself, free of royalty payments, any technological innovations developed by Seller in producing Net Energy from the Magma Resource. Edison shall have full access to all operating data and input regarding operation of the Project and the Geothermal Facilities. Except as otherwise legally required, Edison shall not disclose such information to others without first obtaining written permission from Seller.

10. OPERATION OF PROJECT:

10.1 Seller shall operate and maintain the Project and the Project's protective apparatus in accordance with applicable electric utility industry standards and good engineering practices with respect to synchronizing, voltage and reactive power control. Seller shall operate the Project with all protective apparatus in service whenever the

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Project is connected to, or is operated in parallel with, the Edison electric system. Any deviation for brief periods of emergency or maintenance shall only be by agreement of the Parties.

10.2 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of its respective facilities affecting the other Party's operation hereunder, including any reduction in Net Capacity. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages, including any reduction in Net Capacity availability in accordance with the following:

SCHEDULED OUTAGE EXPECTED DURATION -----	ADVANCE NOTICE TO EDISON -----
Less than one day	24 Hours
One day or more (except major overhaul)	1 Week
Major Overhaul	6 Months

10.3 Notification by a Party's Operating Representative of outage date and duration should be provided to the other Party's Operating Representative by telephone.

10.4 Seller shall use its best efforts to schedule outages during the off-peak hours as specified in Edison's Tariff Schedule TOU-8 and during expected minimal generation periods as agreed upon by the Operating Representatives.

10.5 Seller shall maintain an operating log at the Project with records of: real and reactive power production, changes in operating status, outages, protective apparatus operations and any unusual conditions found during inspections. In addition, Seller shall maintain records applicable to the Project, including the electrical characteristics of the generator and settings or adjustments of the generator control equipment and protective

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devices. Seller shall make such information available to Edison upon request and shall provide copies of such operating log and records, if requested, to Edison within thirty days of Edison's request.

10.6 If, at any time, Edison has reason to doubt the integrity of any of the Project's protective apparatus and believes that such loss of integrity would be hazardous to the Edison Electric System Integrity, Seller shall demonstrate, to Edison's satisfaction, the correct calibration and operation of the equipment in question.

10.7 Seller shall test all protective devices with qualified personnel at intervals not to exceed four (4) years.

10.8 Seller shall notify Edison at least fourteen calendar days prior to: (i) initial energizing of the Point of Interconnection; (ii) initial parallel operation of each of the Project's generators; and (iii) initial testing of the Project's protective apparatus. Edison shall have the right to have a representative present at such times.

10.9 Seller shall, to the extent possible, provide reactive power for its own requirements and, where applicable, the reactive power losses of interfacing transformers. Seller shall not deliver excess reactive power to Edison unless otherwise agreed upon by the Parties.

10.10 Edison shall install, at Seller's cost, telemetering equipment for the purpose of monitoring the operation of the Project generators. Seller shall, as required by Edison, install additional meters, at a location within the Project, as agreed upon by both Parties, to enable Seller to make daily telephone reports in the event telemetering

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equipment is inoperative. All costs of additional meter equipment, installation, ownership and administration shall be borne by Seller, including costs incurred by Seller for inspecting and testing such equipment.

11. INTERCONNECTION FACILITIES:

11.1 Edison,, at no cost to Seller shall own the Interconnection Facilities and shall design, construct, operate and maintain said facilities in accordance with good engineering and operating practices in the State of California.

11.2 Edison shall use its best efforts to schedule maintenance of the Interconnection Facilities during the off-peak hours as specified in Edison's Tariff Schedule TOU-8, and during expected minimal generation periods as agreed upon by the Operating Representatives. The anticipated duration of any scheduled or unscheduled outages of said facilities shall be communicated promptly to Seller in a manner as directed in writing by Seller's Operating Representative.

11.3 This Section 11 shall be subject to Seller's option regarding provision of power for the operation of the Generating Facility and Geothermal Facilities as set forth in Section 6.6 of this Agreement.

12. DELIVERY AND MEASUREMENT OF NET ENERGY:

12.1 Seller shall make, and Edison shall accept, Net Energy deliveries at the Point of Interconnection. Such deliveries shall be measured at the Edison 33 kV metering arrangement as shown in Exhibit A. The 33 kV measurement meters shall be provided, owned and maintained at Edison's expense. Readings from such meters shall

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be the basis for determining Edison's Net Energy payments to Seller. For billing purposes, Edison shall read and record the 33 kV meter measurements on a monthly basis.

12.2 Edison's meters shall be sealed, and the seals shall be broken only when the meters are to be inspected, tested or adjusted by Edison. Seller shall be given reasonable notice of testing and have the right to have its representative present on such occasions.

12.3 Edison shall test, at its expense, the Edison Meters installed pursuant to this Agreement at least once each year. Edison shall test the meters at any reasonable time upon the request of Seller at Seller's expense. If Seller requests such a test, Seller shall reimburse said expense to Edison within thirty days after presentation of a bill therefor.

12.4 Metering equipment found to be inaccurate shall be repaired, adjusted or replaced by Edison so that the metering accuracy of said equipment shall be within two percent (2%). If metering equipment inaccuracy exceeds two percent (2%), the correct amount of Net Energy delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

13. SALE OF PROJECT:

13.1 If Seller desires to sell the Project and/or Geothermal Facilities, Seller shall promptly first offer to Edison, or any Edison subsidiary or affiliate designated by Edison in its sole judgment, the right to purchase the Project and/or Geothermal Facilities

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and to purchase brine pursuant to the Magma Lease. Edison, or any Edison subsidiary or affiliate designated by Edison in its sole judgment, shall have up to ninety days from receipt to accept Seller's offer or to negotiate with Seller to reach mutual agreement.

13.2 In the event the Parties are unable to reach a satisfactory agreement pursuant to Section 13.1 and the Project and/or Geothermal Facilities are offered to any other party or parties, Edison or any Edison subsidiary or affiliate designated by Edison in its sole judgment, shall have up to thirty days from receipt of written notice of such terms to purchase the Project under the same terms and conditions as those under which Seller is willing to sell, and another party or parties are willing to purchase, the Project and/or Geothermal Facilities.

13.3 Seller represents and warrants that it: (i) presently has, and shall maintain at all times during the term of this Agreement, interests and rights necessary for the engineering, design, ownership, construction, operation, maintenance and testing of the Project and the Geothermal Facilities, (ii) shall not assign any such rights or interests without the prior written consent of Edison during the term of this Agreement as provided in Section 24, (iii) shall not permit to be enforced against such rights or interests any liens or encumbrances, and (iv) shall provide Edison all of those interests and rights, including, but not limited to the Geothermal Facilities, necessary for the ownership, operation and maintenance of the Project and Geothermal Facilities for a term equal to that agreed upon pursuant to Section 13.1 in the event that Edison purchases the Project and Geothermal Facilities.

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13.4 If Seller sells or otherwise conveys any interest in the Project and/or Geothermal Facilities, Seller shall pay immediately to Edison the accrued MWh Credit balance (converted to kWh) converted to dollars by multiplying said amount by the then current Avoided Cost for energy and capacity (converted to (cent)/kWh) together with any other sums then due Edison hereunder.

14. ABANDONMENT:

14.1 The Project and Geothermal Facilities shall be deemed abandoned if Seller terminates operation of the Project and Geothermal Facilities with the intent that such termination is permanent. Such intent shall be conclusively presumed by either (i) Seller's notice to Edison of such intent or (ii) Seller's operation or nonoperation of the Project and Geothermal Facilities such that no Net Energy is generated for two hundred consecutive days during any period after the Date of Firm Operation, unless otherwise agreed upon in writing by the Parties.

14.2 If Seller abandons the Project and Geothermal Facilities during the term of this Agreement, Edison, or any Edison subsidiary or affiliate designated by Edison in its sole discretion, shall have the first right to Purchase the Project and Geothermal Facilities at their fair market value or by assuming the construction/permanent loan from an institutional lender for the construction of the Project and Geothermal Facilities ("Project Loan"), existing at the time of purchase. Until the accrued MWh Credit, as provided for in Section 15.2.2 has been reduced to zero, the amount of the Project Loan shall not exceed eleven million dollars (\$11,000,000) unless otherwise agreed upon by

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the Parties. The proceeds of the Project loan shall only be used in connection with the Project and Geothermal Facilities. Seller shall not extend or otherwise modify any term of the Project Loan without the prior written consent of Edison.

14.3 If Edison purchases the Project and Geothermal Facilities pursuant to Section 14.2, Seller shall, at the time of such purchase, provide Edison with those interests and rights necessary for the ownership, operation and maintenance of the Project and Geothermal Facilities, including, but not limited to those rights provided to Seller under the Magma Lease, necessary to produce and utilize geothermal energy in sufficient quantities to operate the Project and Geothermal Facilities at a level necessary to obtain and sustain the agreed-upon Net Capacity for the remaining term of this Agreement.

14.4 If Seller abandons the Project, Seller shall immediately repay to Edison the accrued MWh Credit balance (converted to kWh) converted to dollars by multiplying said amount by the then current Avoided Cost for energy and capacity (converted to (cent)/kWh) together with any other sums then due Edison hereunder.

14.5 If Seller abandons the Project pursuant to this Section 14, or fails to maintain this Agreement in effect for the term set forth in Section 5.1.1, Seller shall reimburse Edison for the Base Capacity Price payments which Seller did not earn because of early termination. Such reimbursement for Base Capacity Price payments received by Seller under this Agreement shall be in accordance with the following formula: $R = (1. - x/30)$ times the total value of Base Capacity Price payments paid for deliveries from the Project, where "x" equals the number of completed years of Project

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Operation. If Edison does not exercise its option pursuant to Section 14.2, Seller shall make such reimbursement to Edison within thirty (30) days after presentation of a bill therefor.

15. AGREEMENT PRICE, MEGAWATTHOUR ("MWH") CREDIT
ACCUMULATION AND REPAYMENT, AND BASE
CAPACITY PRICE ADJUSTMENTS:

15.1 Agreement Price.

15.1.1 Edison shall pay for any Net Energy delivered by Seller to Edison at the Point of Interconnection prior to the Date of Firm Operation. Such payment shall be Edison's Published Avoided Cost of energy with no payment for capacity.

15.1.2 Except as provided in Section 15.1.1 and upon operation commencing with the Date of Firm Operation ("Project Operation"), Edison shall pay Seller an Agreement Price for all Net Energy delivered and for all Net Capacity made available to Edison at the Point of Interconnection as follows:

15.1.2.1 Commencing on the Date of Firm Operation and continuing to September 12, 1986, the Agreement Price shall be 12.5(cent)/kWh.

15.1.2.2 Commencing on September 12, 1986, and continuing through December 31, 1995, the Agreement Price shall be 8.94(cent)/kWh (the sum of 7(cent)/kWh energy payment plus 1.94(cent)/kWh capacity payment).

15.1.2.3 Commencing on January 1, 1996, and continuing through the remaining term of this Agreement, the Agreement Price shall be equal to the sum of 100% of Edison's Published Avoided Cost of energy plus 1.94(cent)/kWh capacity payment.

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15.1.3 During the period from January 1, 1989, through December 31, 1995, Seller shall deliver to Edison at least 70% of the total Net Energy delivered to Edison during the period from September 12, 1986, through December 31, 1988. If the total Net Energy deliveries during the period from January 1, 1989, through December 31, 1995, are not at least 70% of the total Net Energy deliveries during the period from September 12, 1986, through December 31, 1988, then Seller shall be subject to Section 15.1.4 of this Agreement.

15.1.4 If Seller fails to meet the performance requirements set forth in Section 15.1.3, Seller shall, at Edison's request, make an energy payment refund equal to the greater of zero or the difference in the net present value, calculated at a discount rate of eight percent per annum, between:

- A. The present value of the net energy delivered to and purchased by Edison from September 12, 1986, to December 31, 1995, at the energy price specified herein, less;
- B. The present value of the net energy delivered to and purchased by Edison from September 12, 1986, to December 31, 1995, at an energy price appropriate for the year in which any energy payment refund is made, equal to the energy prices shown below:

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Year ----	Energy Price (cents/kWh) -----
1986	6.0
1987	6.4
1988	6.9
1989	7.6
1990	8.1
1991	8.6

1992	9.3
1993	10.1
1994	10.9
1995	11.8

The energy payment refund, if required, will be based on present values calculated to the date of the refund or January 1, 1996, whichever occurs earlier.

15.1.5 Seller shall reimburse Edison for any energy and capacity payments made after September 12, 1986, that are in excess of the monthly energy and capacity payments to be paid to Seller under this Section 15 by means of a reduction in each monthly energy and capacity payment, commencing upon the effective date of this Agreement, up to the full amount of each monthly Payment, until all such excess payments are recovered by Edison.

15.2 MWh Credit Accumulation

15.2.1 If payments Pursuant to Section 15.1.2.1 exceed Edison's avoided cost for energy and capacity, such excess shall be treated as payment incentives to be repaid by Seller to Edison. The accumulation of the Monthly MWh Credit shall be calculated in accordance with the following formula:

$$\text{Monthly MWh Credit} = \text{Net energy Delivered} \times \frac{12.5 \text{ (cent)/kWh} - 8.94 \text{ (cent)/kWh}}{8.94 \text{ (cent)/kWh}}$$

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Wherein 12.5 cents equals (cent)/kWh paid for total kWh delivered from February 26, 1985, to September 12, 1986, and 8.94(cent)/kWh equals 7(cent)/kWh for energy plus 1.94c/kWh for capacity. If the Monthly MWh Credit is negative, it shall not be included in the calculation of the accumulation of Monthly MWh Credit.

15.2.2 As of September 12, 1986, the accrued MWh credit shall be fixed and recalculated from the Date of Firm Operation through September 12, 1986, which shall be deemed to be to 34,642 MWh.

15.3 Security for Energy and Capacity Payments

15.3.1 Coincident with the effective date of this Amended and Restated Power Purchase and Sales Agreement, Seller shall provide and maintain security in the amount of \$1.3 million in the form of a letter of credit or corporate guarantee reasonably satisfactory to Edison, which shall insure payment to Edison of the energy payment refund and/or the accrued MWh credit as set forth herein. Seller shall provide Edison with certificates evidencing Seller's compliance with the security requirements in this section.

15.3.2 If Seller provides security in the form of a letter of credit, the following criteria must be met:

A. The letter of credit must be issued by a financial institution which is registered with the California banking commissioner and doing business in California.

B. The bank issuing the letter of credit must have assets in excess of \$250 million and maintain a rating of "BC" or better from Keefe, Bryette &

C. The issuing institution shall provide Edison with annual certification that it meets these criteria.

15.3.3 If Seller provides security in the form of a corporate guarantee as set forth in Exhibit G attached hereto and made part hereof by this reference, the following criteria must be met:

A. The corporate guarantee shall be supported by an audited financial statement and a Dun and Bradstreet credit report, acceptable to Edison in its sole judgment, for each year in which the security is required.

B. If a corporate guarantee is provided and accepted, Seller shall cause the party issuing such corporate guarantee to provide annual audited financial statements and Dun and Bradstreet reports for the period of time that the security is required. In addition to the foregoing, Edison shall have the right to utilize any other relevant information it may possess or obtain in order to evaluate the acceptability of the security.

C. If the Dun and Bradstreet credit rating, the annual audited financial statement or other relevant information change materially according to accepted business practices during the period the security is in effect, Edison shall have the right to require replacement security.

15.3.4 The security contemplated herein shall remain in full force and effect until the obligations of Seller as set forth in Sections 15.1 and 15.2 have been satisfied, at which time the requirement for security shall terminate.

15.3.5 The security contemplated herein may be reduced at Seller's option in accordance with the following criteria:

A. Security for the energy payment refund may be reduced by the amount of energy payment refund paid to Edison under the terms of this Agreement.

B. Security C or the accrued MWh credit may be reduced by \$37.53 for each MWh repaid to Edison from the accrued MWh bank.

15.3.6 Notwithstanding the foregoing Sections 15.3.1 through 15.3.4, the security provisions set forth in Section 22 or this Agreement shall remain in full force and effect.

15.4 MWh Credit Repayment

15.4.1 Seller, at its option, may prepay any MWh amount of the accrued MWh credit at any time. Notwithstanding the foregoing, commencing on January 1, 1996, and through the end of the term of the Agreement, all accrued MWh credit shall be repaid to Edison in the form of equal monthly deliveries to Edison of the remaining accrued MWh credit being repaid, prorated over the remaining term of this Agreement. If there is no prepayment of accrued MWh, then the accrued MWh credit of 34,642 MWh shall be repaid from 1996 to 2015 at the rate of 1732.1 MWh each year to Edison with no cash Payment for such energy. The accrued MWh Credit of 34,642 MWh shall be reduced by the amount of MWh credits repaid prior to January 1, 1996.

15.4.2 In the event that any accrued MWh credit residue exists as of December 31, 2015, such residue shall be paid in full pursuant to the Guaranty

Agreement, attached hereto as Exhibit G and made part hereof by this reference, but shall in no event be paid by further deliveries of power to Edison. The value of one (1) MWh of accrued MWh credit shall be deemed to be \$37.53.

15.5 Monthly Capacity Payment

The monthly capacity payment shall be calculated as follows:

$$\begin{aligned} \text{Monthly Capacity Payment} &= 1.94(\text{cent})/\text{kWh} \\ &\times (\text{Effective Net Capacity, kW}) \\ &\times (\text{Total hours in month, Hour}) \\ &\times (\text{Monthly Capacity Factor}) \\ &\times (\text{Hurdle Factor}) \\ &\times (\text{Availability Factor}) \end{aligned}$$

15.5.1 Hurdle Factor

The Hurdle Factor shall be either 1.0 if the Monthly Capacity Factor is equal to or greater than 51% or 0.5 if the Monthly Capacity Factor is less than 51%.

15.5.2 Availability Factor The Availability Factor shall equal 1.0 unless Seller fails to provide Net Capacity pursuant to Section 15.5.2.1 in which case the Availability Factor shall be 0.5.

15.5.2.1 At Edison's request., Seller shall, within 30 minutes of such request, make all reasonable effort to make available the Net Capacity according to the Table set forth in Exhibit F, attached hereto and made part hereof by this reference, during periods of Emergency. If Seller has previously scheduled an outage coincident with an

Emergency, Seller shall make all, reasonable efforts to reschedule the outage. Failure of Seller to provide Net Capacity during an Emergency when first requested by Edison following the Date of Firm Operation shall not result in a reduction of Monthly Capacity Payments. However, after said initial request by Edison, whether or not Seller has complied with such request, any subsequent failure by Seller to comply with a request for Net Capacity by Edison shall result in the Availability Factor becoming 0.5 for the month in which the request occurred. The Availability Factor shall continue to be 0.5 until Seller can demonstrate that the Project can comply with a request for Net Capacity by Edison.

16. TAXES:

16.1 Ad valorem taxes and other taxes properly attributed to the Project and Geothermal Facilities shall be paid by Seller. If such taxes are assessed or levied against Edison, Seller shall pay Edison the amount of such assessment or levy within thirty days of presentation of a bill therefor.

16.2 Ad valorem taxes and other taxes properly attributed to land, land rights or interests in land for the Interconnection Facilities shall be paid by Edison. If such taxes are levied against Seller, Edison shall pay Seller the amount of such assessment or levy within thirty days of presentation of a bill therefor.

17. BILLING AND PAYMENT

17.1 Billing for Net Energy shall be determined for each calendar month by application of the Agreement Price pursuant to Section 15, to monthly meter readings

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taken on, or about, the last day of each month. Within fifteen days after such readings, Edison shall mail a monthly statement of Net Energy and the dollar amount, if any, to be paid by Edison to Seller for Net Energy for that month. Payment to Seller shall follow within fifteen days of the statement.

17.2 Seller shall pay Edison for energy delivered and capacity made available to the Project within thirty days of the mailing of the monthly billing statement from Edison. Seller shall pay for such energy and capacity in accordance with the provisions of Section 6.2.

17.3 Edison shall bill Seller for taxes pursuant to Section 16.1, excluding any penalties or interest, no later than three (3) months following the date of payment of such taxes by Edison, as Seller shall pay to Edison therefor within forty-five days of the mailing date of the bill to Seller.

17.4 Seller shall bill Edison for taxes pursuant to Section 16.2, excluding any penalties or interest, no later than three (3) months following the date of payment of such taxes by Seller, and Edison shall pay Seller therefor within forty-five days of the mailing date of the bill to Edison.

17.5 If any amount of money owed hereunder by either Party has not been paid when due, an interest charge computed at the rate of the then-current Bank of America prime rate plus 1% per annum, compounded daily, or the maximum legal rate, whichever is less, from the due date until paid shall be added thereto.

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18. OPERATING REPRESENTATIVES:

18.1 Within thirty days after execution of this Agreement, each Party shall appoint an Operating Representative for the purpose of securing effective cooperation and interchange of information and providing consultation and coordination on a prompt and orderly basis between the Parties in connection with various administrative, technical and operating matters which may arise from time to time under this Agreement, including the performance of the functions and duties of said representative under this Agreement.

18.2 Each Party shall bear the cost of its designated Representative.

18.3 Each Party shall notify the other Party promptly of any change in the designation of its Operating Representative.

18.4 The Operating Representative shall have no authority to modify any of the terms, covenants or conditions of this Agreement.

19. LIABILITY:

19.1 Each Party (First Party) hereby releases the other Party (Second Party), its directors, officers, employees, and agents from any liability for any loss, damage, claim, cost, charge or expense (including direct, indirect or consequential loss, damage, claim, cost, charge or expense, including attorney's fees and other costs of litigation) incurred by the First Party in connection with damage to the property of the First Party arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection,

operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent such loss, damage, claim, cost, charge or expense is caused by the negligence of the Second Party, its directors, officers,

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employees, agents or any person or entity whose negligence would be imputed to the Second Party.

19.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, employees and agents from and against any loss, damage, claim, cost, charge or expense (including direct, indirect or consequential loss, damage, claim, cost, charge or expense, including attorney's fees and other costs of litigation) incurred by the other Party in connection with injury to, or death of, any person or damage to property of third parties arising out of arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for, and shall bear all costs of, claims brought by its contractors or its own employees and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any worker's compensation law.

19.3 The provisions of this Section 19 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

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20. INSURANCE:

20.1 Seller shall procure and maintain, and shall require each of its contractors and subcontractors to maintain, the following insurance during the term of this Agreement.

20.1.1 Workers' Compensation and Employer's Liability Insurance in compliance with statutory requirements of the State of California. Named insureds shall require their insurers to waive all rights of subrogation against Edison.

20.1.2 Comprehensive Bodily Injury and Property Damage Liability Insurance, including owner's and contractor's protective, products/completed operations, blanket contractual and automobile liability coverages, with combined single limits of not less than \$5,000,000 per occurrence. Such insurance shall (i) acknowledge Edison as an additional insured but only for Seller's or Seller's contractor's acts or omissions, (ii) be primary for all purposes and (iii) contain standard cross-liability provisions.

20.1.3 Seller will use its best efforts to secure business interruption insurance in the amount of \$1,500,000 per year for the period commencing with the second year of Project Operation.

20.2 Prior to the commencement of work on the Project and during the term of this Agreement, Seller shall furnish a certificate of insurance to Edison evidencing the above coverage. Such certificate shall provide that such insurance shall not be terminated nor expire except on thirty days' prior written notice to Edison. Payments of premiums and deductible losses for the above insurance shall be at Seller's sole expense.

20.3 If Seller fails to comply with any of the provisions of this Section 20, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, agents, employees, assigns and successors in interest from and against any and all liability, damages, losses, claims, demands, actions, causes of action, costs, including attorney's fees and expenses, and other costs and expenses of litigation, or any of them, resulting from death of, or injury to, any person or damage to, or loss of, any property, including personnel and property of Edison, to the extent Edison would have been protected had Seller complied with all of the provisions of this Section 20.

21. WAIVERS:

21.1 Any waiver at any time by either Party of its rights with respect to a default or any other matter arising in connection with this Agreement shall be in writing and shall not be deemed to be a waiver with respect to any subsequent default or matter.

22. SECURITY:

22.1 As security for any amounts payable by Seller to Edison pursuant to Section 15, Seller hereby grants Edison, a continuing lien and security interest in the Project and Geothermal Facilities subject and subordinate only to the lien and security interest of the lender providing construction of permanent financing for the Project contained in the Construction and Term Loan Agreement between Mammoth-Pacific and Pacific Lighting Leasing Company, dated September 7, 1983. The lien and security interest of Edison shall be evidenced by a Deed of Trust, Assignment of Rents, and

Security Agreement, and Financing Statement in the form attached hereto as Exhibit B and Exhibit C respectively, and by this reference made a part hereof.

22.2 As additional security for any amounts payable by Seller to Edison pursuant to Section 15, Seller hereby agrees that its leasehold interest covering the Project and Seller's right to produce geothermal fluid shall be subject to a lien in favor of Edison until the Total MWh Credit is repaid. Such lien shall be evidenced by a Deed of Trust, Assignment of Rents, and Security Agreement in the form attached hereto as Exhibit B and by this reference made a part hereof.

23. UNCONTROLLABLE FORCES:

23.1 Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement, other than the obligation to pay money for energy and capacity previously delivered and received, when, and to the extent, failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the party failing to perform including, but not limited to, failure of facilities maintained in accordance with good engineering and operating practices in California, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority, art action or nonaction by, or inability to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by the exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has not overcome.

Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such facts to the other Party and shall exercise due diligence to remove such inability. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved.

24. ASSIGNMENT OF RIGHTS

24.1 Neither Party shall assign any interest in the Agreement, the Project or in the Geothermal Facilities, other than to a subsidiary or affiliate or in connection with the merger or sale of substantially all of its assets, without the express written consent of the other Party. Any assignment without the consent of the other Party, which consent shall not be unreasonably withheld, shall be void.

24.2 Seller may not sell, transfer, assign, convey or further encumber any interest in the Agreement or in the Project or in the Geothermal Facilities or leasehold interest or any interest in the Magma Lease unless it promptly repays Edison the accrued MWh Credit balance (converted to kWh) converted to dollars by multiplying said amount by the then current Avoided Cost for energy and capacity (converted to (cent)/kWh) together with any other sums then due Edison.

24.3 Any assignment by a Party of its interest in this Agreement shall not relieve the assigned Party of primary liability for any of its duties and obligations under this Agreement, and in the event of such assignment, the assigning Party shall continue to remain primarily liable for payment of any and all money due the other Party as provided

under this Agreement, and for the performance and observance of all other covenants, duties and obligations to be performed and observed under this Agreement by the Party to the same extent as though an assignment had not been made.

25. DISPUTES:

25.1 Any dispute arising between the Parties or their Operating Representatives relating to interpretation of the provisions of this Agreement or to the performance of the Parties hereunder, on which the Operating Representatives cannot reach final agreement within thirty days of written notice from the disputing Party to the other Party of such a dispute, shall be referred to the signatories to this Agreement, or any successors thereto, for resolution.

25.2 The final decision by the signatories to this Agreement, or any successors thereto, shall be made within thirty days after presentation by the Operating Representatives of all evidence affecting the dispute, and shall be reduced to writing. The decision shall be final and conclusive; provided, that if said signatories or successors cannot reach a final agreement regarding the dispute within the thirty day period, any remedies which are provided by law may be pursued.

26. LIENS AND ENCUMBRANCES:

26.1 Seller shall not suffer or permit to be enforced against the Project or Project land, land rights, or interests in land, or in the Geothermal Facilities or in the Magma Lease or any part thereof, any mechanic's, materialman's, contractor's or subcontractor's liens arising from, or any claim for damage growing out of, the work of

any construction, repair, restoration, replacement, or improvement, or any other claim or demand howsoever the same may arise; provided, if the aforesaid should occur, Seller shall take any and all action necessary to cause any such lien to be released or discharged or the enforcement thereof against the Project or Project land, land rights or interests in land or the Geothermal Facilities or in the Magma Lease to be terminated; and Seller agrees to indemnify and hold Edison and said premises free and harmless from all liability for any and all such liens, claims and demands, together with reasonable attorney's fees and all costs and expenses in connection therewith.

27. DISCLAIMER:

27.1 Any review by Edison of the design, construction, operation or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to, and in no way shall be responsible for, the economic feasibility, technical feasibility, operational capability or reliability, technical feasibility, operational capability or reliability of the Project. Seller shall in no way represent to any third party that any such review or the Project by Edison, including but not limited to, any review of the design, construction, operation or maintenance of the Project by Edison is a representation by Edison as to the economic feasibility, technical feasibility, operational capability or reliability of said facilities. Seller is solely responsible for economic feasibility, technical feasibility, operational capability or reliability thereof. Edison shall not be liable to Seller or third parties for, and Seller shall defend and indemnify Edison from, any cost, loss, damage or liability arising from any

contrary representation regarding the design, construction, operation or maintenance of the Project.

28. CONFIDENTIAL AND PROPRIETARY INFORMATION

28.1 The Parties agree that the terms and conditions set forth in this Agreement are to be maintained in confidence, and neither Party shall disclose any such information to any third party without the prior consent of the other.

28.2 Edison shall maintain in confidence, and shall use only for the purposes of this Agreement, information it may receive from Seller concerning the production and treatment of geothermal energy; the extent, productivity and properties of the Magma Resource; the compositions and properties of the geothermal substances produced from said Magma Resource; and other geothermal operations conducted by Seller in the Magma Resource.

28.3 The obligations of confidentiality set forth in Section 28.2 shall not apply to (i) information already known to the receiving Party when received from the other Party; (ii) information which is known or becomes known to the general public through acts of others than the Party hereto charged with the obligation to maintain it in confidence; and (iii) information received from a third party without restriction who did not acquire it directly or indirectly from the other Party.

28.4 Any Party required by any law, rule, regulation or order to disclose information which is otherwise required to be maintained in confidence pursuant to this Section 28 or where such disclosure is required in connection with the assertion of any

claim or defense in judicial or administrative proceedings involving a Party, may make such disclosure, notwithstanding the provisions of this Section 28; provided, however, that the Party otherwise required to make such disclosure shall inform the other Party thereof and shall cooperate to the maximum extent practicable to minimize the disclosure of any such information. The Party so disclosing such information shall use its best efforts to obtain proprietary or confidential treatment of such information by the third party to whom such information is so disclosed, and will, to the extent such remedies are available, seek protective orders limiting the dissemination and use of such information. This Agreement does not alter the rights of either Party to object to any such disclosure to any third party, to the extent such rights are permitted by law, rule, regulation or order.

29. NO THIRD PARTY BENEFICIARIES:

29.1 This Agreement is for the sole benefit of the Parties and shall not be construed as granting rights to any person or entity other than the Parties or imposing obligations on either Party to any person or entity other than the Parties.

30. NONDEDICATION OF FACILITIES:

30.1 Nothing in this Agreement, and no undertaking under this Agreement shall be construed as constituting, a dedication by either Party or any of its properties or facilities, or any part thereof, to the other Party or to the customers of a Party, or to the public.

31. NOTICES:

31.1 Except as otherwise specifically provided herein, any demand, notice, or request from one Party to the other, shall be given in writing and shall be deemed properly given, if delivered in person or sent by registered or certified mail to the persons specified below:

Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770
Attention: Secretary

Mammoth-Pacific
c/o Pacific Geothermal Company
6055 E. Washington Blvd.
Commerce, CA 90040
Attention: President

32. GOVERNING LAW

32.1 This Agreement shall be interpreted, governed by, and construed under the laws of the State of California or the laws of the United States, as applicable, as if executed and to be performed wholly within the State of California.

33. GENERAL PROVISION:

33.1 This Agreement constitutes the entire agreement and understanding between the Parties as to the subject matter of this Agreement. Prior agreements, commitments or representations express or implied, and discussions

between the Parties shall not be construed to be a part of this Agreement unless contained in this Agreement.

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SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Glenn J. Bjorklund

Glenn J. Bjorklund
Vice President

MAMMOTH-PACIFIC
A California General Partnership

By /s/ Daniel A. Seigel

Daniel A. Seigel
President of Pacific Geotherman Company

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Exhibit 10.3.12

AMENDMENT NO. 1 TO THE
AMENDED AND RESTATED
POWER PURCHASE AND SALES AGREEMENT
BETWEEN
MAMMOTH PACIFIC
AND
SOUTHERN CALIFORNIA EDISON COMPANY

1. PARTIES

The Parties to this Amendment No. 1 to the Amended and Restated Power Purchase and Sales Agreement between Mammoth Pacific and Southern California Edison Company, executed on December 2, 1986 ("Contract") are Mammoth Pacific, L.P., a California limited partnership ("Seller") and Southern California Edison Company ("Edison") referred to individually as "Party" and collectively as "Parties."

2. RECITALS

This Amendment No. 1 is made with reference to the following facts, among others:

2.1 On December 2, 1986, Mammoth-Pacific and Edison executed the Contract which supersedes and replaces, in all terms and conditions, the original Mammoth Binary Power Purchase and Sales Agreement executed on October 20, 1983, assigned to Mammoth Pacific on October 20, 1983, and Amendment No. 1 thereto, executed on December 30, 1983.

2.2 On January 29, 1990, Mammoth Pacific assigned its right, title, and interest in the Contract to Seller. Edison consented to this

assignment on January 26, 1990. As a condition of this assignment, Mammoth Pacific repaid to Edison the dollar equivalent of the accrued MWh Credit balance, pursuant to the terms and conditions of the Contract, on January 30, 1990.

2.3 The Parties desire to amend the Contract to delete references to the MWh Credit balance since this obligation has been discharged.

3. AGREEMENT

The Parties agree to amend the Contract as follows:

3.1 Section 1.1 is amended to read as follows:

"1.1 The Parties to this Amended and Restated Power Purchase and Sales Agreement are: Mammoth Pacific, L.P. ("Seller"), a California limited partnership, and Southern California Edison Company ("Edison"), a California corporation, individually "Party", and collectively, "Parties."

3.2 Section 2.2 is amended to read as follows:

"2.2 This Amended and Restated Power Purchase and Sales Agreement provides for the following revisions, among others; restructuring of payment provisions for energy and capacity purchased by Edison, providing additional financial security to Edison and outlining Seller's option to supply power from the Generating Facility for operation of the Geothermal Facility and the Generating Facility;"

3.3 Section 13.4 is amended to read as follows:

"13.4 If Seller sells or otherwise conveys any interest in the project and/or Geothermal Facilities, Seller shall pay immediately to Edison any monies then due Edison hereunder."

3.4 Section 14.2 is amended to read as follows:

"14.2 If Seller abandons the Project and Geothermal Facilities during the term of this Agreement, Edison, or any Edison subsidiary or affiliate designated by Edison in its sole discretion, shall have the first right to purchase the Project and Geothermal Facilities at their fair market value."

3.5 Section 14.4 is amended to read as follows:

"14.4 If Seller abandons the Project, Seller shall immediately repay to Edison any monies then due Edison hereunder."

3.6 Section 15 is amended to read as follows:

"15. AGREEMENT PRICE AND BASE CAPACITY PRICE ADJUSTMENTS:"

3.7 Section 15.2 is amended to read as follows:

"15.2 MWh Credit Accumulation

As of September 12, 1986, the accrued MWh Credit shall be fixed and recalculated from the Date of Firm Operation through September 12, 1986, which shall be deemed to be 34,642 MWh. In conjunction with the assignment of the Contract on

January 29, 1990, the accrued MWh Credit balance shall be converted to dollars which shall be deemed to be \$1,157,894.99 and shall be repaid to Edison on January 30, 1990, thus discharging all obligation of the Seller with regard to the accrued MWh Credit."

3.8 Section 15.3.1 is amended to read as follows:

"15.3.1 Coincident with the effective date of this Amended and Restated Power Purchase and Sales Agreement, Seller shall provide and maintain security in the amount of \$1.3 million in the form of a letter of credit or corporate guarantee from Pacific Energy, reasonably satisfactory to Edison, which shall insure payment to Edison of the energy payment refund and/or other monies as set forth herein. Seller shall provide Edison with certificates evidencing Seller's compliance with the security requirements in this section."

3.9 Section 15.3.5 is amended to read as follows:

"15.3.5 The security contemplated herein may be reduced at Seller's option in accordance with the following criteria:

A. Security for the energy payment refund may be reduced by the amount of energy payment refund paid to Edison under the terms of this Agreement."

3.10 Section 15.4 is amended to read as follows:

"15.4 MWh Credit Repayment

The accrued MWh Credit shall be deemed to be repaid to Edison effective as of January 30, 1990."

3.11 Section 22 is amended to read as follows:

"22. Security:

22.1 Pursuant to the repayment of the accrued MWh Credit, as set forth herein, Edison's lien and security interest in the Project and Geothermal Facilities shall be reconveyed to Seller effective as of January 30, 1990.

22.2 Pursuant to the repayment of the accrued MWh Credit, as set forth herein, Edison's lien evidenced by a Deed of Trust, Assignment of Rents, and Security Agreement shall be reconveyed to Seller effective as of January 30, 1990."

3.12 Section 24.2 is amended to read as follows:

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"24.2 Seller may not sell, transfer, assign, convey, or further encumber any interest in the Agreement or in the Project or in the Geothermal Facilities or leasehold interest or any interest in the Magma Lease unless it promptly repays Edison any monies then due Edison."

3.13 Section 31.1 is amended to read as follows:

"31.1 Except as otherwise specifically provided herein, any demand, notice, or request from one Party to the other, shall be given in writing and shall be deemed properly given, if delivered in person or sent by registered or certified mail to the persons specified below:

Southern California Edison Company
2244 Walnut Grove Avenue

Post Office Box 800
Rosemead, CA 91770
Attention: Secretary

Mammoth Pacific, L.P.
6055 E. Washington Blvd.
Commerce, CA 90040
Attention: President, Pacific Geothermal Company."

3.14 Exhibit B; "Deed of trust, Assignment of Rents and Security Agreement" is deleted in its entirety.

3.15 Exhibit C; "Financing Statement" is deleted in its entirety.

3.16 Exhibit G; "Guaranty Agreement" is deleted and replaced with the attached "Guaranty Agreement" dated January 23, 1990.

4. OTHER CONTRACT TERMS AND CONDITIONS

Except as amended herein, all terms, covenants, and conditions contained in the Contract shall train in full force and effect.

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5. SIGNATURE CLAUSE

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 on behalf of the Party for whom they sign. This Amendment No. 1 is hereby executed as of this 18th day of May, 1990.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Robert Dietch

Robert Dietch
Vice President

MAMMOTH PACIFIC, L. P.

By /s/ Claude Harvey

Name Claude Harvey
Title Sr. Vice President

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Exhibit 10.3.13

SCE STANDARD CONTRACT
LONG TERM POWER PURCHASE

POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
MAMMOTH PACIFIC
(CASA DIABLO GEOTHERMAL II)
12 MW NAME PLATE
NEW FACILITY GII

DOCUMENT NO.: 2433H
EFFECTIVE DATE: SEPTEMBER 7, 1983
REVISED: MAY 4, 1984

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Mammoth Pacific ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All notices shall be sent to Seller at the following address:

Mammoth Pacific
6055 East Washington Boulevard
Commerce, CA 90040

1.2 Seller's Generating Facility:

- a. Nameplate Rating: 12,000 kW.
- b. Location: Casa Diablo (Mammoth Lakes), California
- c. Type (Check One):
 - ☐ Cogeneration Facility
 - ☒ Small Power Production Facility
- d. Delivery of power to Edison at a nominal 33,000 volts.
- e. Seller shall commence construction of the Generating Facility by April 1986.

1.3 Edison Customer Service District:

Bishop District

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LONG-TERM POWER PURCHASE

374 Lagoon Street
Bishop, CA 93514

1.4 Location of Edison Operating Switching Center:

Bishop Hydro Division
Control Substation, Route 1
Bishop, CA 93514

1.5 Contract Capacity: 0 kW

1.5.1 Estimated as-available capacity: 9,100 kW.

1.6 Expected annual production: 48,000,000 kWh.

1.7 Expected Firm Operation for each generating unit(s): February 1987

1.8 Contract Term: 30 years

1.9 Operating Options pursuant to Section 5: (Check One)

[N/A] Operating Option I. Entire Generator output dedicated to Edison. No electric service or standby service required.

[N/A] Operating Option II. Entire Generator output dedicated to Edison with separate electric service required.

a. Electric service Tariff Schedule No. ____ pursuant to Section 10.2.

b. Contract demand: ____ kW.

[X] Operating Option III. Excess generator output dedicated to Edison with Seller serving own load.

a. Electric service Tariff Schedule No. TOU--8 pursuant to Section 10.2.

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LONG-TERM POWER PURCHASE

b. Contract demand: 1,900 kW.

c. Standby Demand: 1,900 kW pursuant to Section 10.2.

d. Maximum electrical requirements expected: 1,900 kW.

e. Standby electric service Tariff Schedule No. SCG-1 pursuant

to section 10.2.

f. Minimum monthly charge for standby services: [N/A].

1.10 Interconnection Facilities Agreement pursuant to Section 6 shall be:
(Check One)

[N/A] - Added Facilities Basis (Appendix A.1)

[N/A] - Capital Contribution Basis (Appendix A.2)

[X] - Seller Owned and Operated Basis (Appendix A.3)

1.11 The Capacity Payment Option selected by Seller pursuant to Section 9.1 shall be: (Check One)

[X] Option A - As-available capacity based upon:

[N/A] Standard Offer No. 1 Capacity Payment

Schedule, or

[X] Forecast of Annual As-Available Capacity Payment Schedule. The as-available capacity price (first year): 194/kW--yr. (Appendix B)

[X] Option B - Firm Capacity (check one)

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[N/A] Standard Offer No. 2 Capacity Payment Schedule in effect at time of Contract execution.

[N/A] Standard Offer No. 2 Capacity Payment Schedule in effect at time of Firm Operation of first generating unit.

Contract Capacity Price: \$___/kW-yr. (Firm Capacity).

1.12 The Energy Payment Option selected by Seller pursuant to Section 9.2 shall be: (Check One)

[X] Option 1 - Forecast of Annual Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix C)

[N/A] Option 2 - Levelized Forecast of Marginal Cost of Energy in effect at date of execution of this Contract. Levelized Forecast for the expected date of Firm Operation is ___(cent)/kWh. If Seller's Generating Facility is an oil/natural gas fueled cogenerator, Seller may not select

Option 2.

For the energy payment refund pursuant to Section 9.5 under Option 2. Edison's Incremental Cost of Capital is ____%. Seller may change once between Options 1 and 2, provided Seller delivers written notice of such change at least 90 days prior to the date of Firm Operation. For Option 1 or 2, Seller elects to receive the following

percentages in 20% increments, the total of which shall equal 100%:

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[100] Percent of Forecast of Marginal Cost of Energy (Annual or Levelized), not to exceed 20% of the annual forecast for oil/natural gas fueled cogenerators, and

[0] Percent of Edison's published avoided cost of energy based on Edison's full avoided operating costs as updated periodically and accepted by the Commission.

[N/A] Option 3 - Incremental Energy Rate. Seller may select:

[N/A] Forecast of Incremental Energy Rate in effect at date of execution of this Contract (Appendix D),
or

[NA] A range in increments of 100 Btu/kWh above and below the forecast of incremental energy rates for each year during the First Period of the Contract Term as follows:

Year	Range	Year	Range	Year	Range
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----

1.13 Metering Location (Check one)

Seller elects metering location pursuant to Section 8 as follows:

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

[N/A] Seller's aide of the Interconnection Facilities. Loss compensation factor is equal to _____, pursuant to Section 8.3.

CENTRAL TERMS & CONDITIONS

2. DEFINITIONS

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the following meanings:

- 2.1 Adjusted Capacity Price: The \$/kW-yr capacity purchase price based on the Capacity Payment Schedule in effect at time of Contract execution for the time period beginning on the date of Firm Operation for the first generating unit and ending on the date of termination or reduction of Contract Capacity under Capacity Payment Option B.
- 2.2 Appendix A.1: Interconnection Facilities Agreement -- Added Facilities Basis
- 2.3 Appendix A.2: Interconnection Facilities Agreement -- Capital Contribution Basis
- 2.4 Appendix A.3: Interconnection Facilities Agreement -- Seller Owned and Operated Basis
- 2.5 Appendix B: Forecast of Annual As Available Capacity Payment Schedule
- 2.6 Appendix C: Forecast of Annual Marginal Cost of Energy
- 2.7 Appendix D: Forecast of Incremental Energy Rates.
- 2.8 Capacity Payment Schedule(s): Published capacity payment schedule(s) as authorized by the Commission for as-available or firm capacity.

- 2.9 Commission: The Public Utilities Commission of the State of California.
- 2.10 Contract: This document and Appendices, as amended from time to time.
- 2.11 Contract Capacity: The electric power producing capability of the Generating Facility which is committed to Edison.
- 2.12 Contract Capacity Price: The capacity purchase price from the Capacity Payment Schedule approved by the Commission for Capacity Payment Option B.
- 2.13 Contract Term: Period in years commencing with date of Firm Operation for the first generating unit(s) during which Edison shall purchase electric power from Seller.
- 2.14 Current Capacity Price: The \$/kW-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.
- 2.15 Edison: The Southern California Edison Company.
- 2.16 Edison Electric System Integrity: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.
- 2.17 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

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LONG-TERM POWER PURCHASE

- 2.18 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.
- 2.19 Firm Operation: The date agreed on by the Parties on which each generating unit(s) of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its effective rating (expressed in kW).
- 2.20 First Period: The period of the Contract Term specified in Section 3.1.
- 2.21 Forced Outage: Any outage other than a scheduled outage of the Generating Facility that fully or partially curtails its electrical output.
- 2.22 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility

excluding associated land, land rights, and interests in land.

- 2.23 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.
- 2.24 Interconnection Facilities: Those protection, metering, electric line(s), and other facilities required in Edison's sole judgment to permit an electrical interface between Edison's system and the Generating Facility in accordance with Edison's Tariff Rule No. 21 titled Cogeneration and Small Power Production Interconnection Standards filed with the Commission.

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- 2.25 Interconnection Facilities Agreement: That document which is specified in Section 1.10 and is attached hereto.
- 2.26 KVAR: Reactive kilovolt-ampere, a unit of measure of reactive power.
- 2.27 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.
- 2.28 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.
- 2.29 Parties: Edison and Seller.
- 2.30 Party: Edison or Seller.
- 2.31 Peak Months: Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.
- 2.32 Point of Interconnection: The point where the transfer of electrical energy between Edison and Seller takes place.
- 2.33 Project: The Generating Facility and Interconnection Facilities required to permit operation of Seller's Generator in parallel with Edison's electric system.

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- 2.34 Protective Apparatus: That equipment and apparatus installed by Seller and/or Edison pursuant to Section 4.2.
- 2.35 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.
- 2.36 Second Period: The period of the Contract Term specified in Section 3.2.
- 2.37 Seller: The Party identified in Section 1.0.
- 2.38 Seller's Facility: The premises and equipment of Seller located as specified in Section 1.2.
- 2.39 Small Power Production Facility: The facilities and equipment which use biomass, waste, or renewable resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, code of Federal Regulations, Section 292.201 through 292.207.
- 2.40 Standby Demand: Seller's electrical load requirement that Edison is expected to serve when Seller's Generating Facility is not available.
- 2.41 Summer Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.
- 2.42 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission.

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- 2.43 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, action or inaction of legislative, judicial, or regulatory agencies, or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California.
- 2.44 Winter Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.8.

- 3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than five years from the date of execution of this Contract.

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- a. If the Contract Term specified in Section 1.8 is 15 years, the First Period of the Contract Term shall be for five years.
- b. If the Contract Term specified in Section 1.8 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.

- 3.2 The Second Period of the Contract Term shall commence upon expiration of the First Period and shall continue for the remainder of the Contract Term.

4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

- a. Design the Generating Facility.
- b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.
- c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.
- d. Furnish and install the relays, meters, power circuit breakers, synchronizer, and other control and Protective Apparatus as shall

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be agreed to by the Parties as being necessary for proper and safe operation of the Project in parallel with Edison's electric system.

4.2.2 Edison shall have the right to:

- a. Review the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such review may include, but not be limited to, the Generator, governor, excitation system, synchronizing equipment, protective relays, and neutral grounding. The Seller shall be notified in writing of the outcome of the Edison review within 30 days of the receipt of all specifications for both the Generating Facility and the Interconnection Facilities. Any flaws perceived by Edison in the design shall be described in Edison's written notice.
- b. Request modifications to the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison Electric System Integrity when in parallel with the Edison electric system.

4.2.3 If Seller's Generating Facility includes an induction-type generator(s), Seller shall provide individual power factor correction capacitors for each such generator. Such capacitors shall be switched on and off simultaneously with each of the associated induction-type

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generator(s) of the Generating Facility. The KVAR rating of such capacitors shall be the highest standard value which will not exceed such generators no-load KVAR requirement. Seller shall not install power factor correction in excess of that required by this Section unless agreed to in writing by the Parties.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall

notify Edison, at least one year prior to Firm Operation, of changes in Seller's Construction Schedule which may affect the date of Firm operation.

4.4 Operation

- 4.4.1 The Generating Facility and Seller's Protective Apparatus shall be operated and maintained in accordance with applicable California utility industry standards and good engineering practices with respect to synchronizing, voltage and reactive power control. Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

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- 4.4.2 Seller shall notify in writing Edison's Operating Representative at least 14 days prior to:
- a. the initial testing of Seller's Protective Apparatus; and
 - b. the initial parallel operation of Seller's Generators with Edison's electrical system.

Edison shall have the right to have a representative present at each event.

- 4.4.3 Edison shall have the right to require Seller to disconnect the Generator from the Edison electric system or to reduce the electrical output from the Generator into the Edison electric systems whenever Edison determines, in its sole judgment, that such a disconnection is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to disconnect the Generator from the Edison electric system pursuant to this section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements provided Seller has elected Operating Option III. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the disconnection or the reduction of electrical output. The duration of the disconnection or the reduction in electrical output shall be limited to the period of time such a condition exists.

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4.4.4 the Generating Facility shall be operated with all of Seller's Protective Apparatus in service whenever the Generator is connected to or is operated in parallel with the Edison electric system. Any deviation for brief periods of emergency or maintenance shall only be by agreement of the Parties.

4.4.5 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

SCHEDULED OUTAGE EXPECTED DURATION	ADVANCE NOTICE TO EDISON
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

4.4.6 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's Operating Representative by telephone.

4.4.7 Seller shall not schedule major overhauls during Peak Months.

4.4.8 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings or adjustments of the Generator control equipment and protective devices. Information maintained pursuant to this Section 4.4.8 shall be provided to Edison, within 30

days of Edison's request.

- 4.4.9 If, at any time, Edison doubts the integrity of any of Seller's Protective Apparatus and believes that such loss of integrity would impair the Edison Electric System Integrity, Seller shall demonstrate to Edison's satisfaction, the correct calibration and operation of the equipment in question.
- 4.4.10 Seller shall test all protective devices specified in Section 4.2 with qualified Edison personnel present at intervals not to exceed four years.
- 4.4.11 Seller shall, to the extent possible, provide reactive power for its own requirements, and where applicable, the reactive power losses of

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interfacing transformers. Seller shall not deliver excess reactive power to Edison unless otherwise agreed upon between the Parties.

- 4.4.12 The Seller warrants that the Generating Facility meets the requirements of a Qualifying Facility as of the effective date of this Contract and continuing through the Contract Term.
- 4.4.13 The Seller warrants that the Generating Facility shall at all times conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If at any time Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.
- 4.4.14 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods at Emergency. In the event that the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.5 shall be waived by Edison if Seller reschedules the outage.
- 4.4.15 Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation.

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Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 9.1.2.5.

4.5 Maintenance

- 4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.
- 4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months. Outages for scheduled maintenance shall not exceed a total of 30 peak hours for the Peak Months.
- 4.5.3 The allowance for scheduled maintenance is as follows:
 - a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be

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used in increments of an hour or longer on a consecutive or nonconsecutive basis.

- b. Seller may accumulate unused maintenance hours on a year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used consecutively and only for major overhauls.

4.6 Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of

Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

5. OPERATING OPTIONS

5.1 Seller shall elect in Section 1.9 to Operate its Generating Facility in parallel with Edison's electric system pursuant to one of the following options:

a. Operating Option I: Seller dedicates the entire Generator output to Edison with no electrical service required from Edison.

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b. Operating Option II: Seller dedicates the entire Generator output to Edison with electrical service required from Edison.

c. Operating Option III: Seller dedicates to Edison only that portion of the Generator output in excess of Seller's electrical service requirements. As much as practicable, Seller intends to serve its electrical requirements from the Generator output and will require electrical standby from Edison as designated in Section 1.9.

5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 9.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

5.2.1. When the Seller wishes to reserve Interconnection Facilities paid for by the Seller but idled by a change in operation option, Edison shall impose a special facilities charge related to the operation and maintenance of the Interconnection Facility. When the Seller no longer needs said facilities for which it has paid, the Seller shall

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receive credit for the net salvage value of the Interconnection Facilities dedicated to Edison's use. If Edison is able to make use of these facilities to serve other customers, the Seller shall receive the fair market value of the facilities determined as of the date the Seller either decides no longer to use said facilities or fails to pay the required maintenance fee.

6. INTERCONNECTION FACILITIES

- 6.1 The Parties shall execute an Interconnection Facilities Agreement selected by Seller in Section 1.10, covering the design, installation, operation and maintenance of the Interconnection Facilities required in Edison's sole judgment, to permit an electrical interface between the Parties pursuant to Edison's Tariff Rule No. 21.
- 6.2 The cost for the Interconnection Facilities set forth in the appendices specified in Section 1.10, are estimates only for Seller's information and will be adjusted to reflect recorded costs after installation is complete; except that, upon Seller's written request to Edison, Edison shall provide a binding estimate which shall be the basis for the Interconnection Facilities cost in the Interconnection Facilities Agreement executed by the Parties.
- 6.3 The nature of the Interconnection Facilities and the Point of Interconnection shall be set forth either by equipment lists or appropriate one-line diagrams and shall be attached to the appropriate appendix specified in Section 1.10.

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- 6.4 The design, installation, operation, maintenance, and modifications of the Interconnection Facilities shall be at Seller's expense.
- 6.5 Seller shall not commence parallel operation of the Generating Facility until written approval for operation of the Interconnection Facilities has been received from Edison. The Seller shall notify Edison at least forty-five days prior to the initial energizing of the Point of Interconnection. Edison shall have the right to inspect the Interconnection Facilities within thirty days of receipt of such notice. If the facilities do not pass Edison's inspection, Edison shall provide in writing the reasons for this failure within five days of the inspection.
- 6.6 Seller, at no cost to Edison, shall acquire all permits and

approvals and complete all environmental impact studies necessary for the design, installation, operation, and maintenance of the Interconnection Facilities.

7. ELECTRIC LINES AND ASSOCIATED EASEMENTS

- 7.1 Edison shall, as it deems necessary or desirable, build electric lines, facilities and other equipment, both overhead and underground, on and off Seller's Facility, for the purpose of effecting the agreements contained in this Contract. The physical location of such electric lines, facilities and other equipment on Seller's Facility shall be determined by agreement of the Parties.

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- 7.2 Seller shall reimburse Edison for the cost of acquiring property rights off Sellers's Facility required by Edison to meet its obligations under this Contract.
- 7.3 Seller shall grant to Edison, without cost to Edison, and by an instrument of conveyance, acceptable to Edison, rights of way, easements and other property interests necessary to construct, reconstruct, use, maintain, alter, add to, enlarge, repair, replace, inspect and remove, at any time, the electric lines, facilities or other equipment, both overhead and underground, which are required by Edison to effect the agreements contained in the Contract. Seller shall also provide the rights of ingress and egress at all reasonable times necessary for Edison to perform the activities contemplated in the Contract.
- 7.4 The electric lines, facilities, or other equipment referred to in this Section 7 installed by Edison on or off Seller's Facility shall be and remain the property of Edison.
- 7.5 Edison shall have no obligation to Seller for any delay or cancellation due to inability to acquire a satisfactory right of way, easements, or other property interests.

8. METERING

- 8.1 All meters and equipment used for the measurement of electric power for determining Edison's payments to Seller pursuant to this Contract shall be

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provided, owned, and maintained by Edison at Seller's expense in accordance with Edison's Tariff Rule No. 21.

- 8.2 All meters and equipment used for billing Seller for electric service provided to Seller by Edison under Operating Options II or III shall be provided, owned, and maintained by Edison at Edison's expense in accordance with Edison's Tariff Rule No. 16.
- 8.3 The meters and equipment used for measuring the Energy sold to Edison shall be located on the side of the Interconnection Facilities as specified by Seller in Section 1.13. If the metering equipment is located on Seller's side of the Interconnection Facilities, then a loss compensation factor agreed upon by the Parties shall be applied. At the written request of the Seller, and at Seller's sole expense, Edison shall measure actual transformer losses. If the actual measured value differs from the agreed upon loss compensation factor, the actual value shall be applied prospectively. If the meters are placed on Edison's side of the Interconnection Facilities, service shall be provided at the available transformer high-side voltage.
- 8.4 For purposes of monitoring the Generator operation and the determination of standby charges, Edison shall have the right to require, at Seller's expense, the installation of generation metering. Edison may also require the installation of telemetering equipment at Seller's expense for Generating Facilities equal to

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or greater than 10 MW. Edison may require the installation of telemetering equipment at Edison's expense for Generating Facilities less than 10 MW.

- 8.5 Edison's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison. Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.
- 8.6 Edison's meters installed pursuant to this Contract shall be tested by Edison, at Edison's expense, at least once each year and at any reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison within thirty days after presentation of a bill therefor.
- 8.7 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison such that the metering accuracy of said equipment shall be within two percent. If metering equipment inaccuracy exceeds two percent, the correct amount of Energy and Contract Capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

9. POWER PURCHASE PROVISIONS

Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the

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can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver Energy to Edison and for any Energy purchased by Edison, Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price from the Standard Offer No. 1 Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

9.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.11. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract. Data used to derive Edison's full avoided costs will be made available to the Seller, to the extent specified by Seller upon request.

9.1.1 Capacity Payment Option A -- As Available Capacity.

If Seller selects Capacity Payment Option A, Seller shall be paid a monthly capacity payment calculated pursuant to the following formula:

MONTHLY
$$\text{CAPACITY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

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Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak

periods defined in Edison's Tariff
Schedule No. TOU-8.

D = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.11.

9.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.11, then the formula set forth in Section 9.1.1 shall be computed with D equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

9.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.11, the formula set forth in Section 9.1.1 shall be computed as follows:

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- a. During the First period of the Contract Term, D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.
- b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.

9.1.2 Capacity payment Option B -- Firm Capacity Purchase
If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.5, or as adjusted

pursuant to Section 9.1.2.6, and Seller shall be paid as follows:

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9.1.2.1 If Seller meets the performance requirements set forth in Section 9.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

MONTHLY PERIOD CAPACITY PAYMENT = $A \times B \times C \times D$

Where A = Contract Capacity Price specified in Section 1.11 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by the Commission and in effect on the date of the execution of this Contract.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.5.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

Period kWh purchased by Edison limited by the level of Contract Capacity

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$0.8 \times \text{Contract Capacity} \times (\text{Period Hours} - \text{Maintenance Hours Allowed in Section 4.5.})$

9.1.2.2 Performance Requirements to receive the Monthly Capacity Payment in Section 9.1.2.1,

Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined in Edison's Tariff Schedule No. TOU-8 on file with the Commission, except that Seller is entitled to a 20% allowance for Forced Outages for each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

- a. If Seller fails to meet the requirements specified in Section 9.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 15 months. If Seller fails to meet the requirements specified in Section 9.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A

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reduction in Contract Capacity as a result of this Section 9.1.2.2 shall be subject to Section 9.1.2.5.

- b. If Seller fails to meet the requirements set forth in Section 9.1.2.2 due to a Forced Outage on the Edison system or a request to reduce or curtail delivery under Section 9.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the calculation of the Monthly Capacity Payment.

- 9.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages.

9.1.2.4 Capacity Bonus Payment for Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

- a. Bonus During Peak Months -- For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i)

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the requirements set forth in Section 9.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.

- b. Bonus During Non-Peak Months -- For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 9.1.2.2 have been met (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.
- c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

$$\text{CAPACITY BONUS PAYMENT} = A \times B \times C \times D$$

Where A = $(1.2 \times \text{On-Peak Capacity Factor}) - 1.02$
Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:
Period kwh purchased by Edison limited by the level of Contract Capacity (Contract Capacity) $\times$ (Period Hours minus Maintenance Hours Allowed in Section 4.5)

B = Contract Capacity Price specified in Section 1.11 for Capacity Payment Option B

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$$C = 1/12$$

$$D = \text{Contract Capacity specified in Section 1.5}$$

- d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 9.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section.
- e. For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer No. 1 Capacity Payment Schedule, as updated and approved by the Commission. Seller shall not receive any as-available capacity payment in excess of Contract Capacity if Seller's Generating Facility is a small hydro project.

9.1.2.5 Capacity Reduction

- a. Seller may reduce the Contract Capacity specified in Section 1.5, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

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Amount of Contract Capacity Reduced	Length of Notice Required
25,000 kW or under	12 months
25,001 - 50,000 kW	36 months
50,001 - 100,000 kW	48 months
over 100,000 kW	60 months

- b. Subject to Section 10.4, Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

- c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity Price for the amount of Contract Capacity being reduced.
- d. Seller may reduce Contract Capacity without the notice prescribed in Section 9.1.2.5(a), provided that

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Seller shall refund to Edison the amount specified in Section 9.1.2.5(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving prescribed notice. If the Current Capacity Price is less than Contract Capacity Price, only payment under Section 9.1.2.5(b) shall be due to Edison.

- 9.1.2.6 Adjustment to Contract Capacity. The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section 9.1.2.5. Seller may increase the Contract Capacity with Edison's approval and thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

9.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the Energy delivered by the Seller to Edison at the Point

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of Interconnection pursuant to the Energy Payment Option selected by Seller in Section 1.12, as follows. (Data used to derive Edison's Energy payments for the First Period will be made available to the Seller, to the extent specified by Seller, upon request.)

- 9.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy. If Seller selects Energy Payment Option 1, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison during each month in the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

- Where
- A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.
 - B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.
 - C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.
 - D = The sum of:
 - (i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of

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the forecast specified in Section 1.12, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy

price specified in Section 1.12.

- 9.2.2 Energy Payment Option 2 -- Levelized Forecast of Marginal Cost of Energy. If Seller selects Energy Payment Option 2, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison each month

during the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for

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the First Period of the Contract Term multiplied by the decimal equivalent of the percentage of the levelized forecast specified in Section 1.12, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.12.

- 9.2.2.1 Performance Requirement for Energy Payment Option 2 During the First Period when the annual forecast referred to in Section 9.2.1 is greater than the levelized forecast referred to in Section 9.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section

9.2.2 is greater than the annual forecast referred to in Section 9.2.1 as resource conditions permit for solar, wind, and hydro Generating Facilities and excluding uncontrollable forces. If Seller does not meet the performance requirements of this Section 9.2.2.1, Seller shall be subject to Section 9.5.

9.3 Energy Payments - Second Period

During the Second Period of the Contract Term, Seller shall be paid a

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Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at a rate equal to 100% of Edison's published avoided cost of energy based on Edison's full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the following formula:

MONTHLY ENERGY PAYMENT = kwh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8.

x Edison's published avoided cost of energy by time of delivery for each time period.

Data used to derive Edison's full avoided costs will be made available to the Seller, to the extent specified by Seller, upon request.

- 9.4 Edison shall not be obligated to accept or pay for Energy, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of Energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs greater than those which Edison would incur if it did not purchase Energy from Seller but instead utilized an equivalent amount of Energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

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9.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

- 9.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in Section 9.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.12.
- 9.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee, or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion accept another form of security except that in such instance a 1-1/2 percent

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reduction shall then apply to the levelized forecast referred to in Section 9.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

- 9.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy Payment Refund provided in Section 9.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 9.2.1.
- 9.5.4 If Edison at any time determines the security to be otherwise inadequate, and so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 9.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security

requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 9.5 shall be payable forthwith.

10. PAYMENT AND BILLING PROVISIONS

10.1 For Energy and capacity purchased by Edison:

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- 10.1.1 Edison shall mail to Seller not later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and Contract Capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.
- 10.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.
- 10.1.3 If the payment period is less than 27 days or greater than 33 days, the capacity payment shall be prorated on the basis of coverage days per month per year.
- 10.1.4 If Within thirty days of receipt of the statement Seller does not make a report in writing to Edison of an error, Seller shall be deemed to have waived any error in Edison's statement, computation, and payment, and they shall be considered correct and complete.

10.2 For electric Service provided by Edison:

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10.2.1 Under Operating Option III pursuant to Section 5.1, standby electric service shall be provided under terms and conditions of Edison's tariff schedule indicated below as now in effect or as may hereafter be authorized by the Commission to be revised. The applicable tariff schedules are:

STANDBY TARIFF SCHEDULE NO	ELECTRICAL SERVICE TARIFF
SCG-1	TOU-8 or GS-2
SCG-1	TOU-8
SCG-3	TOU-8

10.2.1.1 (Applicable to SCG-I only) The Standby Demand for calculation of the standby charge in SCG-1 is specified in Section 1.9. Edison reserves the right to adjust the Standby Demand based on recorded demand during periods standby power is required.

10.2.1.2 (Applicable to SCG-1 only) The capacity rating for determination of standby waiver qualifications shall be Contract Capacity plus the maximum electric load served by the Generating Facility during the on-peak time period recorded during the preceding 12-month time period.

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10.2.1.3 A minimum monthly charge may be established for standby electric service as provided in the tariff schedule elected in Section 1.9. Said minimum monthly charge shall be specified in Section 1.9.

10.2.2 Under Operating Options II and III pursuant to Section 5.1, electric service shall be provided under terms, conditions, and rates of Edison's tariff schedule indicated below as now in effect or as may hereafter be authorized by the Commission to be revised.
The applicable tariff schedule is:

TOU-8, or

GS2

The contract demand for calculation of the minimum demand charge in the applicable tariff schedules is specified in Section 1.9.

10.2.3 Edison shall commence billing Seller for electric service rendered pursuant to the applicable tariff schedule on the date that the Point of Interconnection is energized.

10.3 Monthly charges associated with Interconnection Facilities shall be billed pursuant to the Interconnection Facilities Agreement contained in the Appendix specified in Section 1.10.

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10.4 Payments due to Contract Capacity Reduction

10.4.1 The Parties agree that the refund and payments provided in Section 9.1.2.5 represent a fair compensation for the reasonable losses that would result from such reduction of Contract Capacity.

10.4.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 9.1.2.5, as applicable.

10.4.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this section which shall be due within 60 days.

10.4.4 If Seller does not make payments as required in Section 10.4.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

10.5 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 9.5.

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SCE STANDARD CONTRACT
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11. TAXES

- 11.1 Seller shall pay ad valorem taxes and other taxes properly attributable to the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.
- 11.2 Seller shall pay ad valorem taxes and other taxes properly attributed to land, land rights, or interest in land for the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.
- 11.3 If the interconnection Facilities are owned by Edison, Edison shall pay ad valorem taxes and other taxes properly attributed to said facilities. If such taxes are assessed or levied against Seller, Edison shall pay Seller for such assessment or levy.
- 11.4 Seller or Edison shall provide information concerning the Project to any requesting taxing authority.

12. TERMINATION

This Contract shall terminate if Firm Operation does not occur within 5 years of the date of Contract execution.

13. LIABILITY

- 13.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorneys' fees and other costs of litigation incurred by the First Party in

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connection with damage to property of the First Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

- 13.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, (including

direct, indirect or consequential loss, damage, claim, cost, charge, or expense) including attorneys' fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for and shall bear all cost of claims brought by its contractors or its own employees

SCE STANDARD CONTRACT
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and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or liability arising from any contrary representation concerning the effect of Edison's review of the design, construction, operation, or maintenance of the Project.

13.3 The provisions of this Section 13 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

13.4 Neither Party shall be indemnified under this Section 13 for its liability or loss resulting from its sole negligence or willful misconduct.

14. INSURANCE

14.1 Until Contract is terminated, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of (i) not less than \$1,000,000 each occurrence for Generating Facilities 100 kW or greater; (ii) not less than \$500,000 for each occurrence for Generating Facilities between 20 kW and 100 kW; and (iii) not less than \$100,000 for each occurrence for Generating Facilities less than 20 kW. The insurance carrier or carriers and form of policy shall be subject to review and approval by Edison.

- 14.2 Prior to the date Seller's Generating Facility is first operated in parallel with Edison's electric system, Seller shall (i) furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is operated in parallel with Edison's electric system, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following forms:

"In consideration of the premium charged, Southern California Edison Company (Edison) is named as additional insured with respect to all liabilities arising out seller's use and ownership of Seller's Generating Facility." "The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverage afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy."

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SCE STANDARD CONTRACT
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"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to the contrary."

If the requirement of Section 14.2 (iii) prevents Seller from obtaining the insurance required in Section 14.1 then upon written notification by Seller to Edison, Section 14.2 (iii) shall be waived.

- 14.3 The requirements of this Section 14 shall not apply to Seller who is a self-insured governmental agency with established record of self-insurance.
- 14.4 If Seller fails to comply with the provisions of this Section 14, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorneys' fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 14.

SCE STANDARD CONTRACT
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15. UNCONTROLLABLE FORCES

- 15.1 Neither Party shall be considered to be in default in the performance of any of the agreements contained in this Contract, except for obligations to pay money, when and to the extent failure of performance shall be caused by an Uncontrollable Force.
- 15.2 If either Party because of an Uncontrollable Force is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be excused from whatever performance is affected by the Uncontrollable Force to the extent so affected provided that:
- (1) the nonperforming Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence,
 - (2) the suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force,
 - (3) the nonperforming Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty),

SCE STANDARD CONTRACT
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- (4) when the nonperforming Party is able to resume performance of its obligations under this Contract, that Party shall give the other Party written notice to that effect, and
 - (5) capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 9.1.2.3.
- 15.3 In the event that either Party's ability to perform cannot be corrected when the Uncontrollable Force is caused by the

actions or inactions of legislative, judicial or regulatory agencies or other proper authority, this Contract may be amended to comply with the legal or regulatory change which caused the nonperformance.

If a loss of Qualifying Facility status occurs due to an Uncontrollable Force and Seller fails to make the changes necessary to maintain its Qualifying Facility status, the Seller shall compensate Edison for any economic detriment incurred by Edison as a result of such failure.

16. NONDEDICATION OF FACILITIES

Neither Party, by this Contract, dedicates any part of its facilities involved in this Project to the public or to the service provided under the Contract, and such service shall cease upon termination of the Contract.

17. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of

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SCE STANDARD CONTRACT
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this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.

18. NOTICES AND CORRESPONDENCE

All notices and correspondence pertaining to this contract shall be in writing and shall be sufficient if delivered in person or sent by certified mail, postage prepaid, return receipt requested, to Seller as specified in Section 1.1, or to Edison as follows:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Attention: Secretary

All notices sent pursuant to this Section 18 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.

19. PREVIOUS COMMUNICATIONS

This Contract contains the entire agreement and understanding between the Parties, their agents, and employees as to the subject matter of this contract, and merges and supersedes all prior agreements, commitments, representations, and discussions between the Parties. No Party shall be bound to any other obligations, conditions, or representations with respect to the subject matter of this Contract.

20. NONWAIVER

None of the provisions of the Contract shall be considered waived by either Party

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SCE STANDARD CONTRACT
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except when such waiver is given in writing. The failure of either Edison or Seller to insist on any one or more instances upon strict performance of any of the provisions of the Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue to remain in full force and effect.

21. SUCCESSORS AND ASSIGNS

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be withheld unreasonably. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under this Contract.

22. EFFECT OF SECTION READINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23 GOVERNING LAW

This Contract shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

24. MULTIPLE ORIGINALS

This Contract is executed in two counterparts, each of which shall be deemed an original.

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 15th of April, 1985.

[Approved as to Form
John R. Bury
Vice President and General Counsel

By /s/ John R. Bury

April 18, 1985]

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Edward A. Myers, Jr.

EDWARD A. MYERS, JR.
Vice President

PACIFIC LIGHTING ENERGY SYSTEMS

MAMMOTH PACIFIC

By /s/ Lee H. Freeman

LEE H. FREEMAN
Vice President

PACIFIC LIGHTING ENERGY SYSTEMS

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

AMENDMENT NO. 1
POWER PURCHASE CONTRACT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY AND
MAMMOTH PACIFIC
(Mammoth Pacific II Project)

"Amendment No. 1
Power Purchase Contract Between Southern California
Edison Company and Mammoth Pacific"

1. PARTIES:

This Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Mammoth Pacific ("Contract") for the Mammoth Pacific II project is entered into between Southern California Edison Company ("Edison") and Mammoth Pacific ("Seller"), individually, "Party," and collectively, "Parties."

2. RECITALS:

This Amendment No. 1 to the Contract is made with reference to the following facts, among others:

2.1 Edison and Mammoth Pacific executed the Contract on April 15, 1985.

2.2. Mammoth Pacific executed an Interconnection Facilities Agreement as Appendix A.3 to the Contract effective October 13, 1985 ("IFA").

2.3 Seller desires to amend the Contract to delete the IFA as Appendix A.3 to the Contract and replace it with the attached Interconnection Facilities Agreement as Appendix A to the Contract.

3. AGREEMENT:

The Parties agree to amend the Contract as follows:

3.1 The attached Interconnection Facilities Agreement shall replace and supersede the IFA as Appendix A to the Contract.

4. OTHER TERMS AND CONDITIONS:

Except as expressly amended by this Amendment No. 1, the terms and conditions of the Contract shall remain in full force and effect.

5. EFFECTIVE DATE:

This Amendment No. 1 shall become effective when it has been duly executed by the Parties.

6. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 to the Contract on behalf of the Party for whom they sign. This Amendment No. 1 is hereby executed as of this 27th day of October, 1989.

By: /s/ Robert Dietch

Robert Dietch
Vice President

Name: Claude Harrey

Title: Vice President

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Exhibit 10.3.15

AMENDMENT NO. 2

POWER PURCHASE CONTRACT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY AND
MAMMOTH PACIFIC

1. PARTIES:

This Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Mammoth-Pacific ("Contract") for the Mammoth-Pacific II project is entered into between Southern California Edison Company ("Edison") and Mammoth-Pacific ("Seller"), individually, "Party," and collectively, "Parties."

2. RECITALS:

This Amendment No. 2 to the Contract is made with reference to the following facts, among others:

2.1 Edison and Seller executed the Contract on April 15, 1985.

2.2 Edison and Seller executed Amendment No. 1 to the Contract on October 27, 1989.

2.3 The Contract was subject to Uncontrollable Forces which rendered Mammoth-Pacific unable to perform its obligations under the Contract for a period of five hundred fifty-three (553) days.

2.4 The Parties desire to amend the Contract to change the date of expected Firm Operation set forth at Section 1.7 of the Contract to reflect the effect of the Uncontrollable Force.

3. AGREEMENT:

The Parties agree to amend the Contract as follows:

(A) The expected Firm Operation date of "February 1967" set forth at Section 1.7 of the Contract is deleted, and replaced with "October 20, 1991."

(B) The First Period of the Contract Term set forth at Section 3.1 of the Contract shall commence upon date of Firm Operation, and the phrase "but not later than five years from the date of execution of this Contract" is deleted.

(C) The text of Section 12 should be deleted and replaced with: "This Contract shall terminate if Firm Operation does not occur by October 20, 1991."

4. OTHER TERMS AND CONDITIONS:

Except as expressly amended by this Amendment No. 2, the terms and conditions of the Contract shall remain in full force and effect.

5. EFFECTIVE DATE:

This Amendment No. 2 shall become effective when it has been duly executed by the Parties.

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6. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 2 to the Contract on behalf of the Party for whom they sign. This Amendment No. 2 is hereby executed as of this 20th day of December, 1989.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Robert Dietch

Robert Dietch
Vice President

MAMMOTH-PACIFIC

By: /s/ Robert J. Cushman

Name: Robert J. Cushman
Title: Senior Vice President

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Exhibit 10.3.16

SCE STANDARD CONTRACT
LONG TERM POWER PURCHASE

POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
SANTA FE GEOTHERMAL, INC.
(CASA DIABLO)

10 MW NAME PLATE
NEW FACILITY GIII

DOCUMENT NO.: 2430H
EFFECTIVE DATE: September 7, 1983
REVISED: May 4, 1984

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1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Santa Fe Geothermal, Inc. ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All notices shall be sent to Seller at the following address:

Santa Fe Geothermal, Inc.
5001 East Commerce Center Drive
Bakersfield, CA 93309

1.2 Seller's Generating Facility:

a. Nameplate Rating: 10,000 kW.

b. Location: Section 9, T35, R28E, MDBM

c. Type (Check One):

N/A Cogeneration Facility

X Small Power Production Facility

d. Delivery of power to Edison at a nominal 33,000 volts.

e. Seller shall commence construction of the Generating Facility by 1987.

1.3 Edison Customer Service District;

Bishop District
374 Lagoon Street
Bishop, CA 93514

1.4 Location of Edison Operating Switching Center:

Bishop Hydro Division
Control Substation, Route 1
Bishop, CA 93514

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1.5 Contract Capacity: 10,000 kW

1.5.1 Estimated as-available capacity: 0 kW.

1.6 Expected annual production: 74,460,000 kWh.

1.7 Expected Firm Operation for each generating unit(s): January 1988

1.8 Contract Term: 30 years

1.9 Operating Options pursuant to Section 5: (Check One)

N/A Operating Option I. Entire Generator output
--- dedicated to Edison. No electric service or
 standby service required.

N/A Operating Option II. Entire Generator output
--- dedicated to Edison with separate electric
 service required.

a. Electric service Tariff Schedule No. ____
 pursuant to Section 10.2.

b. Contract demand: ____ kW.

X Operating Option III. Excess generator output
 dedicated to Edison with Seller serving own load.

a. Electric service Tariff Schedule No. TOG-8
 pursuant to Section 10.2.

b. Contract demand: 1,500 kW.

c. Standby Demand: 1,500 kW pursuant to Section
 10.2.

d. Maximum electrical requirements expected: 1,500
 kW.

e. Standby electric service Tariff Schedule No.
 SCG-1 pursuant to Section 10.2.

f. Minimum monthly charge for standby service: N/A.

1.10 Interconnection Facilities Agreement pursuant to Section 6 shall
be: (Check One)

N/A - Added Facilities Basis (Appendix A.1)

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X - Capital Contribution Basis (Appendix A.2)

N/A - Seller Owned and Operated Basis (Appendix A.3)

1.11 The Capacity Payment Option selected by Seller pursuant to Section
9.1 shall be: (Check One)

N/A Option A - As-available capacity based upon:

N/A Standard Offer No. 1 Capacity Payment Schedule,
--- or

N/A Forecast of Annual As-Available Capacity
--- Payment Schedule. The as-available capacity

price (first year): \$_____/kW-yr. (Appendix B)

X Option B - Firm Capacity (check one)

X Standard Offer No. 2 Capacity Payment Schedule
--- in effect at time of Contract execution.

N/A Standard Offer No. 2 Capacity Payment Schedule
--- in effect at time of Firm Operation of first
 generating unit.

Contract Capacity Price: \$165/kW-yr. (Firm Capacity).

1.12 The Energy Payment Option selected by Seller pursuant to Section 9.2 shall be: (Check One)

X Option 1 - Forecast of Annual Marginal Cost of Energy
--- in effect at date of execution of this Contract.
 (Appendix C)

N/A Option 2 - Levelized Forecast of Marginal Cost of
--- Energy in effect at date of execution of this
 Contract. Levelized Forecast for the expected date of
 Firm Operation is ____ (cent)/kWh. If Seller's
 Generating Facility is an oil/natural gas fueled
 cogenerator. Seller may not select Option 2.

For the energy payment refund pursuant to Section 9.5 under Option 2, Edison's Incremental Cost of Capital is ____%.

Seller may change once between Options 1 and 2, provided Seller delivers written notice of such change at least 90 days prior to the date of Firm Operation.

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For option 1 or 2, Seller elects to receive the following percentages in 20% increments, the total of which shall equal 100%:

100 Percent of Forecast of Marginal Cost of Energy
--- (Annual or Levelized), not to exceed 20% of the
 annual forecast for oil/natural gas fueled
 cogenerators, and

0 Percent of Edison's published avoided cost of
--- energy based on Edison's full avoided operating
 costs as updated periodically and accepted by
 the Commission.

N/A Option 3 - Incremental Energy Rate. Seller may
--- select:

N/A Forecast of Incremental Energy Rate in effect
--- at date of execution of this Contract (Appendix
 D),

or

N/A A range in increments of 100 Btu/kWh above and
--- below the forecast of incremental energy rates

for each year during the First Period of the
Contract Term as follows:

Year	Range	Year	Range	Year	Range
----	-----	----	-----	----	-----
----	-----	----	-----	----	-----
----	-----	----	-----	----	-----
----	-----	----	-----	----	-----

1.13 Metering Location (Check one)

Seller elects metering location pursuant to Section 8 as
follows:

X Edison's side of the Interconnection Facilities

N/A Seller's side of the Interconnection Facilities. Loss
--- compensation factor is equal to _____, pursuant to
Section 8.3.

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GENERAL TERMS & CONDITIONS

2. DEFINITIONS

When used with initial capitalizations, whether in the singular or in
the plural, the following terms shall have the following meanings:

2.1 Adjusted Capacity Price: The \$/kW-yr capacity purchase price based
on the Capacity Payment Schedule in effect at time of Contract execution for the
time period beginning on the date of Firm Operation for the first generating
unit and ending on the date of termination or reduction of Contract Capacity
under Capacity Payment Option B.

2.2 Appendix A.1: Interconnection Facilities Agreement -- Added
Facilities Basis

2.3 Appendix A.2: Interconnection Facilities Agreement -- Capital
Contribution Basis

2.4 Appendix A.3: Interconnection Facilities Agreement -- Seller Owned
and Operated Basis

2.5 Appendix B: Forecast of Annual As Available Capacity Payment
Schedule

2.6 Appendix C: Forecast of Annual Marginal Cost of Energy

2.7 Appendix D: Forecast of Incremental Energy Rates.

2.8 Capacity Payment Schedule(s): Published capacity payment
schedule(s) as authorized by the Commission for as-available or firm capacity.

2.9 Commission: The Public Utilities Commission of the State of
California.

2.10 Contract: This document and Appendices, as amended from time to time.

2.11 Contract Capacity: The electric power producing capability at the Generating Facility which is committed to Edison.

2.12 Contract Capacity Price: The capacity purchase price from the Capacity Payment Schedule approved by the Commission for Capacity Payment Option B.

2.13 Contract Term: Period in years commencing with date of Firm Operation for the first generating unit(s) during which Edison shall purchase electric power from Seller.

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2.14 Current Capacity Price: The \$/kW-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.

2.15 Edison: The Southern California Edison Company.

2.16 Edison Electric System Integrity: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.

2.17 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

2.18 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.

2.19 Firm Operation: The date agreed on by the Parties on which each generating unit(s) of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its effective rating (expressed in kW).

2.20 First Period: The period of the Contract Term specified in Section 3.1.

2.21 Forced Outage: Any outage other than a scheduled outage of the Generating Facility that fully or partially curtails its electrical output.

2.22 Generation Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

2.23 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.

2.24 Interconnection Facilities: Those protection, metering, electric line(s), and other facilities required in Edison's sole judgment to permit an electrical interface between Edison's system and the Generating Facility in accordance with Edison's Tariff Rule No. 21 titled Cogeneration and Small Power Production Interconnection Standards filed with the Commission.

2.25 Interconnection Facilities Agreement: That document which is specified in Section 1.10 and is attached hereto.

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2.26 KVAR: Reactive kilovolt-ampere, a unit of measure of reactive power.

2.27 Operate: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.

2.28 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.

2.29 Parties: Edison and Seller.

2.30 Party: Edison or Seller.

2.31 Peak Months: Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

2.32 Point of Interconnection: The point where the transfer of electrical energy between Edison and Seller takes place.

2.33 Project: The Generating Facility and Interconnection Facilities required to permit operation of Seller's Generator in parallel with Edison's electric system.

2.34 Protective Apparatus: That equipment and apparatus installed by Seller and/or Edison pursuant to Section 4.2.

2.35 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.36 Second Period: The period of the Contract Term specified in Section 3.2.

2.37 Seller: The Party identified in Section 1.0.

2.38 Seller's Facility: The premises and equipment of Seller located as specified in Section 1.2.

2.39 Small Power Production Facility: The facilities and equipment which use biomass, waste, or renewable resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

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2.40 Standby Demand: Seller's electrical load requirement that Edison is expected to serve when Seller's Generating Facility is not available.

2.41 Summer Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

2.42 Tariff Schedule No. TOU-8: Edison's time-of-use energy tariff for electric service exceeding 500 kW, as now in effect or as may hereafter be authorized by the Commission.

2.43 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence,

including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, action or inaction of legislative, judicial, or regulatory agencies, or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California.

2.44 Winter Period: Defined in Edison's Tariff Schedule No. TOU-8 as now in effect or as may hereafter be authorized by the Commission.

3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.8.

3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than five years from the date of execution of this Contract.

- a. If the Contract Term specified in Section 1.8 is 15 years, the First Period of the Contract Term shall be for five years.
- b. If the Contract Term specified in Section 1.8 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.

3.2 The Second Period of the Contract Term shall commence upon expiration of the First Period and shall continue for the remainder of the Contract Term.

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4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

- a. Design the Generating Facility.
- b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.
- c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.
- d. Furnish and install the relays, meters, power circuit breakers, synchronizer, and other control and Protective Apparatus as shall be agreed to by the Parties as being necessary for proper and safe operation of the Project in parallel with Edison's electric system.

4.2.2 Edison shall have the right to:

- a. Review the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such review may include, but not be limited to, the Generator, governor, excitation system, synchronizing equipment, protective relays, and neutral grounding.

The Seller shall be notified in writing of the outcome of the Edison review within 30 days of the receipt of all specifications for both the Generating Facility and the Interconnection Facilities. Any flaws perceived by Edison in the design shall be described in Edison's written notice.

- b. Request modifications to the design of the Generating Facility's electrical system and the Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison

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Electric System Integrity when in parallel with the Edison electric system.

4.2.3 If Seller's Generating Facility includes an induction-type generator(s), Seller shall provide individual power factor correction capacitors for each such generator. Such capacitors shall be switched on and off simultaneously with each of the associated induction-type generator(s) of the Generating Facility. The KVAR rating of such capacitors shall be the highest standard value which will not exceed such generators no-load KVAR requirement. Seller shall not install power factor correction in excess of that required by this Section unless agreed to in writing by the Parties.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, at least one year prior to Firm Operation, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation

4.4.1 The Generating Facility and Seller's Protective Apparatus shall be operated and maintained in accordance with applicable California utility industry standards and good engineering practices with respect to synchronizing, voltage and reactive power control. Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

4.4.2 Seller shall notify in writing Edison's Operating Representative at least 14 days prior to:

- a. the initial testing of Seller's Protective Apparatus; and
- b. the initial parallel operation of Seller's Generators with Edison's electrical system.

Edison shall have the right to have a representative present at each event.

4.4.3 Edison shall have the right to require Seller to disconnect the Generator from the Edison electric system or to reduce the electrical output from the Generator into the Edison electric system, whenever Edison determines, in its sole judgment, that such a disconnection is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to disconnect the

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Generator from the Edison electric system pursuant to this Section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements provided Seller has elected Operating Option III. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the disconnection or the reduction of electrical output. The duration of the disconnection or the reduction in electrical output shall be limited to the period of time such a condition exists.

4.4.4 The Generating Facility shall be operated with all of Seller's Protective Apparatus in service whenever the Generator is connected to or is operated in parallel with the Edison electric system. Any deviation for brief periods of emergency or maintenance shall only be by agreement of the Parties.

4.4.5 Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

SCHEDULED OUTAGE EXPECTED DURATION -----	ADVICE NOTICE TO EDISON -----
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

4.4.6 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's Operating Representative by telephone.

4.4.7 Seller shall not schedule major overhauls during Peak Months.

4.4.8 Seller shall maintain in operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings or adjustments of the Generator control equipment and protective devices. Information maintained pursuant to this Section 4.4.8 shall be provided to Edison, within 30 days of Edison's request.

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4.4.9 If, at any time, Edison doubts the integrity of any of

Seller's Protective Apparatus and believes that such loss of integrity would impair the Edison Electric System Integrity, Seller shall demonstrate, to Edison's satisfaction, the correct calibration and operation of the equipment in question.

4.4.10 Seller shall test all protective devices specified in Section 4.2 with qualified Edison personnel present at intervals not to exceed four years.

4.4.11 Seller shall, to the extent possible, provide reactive power for its own requirements, and where applicable, the reactive power losses of interfacing transformers. Seller shall not deliver excess reactive power to Edison unless otherwise agreed upon between the Parties.

4.4.12 Seller warrants that the Generating Facility meets the requirements of a Qualifying Facility as of the effective date of this Contract and continuing through the Contract Term.

4.4.13 The Seller warrants that the Generating Facility shall at all times conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If at any time Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.

4.4.14 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of Emergency. In the event that the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.5 shall be waived by Edison if Seller reschedules the outage.

4.4.15 Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 9.1.2.5.

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4.5 Maintenance

4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.

4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months. Outages for scheduled maintenance shall not exceed a total of 30 peak hours for the Peak Months.

4.5.3 The allowance for scheduled maintenance is as follows:

- a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.
- b. Seller may accumulate unused maintenance hours on a

year-to-year basis up to a maximum of 1,080 hours (45 days). This accrued time must be used consecutively and only for major overhauls.

4.6. Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

5. OPERATING OPTIONS

5.1 Seller shall elect in Section 1.9 to Operate its Generating Facility in parallel with Edison's electric system pursuant to one of the following options:

- a. Operating Option I: Seller dedicates the entire Generator output to Edison with no electrical service required from Edison.
- b. Operating Option II: Seller dedicates the entire Generator output to Edison with electrical service required from Edison.
- c. Operating Option III: Seller dedicates to Edison only that portion of the Generator output in excess of Seller's electrical service requirements. As much as practicable, Seller intends to serve its electrical requirements from the Generator output and will require electrical standby from Edison as designated in Section 1.9.

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5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 9.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

5.2.1 When the Seller wishes to reserve Interconnection Facilities paid for by the Seller but idled by a change in operation option, Edison shall impose a special facilities charge related to the operation and maintenance of the Interconnection Facility. When the Seller no longer needs said facilities for which it has paid, the Seller shall receive credit for the net salvage value of the Interconnection Facilities dedicated to Edison's use. If Edison is able to make use of these facilities to serve other customers, the Seller shall receive the fair market value of the facilities determined as of the date the Seller either decides no longer to use said facilities or fails to pay the required maintenance fee.

6. INTERCONNECTION FACILITIES

6.1 The Parties shall execute an Interconnection Facilities Agreement selected by Seller in Section 1.10, covering the design, installation, operation

and maintenance of the Interconnection Facilities required in Edison's sole judgment, to permit an electrical interface between the Parties pursuant to Edison's Tariff Rule No. 21.

6.2 The cost for the Interconnection Facilities set forth in the appendices specified in Section 1.10, are estimates only for Seller's information and will be adjusted to reflect recorded costs after installation is complete; except that, upon Seller's written request to Edison, Edison shall provide a binding estimate which shall be the basis for the Interconnection Facilities cost in the Interconnection Facilities Agreement executed by the Parties.

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6.3 The nature of the Interconnection Facilities and the Point of Interconnection shall be set forth either by equipment lists or appropriate one-line diagrams and shall be attached to the appropriate appendix specified in Section 1.10.

6.4 The design, installation, operation, maintenance, and modifications of the Interconnection Facilities shall be a Sellers expense.

6.5 Seller shall not commence parallel operation of the Generating Facility until written approval for operation of the Interconnection Facilities has been received from Edison. The Seller shall notify Edison at least forty-five days prior to the initial energizing of the Point of Interconnection. Edison shall have the right to inspect the Interconnection Facilities within thirty days of receipt of such notice. If the facilities do not pass Edison's inspection, Edison shall provide in writing the reasons for this failure within five days of the inspection.

6.6 Seller, at no cost to Edison, shall acquire all permits and approvals and complete all environmental impact studies necessary for the design, installation, operation, and maintenance of the Interconnection Facilities.

7. ELECTRIC LINES AND ASSOCIATED EASEMENTS

7.1 Edison shall, as it deems necessary or desirable, build electric lines, facilities and other equipment, both overhead and underground, on and off Seller's Facility, for the purpose of effecting the agreements contained in this Contract. The physical location of such electric lines, facilities and other equipment on Seller's Facility shall be determined by agreement of the Parties.

7.2 Seller shall reimburse Edison for the cost of acquiring property rights off Sellers's Facility required by Edison to meet its obligations under this Contract.

7.3 Seller shall grant to Edison, without cost to Edison, and by an instrument of conveyance, acceptable to Edison, rights of way, easements and other property interests necessary to construct, reconstruct, use, maintain, alter, add to, enlarge, repair, replace, inspect and remove, at any time, the electric lines, facilities or other equipment, both overhead and underground, which are required by Edison to effect the agreements contained in the Contract. Seller shall also provide the rights of ingress and egress at all reasonable times necessary for Edison to perform the activities contemplated in the Contract.

7.4 The electric lines, facilities, or other equipment referred to in this Section 7 installed by Edison on or off Seller's Facility shall be and remain the property of Edison.

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7.5 Edison shall have no obligation to Seller for any delay or cancellation due to inability to acquire a satisfactory right of way, easements, or other property interests.

8. METERING

8.1 All meters and equipment used for the measurement of electric power for determining Edison's payments to Seller pursuant to this Contract shall be provided, owned, and maintained by Edison at Seller's expense in accordance with Edison's Tariff Rule No. 21.

8.2 All meters and equipment used for billing Seller for electric service provided to Seller by Edison under Operating Options II or III shall be provided, owned, and maintained by Edison at Edison's expense in accordance with Edison's Tariff Rule No. 16.

8.3 The meters and equipment used for measuring the Energy sold to Edison shall be located on the side of the Interconnection Facilities as specified by Seller in Section 1.13. If the metering equipment is located on Seller's side of the Interconnection Facilities, then a loss compensation factor agreed upon by the Parties shall be applied. At the written request of the Seller, and at Seller's sole expense, Edison shall measure actual transformer losses. If the actual measured value differs from the agreed-upon loss compensation factor, the actual value shall be applied prospectively. If the meters are placed on Edison's side of the Interconnection Facilities, service shall be provided at the available transformer high-side voltage.

8.4 For purposes of monitoring the Generator operation and the determination of standby charges, Edison shall have the right to require, at Seller's expense, the installation of generation metering. Edison may also require the installation of telemetering equipment at Seller's expense for Generating Facilities equal to or greater than 10 MW. Edison may require the installation of telemetering equipment at Edison's expense for Generating Facilities less than 10 MW.

8.5 Edison's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison. Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.

8.6 Edison's meters installed pursuant to this Contract shall be tested by Edison, at Edison's expense, at least once each year and at any reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison within thirty days after presentation of a bill therefor.

8.7 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison such that the metering accuracy of said equipment shall be within two

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percent. If metering equipment inaccuracy exceeds two percent, the correct amount of Energy and Contract Capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

9. POWER PURCHASE PROVISIONS

Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission. If at any time Energy can be delivered to Edison and Seller is

contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver Energy to Edison and for any Energy purchased by Edison, Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price from the Standard Offer No. 1 Capacity Payment Schedule as approved by the Commission. Unless and until all required license; and approvals have been obtained, Seller may discontinue deliveries at any time.

9.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.11. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission through the life of this Contract. Data used to derive Edison's full avoided costs will be made available to the Seller, to the extent specified by Seller upon request.

9.1.1 Capacity Payment Option A -- As Available Capacity.

If Seller selects Capacity Payment Option A, Seller shall be paid a monthly, capacity payment calculated pursuant to the following formula:

$$\text{MONTHLY CAPACITY PAYMENT} = (A \times D) + (B \times D) / (C \times D)$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

*C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or

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Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.11.

9.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.11, then the formula set forth in Section 9.1.1 shall be computed with D equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

9.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.11, the formula set forth in Section 9.1.1 shall be computed as follows:

- a. During the First Period of the Contract Term, D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.
- b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time

differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.

9.1.2 Capacity Payment Option B - Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.5, or as adjusted pursuant to Section 9.1.2.6, and Seller shall be paid as follows:

9.1.2.1 If Seller meets the performance requirements set forth in Section 9.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

$$\text{MONTHLY CAPACITY PAYMENT} = A \times B \times C \times D$$

Where A = Contract Capacity Price specified in Section 1.11 based on the Standard Offer No. 2 Capacity Payment Schedule as approved

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by the Commission and in effect on the date of the execution of this Contract.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.5.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

$$\frac{\text{Period kWh purchased by Edison limited by the level of Contract Capacity}}{0.8 \times \text{Contract Capacity} \times (\text{Period Hours minus Maintenance Hours Allowed in Section 4.5.})}$$

9.1.2.2 Performance Requirements

To receive the Monthly Capacity Payment in Section 9.1.2.1, Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined in Edison's Tariff Schedule No. TOU-8 on file with the Commission, except that Seller is entitled to a 20% allowance for Forced Outages for each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

- a. If Seller fails to meet the requirements specified in Section 9.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 13 months. If Seller fails to meet the requirements specified in Section 9.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in

Contract Capacity as a result of this Section 9.1.2.2 shall be subject to Section 9.1.2.5.

- b. If Seller fails to meet the requirements set forth in Section 9.1.2.2 due to a Forced Outage on the Edison system or a request to reduce or curtail delivery under Section 9.4. Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be

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treated the same as scheduled maintenance outages in the calculation of the Monthly Capacity Payment.

9.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages.

9.1.2.4 Capacity Bonus Payment For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

- a. Bonus During Peak Months -- For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 9.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.
- b. Bonus During Non-Peak Months -- For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 9.1.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.
- c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

CAPACITY BONUS PAYMENT = A x B x C x D

Where A = (1.2 On-Peak Capacity Factor) - 1.02

Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

Period kWh purchased by Edison limited by the level of Contract Capacity

(Contract Capacity) x (Period Hours minus Maintenance Hours Allowed in Section 4.5)

B = Contract Capacity Price specified in Section 1.11 for Capacity Payment Option B

C = 1/12

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D = Contract Capacity specified in Section 1.5

- d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum

of the Monthly Capacity Payment pursuant to Section 9.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section.

- e. For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer No. 1 Capacity Payment Schedule, as updated and approved by the Commission. Seller shall not receive any as-available capacity payment in excess of Contract Capacity if Sellers Generating Facility is a small hydro project.

9.1.2.5 Capacity Reduction

- a. Seller may reduce the Contract Capacity specified in Section 1.5, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

Amount of Contract Capacity Reduced -----	Length of Notice Required -----
25,000 kW or under	12 months
25,001 - 50,000 kW	36 months
50,001 - 100,000 kW	48 months
over 100,000 kW	60 months

- b. Subject to Section 10.4, Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

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- c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity Price for the amount of Contract Capacity being reduced.
- d. Seller may reduce Contract Capacity without the notice prescribed in Section 9.1.2.5(a), provided that Seller shall refund to Edison the amount specified in Section 9.1.2.5(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving prescribed notice. If the Current Capacity Price is less than the Contract Capacity Price, only payment under Section 9.1.2.5(b) shall be due to Edison.

9.1.2. Adjustment to Contract Capacity. The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section 9.1.2.5. Seller may increase the Contract Capacity with Edison's approval and thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

9.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the Energy delivered by the Seller to Edison at the Point of Interconnection pursuant to the Energy Payment Option selected by Seller in Section 1.12, as follows. (Data used to derive Edison's Energy payments for the First Period will be made available to the Seller, to the extent specified by Seller, upon request.)

9.2.1 Energy Payment Option 1 -- Forecast of Annual Marginal Cost of Energy. If Seller selects Energy Payment Option 1, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison during each month in the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

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Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.12, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.12.

9.2.2 Energy Payment Option 2 -- Levelized Forecast of Marginal Cost of Energy. If Seller selects Energy Payment Option 2, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison each month during the First Period of the Contract Term pursuant to the following formula:

$$\text{MONTHLY ENERGY PAYMENT} = (A \times D) + (B \times D) + (C \times D)$$

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:

(i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal

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equivalent of the percentage of the forecast levelized specified in Section 1.12, and

(ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.12.

9.2.2.1 Performance Requirement for Energy Payment Option 2

During the First Period when the annual forecast referred to in Section 9.2.1 is greater than the levelized forecast referred to in Section 9.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 9.2.2 is greater than the annual forecast referred to in Section 9.2.1 as resource conditions permit for solar, wind, and hydro Generating Facilities and excluding uncontrollable forces. If Seller does not meet the performance requirements of this Section 9.2.2.1, Seller shall be subject to Section 9.5.

9.3 Energy Payments - Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for Energy delivered by Seller and purchased by Edison at a rate equal to 100% of Edison's published avoided cost of energy based on Edison's full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the following formula:

MONTHLY ENERGY PAYMENT = kWh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8
x Edison's published avoided cost of energy by time of delivery for each time period.

Data used to derive Edison's full avoided costs will be made available to the Seller, to the extent specified by Seller, upon request.

9.4 Edison shall not be obligated to accept or pay for Energy, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of Energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs greater than those which Edison would incur if it did not purchase Energy from Seller but instead utilized an equivalent amount of Energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

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9.5 Energy Payment Refund

If Seller elects Energy Payment option 2, Seller shall be subject to the following:

9.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in Section 9.2.2.1, and at the time of such

failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.12.

9.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee, or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion accept another form of security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 9.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

9.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy Payment Refund provided in Section 9.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 9.2.1.

9.5.4 If Edison at any time determines the security to be otherwise inadequate, and so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 9.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 9.5 shall be payable forthwith.

10. PAYMENT AND BILLING PROVISIONS

10.1 For Energy and capacity purchased by Edison:

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10.1.1 Edison shall mail to Seller not later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and Contract Capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.

10.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.

10.1.3 If the payment period is less than 27 days or greater than 33 days, the capacity payment shall be prorated on the basis of the average days per month per year.

10.1.4 If within thirty days of receipt of the statement Seller does not make a report in writing to Edison of an error, Seller shall be deemed to have waived any error in Edison's statement, computation, and payment, and they shall be considered correct and complete.

10.2 For electric service provided by Edison:

10.2.1 Under Operating Option III pursuant to Section 5.1,

standby electric service shall be provided under terms and conditions of Edison's tariff schedule indicated below as now in effect or as may hereafter be authorized by the Commission to be revised. The applicable tariff schedules are:

STANDBY TARIFF	ELECTRIC SERVICE TARIFF
-----	-----
SCHEDULE NO.	

SCG-1	TOU-8 or GS-2
SCG-2	TOU-8
SCG-3	TOU-8

10.2.1.1 (Applicable to SCG-1 only) The Standby Demand for calculation of the standby charge in SCG-1 is specified in Section 1.9. Edison reserves the right to adjust the Standby Demand based on recorded demand during periods standby power is required.

10.2.1.2 (Applicable to SCG-1 only) The capacity rating for determination of standby waiver qualifications shall be Contract Capacity plus the maximum electric load served by the Generating Facility during the on-peak time period recorded during the preceding 12-month time period.

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10.2.1.3 A minimum monthly charge may be established for standby electric service as provided in the tariff schedule elected in section 1.9. Said minimum monthly charge shall be specified in Section 1.9.

10.2.2 Under Operating Options II and III pursuant to Section 5.1, electric service shall be provided under terms, conditions, and rates of Edison's tariff schedule indicated below as now in effect or as may hereafter be authorized by the Commission to be revised. The applicable tariff schedule is:

TOU-8, or
GS-2

The contract demand for calculation of the minimum demand charge in the applicable tariff schedules is specified in Section 1.9.

10.2.3 Edison shall commence billing Seller for electric service rendered pursuant to the applicable tariff schedule on the date that the Point of Interconnection is energized.

10.3 Monthly charges associated with Interconnection Facilities shall be billed pursuant to the Interconnection Facilities Agreement contained in the Appendix specified in Section 1.10.

10.4 Payments due to Contract Capacity Reduction

10.4.1 The Parties agree that the refund and payments provided in Section 9.1.2.5 represent a fair compensation for the reasonable losses that would result from such reduction of Contract Capacity.

10.4.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 9.1.2.5, as applicable.

10.4.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this section which shall be due within 60 days.

10.4.4 If Seller does not make payments as required in Section 10.4.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

10.5 Energy Payment Refund

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Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 9.5.

11. TAXES

11.1 Seller shall pay ad valorem taxes and other taxes properly attributable to the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.

11.2 Seller shall pay ad valorem taxes and other taxes properly attributed to land, land rights, or interest in land for the Project. If such taxes are assessed or levied against Edison, Seller shall pay Edison for such assessment or levy.

11.3 If the Interconnection Facilities are owned by Edison, Edison shall pay ad valorem taxes and other taxes properly attributed to said facilities. If such taxes are assessed or levied against Seller, Edison shall pay Seller for such assessment or levy.

11.4 Seller or Edison shall provide information concerning the Project to any requesting taxing authority.

12. TERMINATION

This Contract shall terminate if Firm Operation does not occur within 5 years of the date of Contract execution.

13. LIABILITY

13.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorneys' fees and other costs of litigation incurred by the First Party in connection with damage to property of the First Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

13.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge, (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorneys' fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party

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arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for and shall bear all cost of claims brought by its contractors or its own employees and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or liability arising from any contrary representation concerning the effect of Edison's review of the design, construction, operation, or maintenance of the Project.

13.3 The provisions of this Section 13 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

13.4 Neither Party shall be indemnified under this Section 13 for its liability or loss resulting from its sole negligence or willful misconduct.

14. INSURANCE

14.1 Until Contract is terminated, Seller shall obtain and maintain in force as hereinafter provided comprehensive general liability insurance, including contractual liability coverage, with a combined single limit of (i) not less than \$1,000,000 each occurrence for Generating Facilities 100 kW or greater; (ii) not less than \$500,000 for each occurrence for Generating Facilities between 20 kW and 100 kW; and (iii) not less than \$100,000 for each occurrence for Generating Facilities less than 20 kW. The insurance carrier or carriers and form of policy shall be subject to review and approval by Edison.

14.2 Prior to the date Sellers Generating Facility is first operated in parallel with Edison's electric system, Seller shall (i), furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is operated in parallel with Edison's electric system, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form:

"In consideration of the premium charged, Southern California Edison Company (Edison) is named as additional insured with respect to all liabilities arising out of Sellers use and ownership of Seller's Generating Facility."

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"The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy."

"Any other insurance carried by Edison which may be applicable shall be deemed excess insurance and Seller's insurance primary for all purposes despite any conflicting provisions in Seller's policy to the contrary."

If the requirement of Section 14.2(iii) prevents Seller from obtaining

the insurance required in Section 14.1 then upon written notification by Seller to Edison, Section 14.2(iii) shall be waived.

14.3 The requirements of this Section 14 shall not apply to Seller who is a self-insured governmental agency with established record of self-insurance.

14.4 If Seller fails to comply with the provisions of this Section 14, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorneys' fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 14.

15. UNCONTROLLABLE FORCE

15.1 Neither Party shall be considered to be in default in the performance of any of the agreements contained in this Contract, except for obligations to pay money, when and to the extent failure of performance shall be caused by an Uncontrollable Force.

15.2 If either Party because of an Uncontrollable Force is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be excused from whatever performance is affected by the Uncontrollable Force to the extent so affected provided that:

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(1) the nonperforming Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence,

(2) the suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force,

(3) the nonperforming Party uses its best efforts to remedy its inability to perform (this subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty),

(4) when the nonperforming Party is able to resume performance of its obligations under this Contract, that Party shall give the other Party written notice to that effect, and

(5) capacity payments during such periods of Uncontrollable Force, on Seller's part shall be governed by Section 9.1.2.3.

15.3 In the event that either Party's ability to perform cannot be corrected when the Uncontrollable Force is caused by the actions or inactions of legislative, judicial or regulatory agencies or other proper authority, this Contract may be amended to comply with the legal or regulatory change which caused the nonperformance.

If a loss of Qualifying Facility status occurs due to an Uncontrollable Force and Seller fails to make the changes necessary to maintain its Qualifying Facility status, the Seller shall compensate Edison for any economic detriment incurred by Edison as a result of such failure.

16. NONDEDICATION OF FACILITIES

Neither Party, by this Contract, dedicates any part of its facilities involved in this Project to the public or to the service provided under the Contract, and such service shall cease upon termination of the Contract.

17. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.

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18. NOTICES AND CORRESPONDENCE

All notices and correspondence pertaining to this Contract shall be in writing and shall be sufficient if delivered in person or sent by certified mail, postage prepaid, return receipt requested, to Seller as specified in Section 1.1, or to Edison as follows:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Attention: Secretary

All notices sent pursuant to this Section 18 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.

19. PREVIOUS COMMUNICATIONS

This Contract contains the entire agreement and understanding between the Parties, their agents, and employees as to the subject matter of this contract, and merges and supersedes all prior agreements, commitments, representations, and discussions between the Parties. No Party shall be bound to any other obligations, conditions, or representations with respect to the subject matter of this Contract.

20. NONWAIVER

None of the provisions of the Contract shall be considered waived by either Party except when such waiver is given in writing. The failure of either Edison or Seller to insist on any one or more instances upon strict performance of any of the provisions of the Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue to remain in full force and effect.

21. SUCCESSORS AND ASSIGNS

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be withheld unreasonably. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under this Contract.

22. EFFECT OF SECTION HEADINGS

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Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Contract shall be interpreted, governed, and construed under the laws of the State of California if executed and to be performed wholly within the State of California.

24. MULTIPLE ORIGINALS

This Contract is executed in two counterparts, each of which shall be deemed an original.

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 16 of April, 1985.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Edward A. Myers, Jr.

EDWARD A. MYERS, JR.
Vice President

SANTE FE GEOTHERMAL, INC.

By /s/ Robert J. Fernandes

ROBERT J. FERNANDES
President

Exhibit 10.3.17

AMENDMENT NO. 1

TO THE

POWER PURCHASE CONTRACT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

MAMMOTH PACIFIC

(CASA DIABLO GEOTHERMAL III)

1. PARTIES

The Parties to this Amendment No. 1 to the Power Purchase Contract are Mammoth Pacific, hereinafter referred to as "Mammoth Pacific", and Southern California Edison Company, a California corporation, hereinafter referred to as "Edison", individually "Party", collectively "Parties".

2. RECITALS

2.1 On April 15, 1985, the Parties executed an agreement entitled Power Purchase Contract between Mammoth Pacific and Southern California Edison Company (referred to in this Amendment as the "Original Contract").

2.2 The parties wish to amend the Original Contract to revise the date construction shall commence.

3. AGREEMENT

In consideration of the terms and conditions contained in this Amendment No. 1, the Parties agree as follows:

3.1 Effective Date

This Amendment No. 1 shall become effective when it has been duly executed by the Parties.

3.2 Changes to Contract Provisions

The date Seller shall commence construction of the Generating Facility, as specified on page 1a, Section 1.2.e, in the Original Contract, is hereby amended to be July 1987.

4. OTHER CONTRACT TERMS AND CONDITIONS

Except as expressly amended herein, all terms and conditions of the Original Contract shall remain in force and effect.

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5. DUPLICATE ORIGINALS

This Amendment No. 1 is executed in two originals. The signatories

hereto represent that they have been appropriately authorized to enter into this Amendment on behalf of the Party for whom they sign. This Amendment is hereby executed as of this 25th day of October, 1985.

ATTEST:

MAMMOTH PACIFIC

By:

By: /s/ Lee H. Freeman

LEE H. FREEMAN

Vice President

Pacific Lighting Energy Systems

ATTEST:

SOUTHERN CALIFORNIA EDISON COMPANY

By:

By:

Edward A. Myers, Jr.

Vice President

Approved as to form:

John R. Bury

Vice President and General Counsel

By /s/ John R. Bury

Attorney

10/25/1985

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Exhibit 10.3.18

AMENDMENT NO. 2
POWER PURCHASE CONTRACT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND PACIFIC LIGHTING ENERGY SYSTEMS

1. PARTIES:

This Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Pacific Lighting Energy Systems ("Contract") for the PLES I project is entered into between Southern California Edison Company ("Edison") and Pacific Lighting Energy Systems, renamed Pacific Energy ("Seller"), individually, "Party," and collectively, "Parties."

2. RECITALS:

This Amendment No. 2 to the Contract is made with reference to the following facts, among others:

2.1 Edison and Santa Fe Geothermal, Inc. ("Santa Fe") executed the Contract on April 16, 1985.

2.2 Santa Fe assigned the Contract to Seller effective April 2,

1986.

2.3 Edison and Seller executed Amendment No. 1 to the Contract on October 27, 1989.

2.4 The Contract was subject to Uncontrollable Force which rendered Pacific Energy unable to perform its obligations under the Contract for a period of five hundred forty-eight (548) days.

2.5 The Parties desire to amend the Contract to change the date of expected Firm Operation set forth at Section 1.7 of the Contract to reflect the effect of the Uncontrollable Force.

3. AGREEMENT:

The Parties agree to amend the Contract as follows:

(A) The Expected Firm Operation date of "February 1987" set forth at Section 1.7 of the Contract is deleted, and replaced with "October 16, 1991."

(B) The First Period of the Contract Term set forth at Section 3.1 of the Contract shall commence upon date of Firm Operation, and the phrase "but not later than five years from the date of execution of this Contract" is deleted.

(C) The text of Section 12 should be deleted, and replaced with: "This Contract shall terminate if Firm Operation does not occur by October 16, 1991."

4. OTHER TERMS AND CONDITIONS:

Except as expressly amended by this Amendment No. 2, the terms and conditions of the Contract shall remain in full force and effect.

5. EFFECTIVE DATE:

This Amendment No. 2 shall become effective when it has been duly executed by the Parties.

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6. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 2 to the Contract on behalf of the Party for whom they sign. This Amendment No. 2 is hereby executed as of this 20th day of December, 1989.

SOUTHERN CALIFORNIA EDISON COMPANY

By:/s/ Robert Dietch

Robert Dietch
Vice President

PACIFIC ENERGY

By: /s/ Robert J. Cushman

Name: Robert J. Cushman

Title: Senior Vice President

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Exhibit 10.3.19

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

APPENDIX A
INTERCONNECTION FACILITIES AGREEMENT ("AGREEMENT")
SELLER OWNED AND OPERATED FACILITY

- A.1 Seller acknowledges that Seller has read Edison's Tariff Rule No. 21 and the Qualifying Facility Milestone Procedure ("QFMP") and understands Seller's obligations and the consequences to Seller for failure to meet any of the "milestones" in the QFMP which is in effect on the earlier of Seller's (1) payment of the Project Fee or to (2) execution of this Agreement.
- A.2 In the event Seller loses its priority for existing available Edison line capacity, Seller shall, pursuant to Tariff Rule No. 21., be obligated to pay any additional cost for upgrades or additions necessary to accommodate Seller's deliveries. In such event, Edison and Seller shall amend this Agreement to reflect the conditions resulting from the change in priority.
- A.3 Seller shall design, purchase, construct, operate and maintain Seller owned Interconnection Facilities as described on page A-10 herein, at its sole expense. Edison shall have the right to review the design as to the adequacy of the Protective Apparatus provided. Any additions or modifications required by Edison shall be incorporated by Seller.
- A.4 Notwithstanding the provisions of Section 13, Seller, having elected to own, operate, and maintain the Interconnection Facilities, shall accept all liability and release Edison from and indemnify Edison against any liability for faults or damage to Seller's

Interconnection Facilities, the Edison electric system and the public as a result of the operation of Seller's project.

- A.5 Edison shall have the right to observe the construction of the Interconnection Facilities, and inspect said facilities after construction is completed at the Seller's expense.
- A.6 Facilities which are deemed necessary by Edison for the proper and safe operation of the Interconnection Facilities and which Seller desires Edison to own and operate at Seller's expense shall be provided as appendant facilities. Edison shall own, operate and maintain any necessary appendant facilities which may be installed in connection with the Interconnection Facilities at Seller's expense. Edison may, as it deems necessary, modify the aforementioned facilities at Seller's expense.
- A.7 For the appendant facilities, Edison shall install, own, operate, and maintain a portion of the appendant facilities ("Edison Installed Appendant Facilities"), as described on page A-10 herein, and Seller shall, pay to Edison the total estimated cost for these appendant facilities prior to the start of construction of the appendant facilities. In addition, Seller shall install at Seller's expense its portion of the appendant facilities ("Seller Installed Appendant Facilities"), as described on page A-10 herein, in accordance with Rule 21. Within 30 days after installation is complete, Seller shall transfer ownership of the Seller Installed Appendant Facilities to Edison in a manner acceptable to Edison.

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

- A.8 Maintenance of facilities referred to in Section A.6 shall be paid by Seller pursuant to the attached Application and Contract for

Interconnection Facilities Plus Operation and Maintenance

("Application").
- A.9 To the extent that Edison deems it necessary to effect the arrangements contemplated by this Agreement, Edison may, from time to time, request the Seller to design, install, operate, maintain, modify, replace, repair or remove any or all of the Interconnection Facilities. Such equipment and/or Protective Apparatus shall be treated as Interconnection Facilities and added to the Agreement by amendment pursuant to Section A.6.
- A.10 Edison shall have the right to review any changes in the design of the Interconnection Facilities and recommend modification(s) to the design as it deems necessary for proper and safe operation of the Project when in parallel with the Edison electric system. The Seller shall be notified of the results of such review by Edison, in writing, within 30 days of the receipt of all specifications related to the proposed design changes. Any flaws perceived by Edison in the proposed design changes, shall be described in the written notice.

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

APPLICATION AND CONTRACT FOR INTERCONNECTION FACILITIES
PLUS OPERATION AND MAINTENANCE

The undersigned Seller hereby requests the Southern California Edison Company ("Edison") to provide the appendant facilities described on the last page hereof and by this reference herein incorporated, hereinafter called "Interconnection Facilities." Interconnection Facilities as defined and used herein are a group of Added Facilities which have been designated as Interconnection Facilities, to accommodate negotiation and preparation of contracts for parallel generation projects. Interconnection Facilities, as are Added Facilities, shall be provided in accordance with the applicable Tariff Schedules of Edison. Such Interconnection Facilities are to be owned, operated and maintained by Edison.

In consideration of Edison's acceptance of this Application, Seller hereby agrees to the following:

1. Seller shall pay to Edison, prior to the start of construction of the Interconnection Facilities, the total estimated costs for the Interconnection Facilities as determined by Edison and entered on page A-11 hereof. In the event Seller abandons its plans for installation of such Interconnection Facilities, for any reason whatsoever, including failure to obtain any required permits, Seller shall reimburse Edison upon receipt of supporting documentation for any and all expenses incurred by Edison pursuant to this agreement with thirty (30) days after presentation of a bill.

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

2. Edison shall have the right to observe the construction of any Interconnection Facilities constructed by Seller and inspect and test said facilities after construction is completed at the Seller's expense.
3. The parties also understand and agree that due to equipment acquisition lead time and construction time requirements, Edison requires a minimum of six (6) months from the time of authorization to construct the aforementioned Interconnection Facilities and place them in operation. Edison shall have no obligation to Seller with regard to any target date established by Seller which is less than eighteen (18) months from the date this Application is executed. However, Edison shall exercise its best effort to meet Seller's projected operational date.
4. Seller shall pay a monthly charge for the Interconnection Facilities' operation and maintenance in the amount of 0.9% of the added equipment investment as determined by Edison and as entered by Edison on page A-11 hereof. The monthly charge shall be adjusted periodically in accordance with the pro-rata operation and maintenance charges for added facilities pursuant to Rule No. 2. The monthly charge may be based upon estimated costs of the Interconnection Facilities and when the recorded book cost of the Interconnection Facilities has been determined by Edison, the charges shall be adjusted retroactively to the date when service is first rendered by means of such

Interconnection Facilities. Additional charges resulting from such adjustment shall, unless other terms are

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

mutually agreed upon, be payable within thirty (30) days from the date of presentation of a bill therefor. Any credits resulting from such adjustment will, unless other terms are mutually agreed upon, be refunded upon demand of Seller.

5. Whenever a change is made in the Interconnection Facilities which results in changes in the added equipment investment, the monthly charge will be adjusted on the basis of the revised added equipment investment. The cost of such change shall be payable by Seller within sixty (60) days from the date of presentation of a bill thereof. The description of the Interconnection Facilities will be amended by Edison on page A-10 hereof to reflect any changes in equipment, installation and removal cost, amount of added equipment investment, and monthly charge resulting from any such change in the Interconnection Facilities or adjustment as aforesaid.
6. The monthly charges payable hereunder shall commence upon the date when said Interconnection Facilities are available for use but not before service is first established and rendered through Edison's normal facilities and shall first be payable when Edison shall submit the first energy bill after such date and shall continue until the abandonment of such Interconnection Facilities by Seller, subject to the provisions of Paragraphs 4 and 5 hereof.
7. Seller agrees to utilize said Interconnection Facilities in accordance with good operating practice and to reimburse Edison for damage to said Facilities occasioned or caused by the

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

Seller or any of his agents, employees or licensees. Failure so to exercise due diligence in the utilization of said Interconnection Facilities will give Edison the right to terminate this Agreement.

8. Edison's performance under this Contract is subject to the availability of materials required to provide the Interconnection Facilities provided for herein and to all applicable Tariff Schedules of Edison.
9. This Application and Contract for Interconnection Facilities supplements the appropriate application and contract(s) for electric service presently in effect between Seller and Edison.
10. This Agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

SOUTHERN CALIFORNIA EDISON
COMPANY

By: /s/ Robert Dietch

Robert Dietch
Vice President

Date: October 27, 1989

MAMMOTH PACIFIC

By: /s/ Claude Harvey

Name: Claude Harvey

Title: Vice President

Date: Oct. 20, 1989

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EXHIBIT 10.3.20

LONG-TERM POWER PURCHASE CONTRACT

APPENDIX A.3

INTERCONNECTION FACILITIES AGREEMENT

SELLER OWNED AND OPERATED BASIS

BETWEEN

MAMMOTH--PACIFIC (II)

AND

SOUTHERN CALIFORNIA EDISON COMPANY

LONG-TERM POWER PURCHASE CONTRACT

APPENDIX A.3

INTERCONNECTION FACILITIES-- SELLER OWNED AND OPERATED FACILITY

A.3.1 Seller acknowledges that Seller has read Edison's Tariff Rule No. 21 and the Qualifying Facility Milestone Procedure ("QFMP") and understands Seller's obligations and the consequences to Seller for failure to meet any of the "milestones" in the QFMP which is in effect on the earlier of Seller's (1) payment of the Project Fee or (2) execution of this Interconnection Facilities Agreement ("This Agreement").

A.3.2 In the event Seller loses its priority for existing available Edison line capacity, Seller shall, pursuant to Tariff Rule No. 21, be obligated, to pay any additional cost for upgrades or additions necessary to accommodate Seller's deliveries. In such event, Edison and Seller shall amend this Agreement to reflect the conditions resulting from the change in priority.

A.3.3 Seller shall design, purchase, construct, operate and maintain Seller owned Interconnection Facilities at its sole expense. Edison shall have the right to review the design as to the adequacy of the protective Apparatus provided. Any additions or modifications required by Edison shall be incorporated by Seller.

A.3.4 Notwithstanding the provisions of Section 13, Seller, having elected to own, operate, and maintain the Interconnection Facilities, shall accept all liability and release Edison from and indemnify Edison against any liability for faults or damage to Seller's

A.3-1

LONG-TERM POWER PURCHASE CONTRACT

Interconnection Facility, the Edison electric system and the public as a result of the operation of Seller's project.

A.3.5 Edison shall have the right to observe the construction of the Interconnection Facilities, and inspect said facilities after construction is completed at the Seller's expense.

A.3.6 Facilities which are deemed necessary by Edison for the proper and safe operation of the Interconnection Facilities and which Seller desires Edison

to own and operate at Seller's expense shall be provided as appendant facilities. Edison shall own, operate and maintain any necessary appendant facilities which may be installed in connection with the Interconnection Facilities at Seller's expense. Edison may, as it deems necessary, modify the aforementioned facilities at Seller's expense.

A.3.7 For the appendant facilities, Seller elects (check one):

X

-- Option I: Edison shall install, own, operate and maintain the appendant facilities and Seller shall pay to Edison the total estimated cost for the appendant facilities prior to the start of construction of the appendant facilities.

-- Option II: Seller shall install at Seller's expense its portion of the appendant facilities in accordance with Rule 21. Within 30 days after installation is complete, Seller shall transfer ownership of the appendant facilities to Edison in a manner acceptable to Edison.

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LONG-TERM POWER PURCHASE CONTRACT

A.3.8 Maintenance of facilities referred to in Section A.3.6 shall be paid by Seller pursuant to the attached Application and Contract for Interconnection Facilities Plus Operation and Maintenance ("Interconnection Facilities Contract").

A.3.9 To the extent that Edison deems it necessary to effect the arrangements contemplated by this Agreement, Edison may, from time to time, request the Seller to design, install, operate, maintain, modify, replace, repair or remove any or all of the Interconnection Facility. Such equipment and/or Protective Apparatus shall be treated as Interconnection Facilities and added to the Interconnection Facilities Contract by amendment pursuant to Section A.3.6.

A.3.10 Edison shall have the right to review any changes in the design of the Interconnection Facilities and recommend modification(s) to the design as it deems necessary for proper and safe operation of the Project when in parallel with the Edison electric system. The Seller shall be notified of the results of such review by Edison, in writing, within 30 days of the receipt of all specifications related to the proposed design changes. Any flaws perceived by Edison in the proposed design changes, shall be described in the written notice.

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LONG-TERM POWER PURCHASE CONTRACT

APPLICATION AND CONTRACT FOR INTERCONNECTION FACILITIES

PLUS OPERATION AND MAINTENANCE

("INTERCONNECTION FACILITIES CONTRACT")

The undersigned Seller hereby requests the Southern California Edison Company (Edison) to provide the appendant facilities described on the last page hereof and by this reference herein incorporated, hereinafter called "Interconnection Facilities." Interconnection Facilities as defined and used

herein are a group of Added Facilities which have been designated as Interconnection Facilities, to accommodate negotiation and preparation of contracts for parallel generation projects. Interconnection Facilities, as are Added Facilities, shall be provided in accordance with the applicable Tariff Schedules of Edison. Such Interconnection Facilities are to be owned, operated and maintained by Edison.

In consideration of Edison's acceptance of this application, Seller hereby agrees to the following:

1. If Seller elects Option I in Section A.3.7, Seller shall pay to Edison, prior to the start of construction of the Interconnection Facilities, the total estimated costs for the Interconnection Facility as determined by Edison and entered on the last page hereof. In the event Seller abandons its plans for installation of such Interconnection Facility, for any reason whatsoever, including failure to obtain any required permits, Seller shall reimburse Edison upon receipt of supporting documentation for any and all expenses incurred by Edison pursuant to this Interconnection Facilities Contract within thirty (30) days after presentation of a bill.

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LONG-TERM POWER PURCHASE CONTRACT

2. If Seller elects Option II in Section A.3.7, Edison shall have the right to observe the construction of the Interconnection Facilities and inspect and test said facilities after construction is completed at the Seller's expense.

3. The parties also understand and agree that due to equipment acquisition lead time and construction time requirements, Edison requires a minimum of six (6) months from the time of authorization to construct the aforementioned Interconnection Facility and place it in operation. Edison shall have no obligation to Seller with regard to any target date established by Seller which is less than eighteen (18) months from the date this application is executed. However, Edison shall exercise its best effort to meet Seller's projected operational date.

4. Seller shall pay a monthly charge for the Interconnection Facilities' operation and maintenance in the amount of 0.9% of the added equipment investment as determined by Edison and as entered by Edison on the last page hereof. The monthly charge shall be adjusted periodically in accordance with the pro-rata operation and maintenance charges for added facilities pursuant to Rule No. 2.H. The monthly charge may be based upon estimated costs of the Interconnection Facilities and when the recorded book cost of the Interconnection Facilities has been determined by Edison, the charges shall be adjusted retroactively to the date when service is first rendered by means of such Interconnection Facilities. Additional charges resulting from such adjustment shall, unless other terms are mutually agreed upon, be payable within thirty (30) days from the date of presentation of a bill

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LONG-TERM POWER PURCHASE CONTRACT

therefor. Any credits resulting from such adjustment will, unless other terms are mutually agreed upon, be refunded upon demand of Seller.

5. Whenever a change is made in the Interconnection Facilities which results in changes in the added equipment investment, the monthly charge will be adjusted on the basis of the revised added equipment investment. The cost of

such change shall be payable by Seller within sixty (60) days from the date of presentation of a bill thereof. The description of the Interconnection Facilities will be amended by Edison on the last page hereof to reflect any changes in equipment, installation and removal cost, amount of added equipment investment, and monthly charge resulting from any such change in the Interconnection Facilities or adjustment as aforesaid.

6. The monthly charges payable hereunder shall commence upon the date when said Interconnection Facilities are available for use but not before service is first established and rendered through Edison's normal facilities and shall first be payable when Edison shall submit the first energy bill after such date and shall continue until the abandonment of such Interconnection Facilities by Seller, subject to the provisions of Paragraphs 5. and 6 hereof.

7. Seller agrees to utilize said Interconnection Facilities in accordance with good operating practice and to reimburse Edison for damage to said Facilities occasioned or caused by the Seller or any of his agents, employees or licensees. Failure so to exercise due

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LONG-TERM POWER PURCHASE CONTRACT

diligence in the utilization of said Interconnection Facilities will give Edison the right to terminate this Agreement.

8. Edison's performance under this Interconnection Facilities Contract is subject to the availability of materials required to provide the Interconnection Facilities provided for herein and to all applicable Tariff Schedules of Edison.

9. This Application and Contract for Interconnection Facilities supplements the appropriate application and contract(s) for electric service presently in effect between Seller and Edison.

10. This Interconnection Facilities Contract shall at all times be subject to such changes or modifications by the Public Utilities commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.

DATED: October 13, 1985

SELLER: MAMMOTH-PACIFIC

WITNESS:

BY: /s/ Lee M. Freeman

LEE M. FREEMAN
Vice President
(Pacific Lighting Energy Systems)

Approved and Accepted for
SOUTHERN CALIFORNIA EDISON COMPANY

Mail (Address) -----

By: /s/ Edward A. Myers, Jr.

6055 East Washington Blvd.
Commerce, CA 90040

EDWARD A. MYERS, JR.
Vice President

Approved as to Form:

John R. Dury
Vice President and General Counsel

By: /s/ Anne P. Cohn

Attorney
10/18/85

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Exhibit 10.3.21

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

APPENDIX A
INTERCONNECTION FACILITIES AGREEMENT ("AGREEMENT")
SELLER OWNED AND OPERATED FACILITY

- A.1 Seller acknowledges that Seller has read Edison's Tariff Rule No. 21 and the Qualifying Facility Milestone Procedure ("QFMP") and understands Seller's obligations and the consequences to Seller for failure to meet any of the "milestones" in the QFMP which is in effect on the earlier of Seller's (1) payment of the Project Fee or (2) execution of this Agreement.
- A.2 In the event Seller loses its priority for existing available Edison line capacity, Seller shall, pursuant to Tariff Rule No. 21, be obligated to pay any additional cost for upgrades or additions necessary to accommodate Seller's deliveries. In such event, Edison and Seller shall amend this Agreement to reflect the conditions resulting from the change in priority.
- A.3 Seller shall design, purchase, construct, operate and maintain Seller owned Interconnection Facilities as described on page A-10 herein, at its sole expense. Edison shall have the right to review the design as to the adequacy of the Protective Apparatus provided. Any additions or modifications required by Edison shall be incorporated by Seller.
- A.4 Notwithstanding the provisions of Section 13, Seller, having elected to own, operate, and maintain the Interconnection Facilities, shall accept all liability and release Edison from and indemnify Edison against any

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SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

liability for faults or damage to Seller's Interconnection Facilities, the Edison electric system and the public as a result of the operation of Seller's project.

- A.5 Edison shall have the right to observe the construction of the Interconnection Facilities, and inspect said facilities after construction is completed at the Seller's expense.
- A.6 Facilities which are deemed necessary by Edison for the proper and safe operation of the Interconnection Facilities and which Seller desires Edison to own and operate at Seller's expense shall be provided as appendant facilities. Edison shall own, operate and maintain any necessary appendant facilities which may be installed in connection with the Interconnection Facilities at Seller's expense. Edison may, as it deems necessary, modify the aforementioned facilities at Seller's expense.
- A.7 For the appendant facilities, Edison shall install, own, operate, and maintain a portion of the appendant facilities ("Edison Installed Appendant Facilities"), as described on page A-10 herein, and Seller shall pay to Edison the total estimated cost for these appendant facilities prior to the start of construction of the appendant facilities. In addition, Seller shall install at Seller's expense its portion of the appendant facilities ("Seller

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Installed Appendant Facilities"), as described on page A-10 herein, in accordance with Rule 21. Within 30 days after installation is complete, Seller shall transfer ownership of the Seller Installed Appendant Facilities to Edison in a manner acceptable to Edison.

- A.8 Maintenance of facilities referred to in Section A.6 shall be paid by Seller pursuant to the attached Application and Contract for Interconnection Facilities Plus Operation and Maintenance ("Application").
- A.9 To the extent that Edison deems it necessary to effect the arrangements contemplated by this Agreement, Edison may, from time to time, request the Seller to design, install, operate, maintain, modify, replace, repair or remove any or all of the Interconnection Facilities. Such equipment and/or Protective Apparatus shall be treated as Interconnection Facilities and added to the Agreement by amendment pursuant to Section A.6.
- A.10 Edison shall have the right to review any changes in the design of the Interconnection Facilities and recommend modification(s) to the design as it deems necessary for proper and safe operation of the Project when in parallel with the Edison electric system. The Seller shall be notified of the results of such review by Edison, in writing, within 30 days of the receipt of all specifications related to the proposed design changes. Any flaws

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perceived by Edison in the proposed design changes, shall be described

in the written notice.

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APPLICATION AND CONTRACT FOR INTERCONNECTION FACILITIES
PLUS OPERATION AND MAINTENANCE

The undersigned Seller hereby requests the Southern California Edison Company ("Edison") to provide the appendant facilities described on the last page hereof and by this reference herein incorporated, hereinafter called "Interconnection Facilities." Interconnection Facilities as defined and used herein are a group of Added Facilities which have been designated as Interconnection Facilities, to accommodate negotiation and preparation of contracts for parallel generation projects. Interconnection Facilities, as are Added Facilities, shall be provided in accordance with the applicable Tariff Schedules of Edison. Such Interconnection Facilities are to be owned, operated and maintained by Edison.

In consideration of Edison's acceptance of this Application, Seller hereby agrees to the following:

1. Seller shall pay to Edison, prior to the start of construction of the Interconnection Facilities, the total estimated costs for the Interconnection Facilities as determined by Edison and entered on page A-11 hereof. In the event Seller abandons its plans for installation of such Interconnection Facilities, for any reason whatsoever, including failure to obtain any required permits, Seller shall reimburse Edison upon receipt of supporting

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documentation for any and all expenses incurred by Edison pursuant to this agreement within thirty (30) days after presentation of a bill.

2. Edison shall have the right to observe the construction of any Interconnection Facilities constructed by Seller and inspect and test said facilities after construction is completed at the Seller's expense.
3. The parties also understand and agree that due to equipment acquisition lead time and construction time requirements, Edison requires a minimum of six (6) months from the time of authorization to construct the aforementioned Interconnection Facilities and place them in operation. Edison shall have no obligation to Seller with regard to any target date established by Seller which is less than eighteen (18) months from the date this Application is executed. However, Edison shall exercise its best effort to meet Seller's projected operational date.
4. Seller shall pay a monthly charge for the Interconnection Facilities' operation and maintenance in the amount of 0.9% of the added equipment investment as determined by Edison and as entered by Edison on page A-11 hereof. The monthly charge shall be adjusted periodically in accordance with the pro-rata operation and maintenance charges for added facilities

pursuant to Rule No. 2. The monthly charge may be based upon estimated

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costs of the Interconnection Facilities and when the recorded book cost of the Interconnection Facilities has been determined by Edison, the charges shall be adjusted retroactively to the date when service is first rendered by means of such Interconnection Facilities. Additional charges resulting from such adjustment shall, unless other terms are mutually agreed upon, be payable within thirty (30) days from the date of presentation of a bill therefor. Any credits resulting from such adjustment will, unless other terms are mutually agreed upon, be refunded upon demand of Seller.

5. Whenever a change is made in the Interconnection Facilities which results in changes in the added equipment investment, the monthly charge will be adjusted on the basis of the revised added equipment investment. The cost of such change shall be payable by Seller within sixty (60) days from the date of presentation of a bill thereof. The description of the Interconnection Facilities will be amended by Edison on page A-10 hereof to reflect any changes in equipment, installation and removal cost, amount of added equipment investment, and monthly charge resulting from any such change in the Interconnection Facilities or adjustment as aforesaid.
6. The monthly charges payable hereunder shall commence upon the date when said Interconnection Facilities are available for use but not before service is first established and rendered through Edison's normal facilities

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and shall first be payable when Edison shall submit the first energy bill after such date and shall continue until the abandonment of such Interconnection Facilities by Seller, subject to the provisions of Paragraphs 4 and 5 hereof.

7. Seller agrees to utilize said Interconnection Facilities in accordance with good operating practice and to reimburse Edison for damage to said Facilities occasioned or caused by the Seller or any of his agents, employees or licensees. Failure so to exercise due diligence in the utilization of said Interconnection Facilities will give Edison the right to terminate this Agreement.
8. Edison's performance under this Contract is subject to the availability of materials required to provide the Interconnection Facilities provided for herein and to all applicable Tariff Schedules of Edison.
9. This Application and Contract for Interconnection Facilities supplements the appropriate application and contract(s) for electric service presently in effect between Seller and Edison.

SCE STANDARD CONTRACT
LONG-TERM POWER PURCHASE

10. This Agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.

SOUTHERN CALIFORNIA EDISON COMPANY

PACIFIC LIGHTING ENERGY SYSTEMS

By: /s/ Robert Dietch

By: /s/ Claude Harvey

Robert Dietch
Vice President

Name: Claude Harvey

Title: Vice President

Date: October 27, 1989

Date: October 20, 1989

Approved as to form:

David N. Barry
Vice President and General Counsel

By /s/ David N. Barry

Attorney
10/26, 1989

Exhibit 10.3.22

INTERCONNECTION AGREEMENT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

HEBER GEOTHERMAL COMPANY

INTERCONNECTION AGREEMENT BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND HEBER GEOTHERMAL COMPANY

1. PARTIES: The Parties to this Interconnection Agreement, hereinafter referred to as "Agreement", are Southern California Edison Company, a California corporation, hereinafter referred to as "Edison", and Heber Geothermal Company, a California general partnership, hereinafter referred to as "Seller", hereinafter sometimes referred to individually as "Party" and collectively as "Parties".

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 On August 26, 1983, Edison and Chevron U.S.A. Inc., executed the Power Purchase and Sales Agreement to provide the terms and conditions for the sale by Chevron and purchase by Edison of capacity and energy delivered to the Point of Interconnection from a 47 MW (Net) electrical generating facility located at Heber, California, utilizing geothermal steam as the prime mover energy source.

2.2 On August 26, 1983, Chevron assigned and Heber Geothermal Company assumed Chevron's right, title, and interest in the Power Purchase and Sales Agreement between Chevron and Edison, dated August 26, 1983.

2.3 On March 16, 1984, Chevron and Heber Geothermal Company issued a Notice of Intention to Proceed to Edison. The Notice of Intention to Proceed stated Chevron and Heber Geothermal Company's desire to construct the facilities necessary to proceed with the Power Purchase and Sales Agreement, dated August 26, 1983.

2.4 On December 11, 1984, Edison and Heber Geothermal Company executed an Amendment No. 1 to the Power Purchase and Sales Agreement, dated August 26, 1983.

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Amendment No. 1 provided for modifications to the terms of: (i) Payments for Energy; (ii) Payments for Capacity; and (iii) Transmission Cost.

2.5 Pursuant to Section 34.2.2 of the Power Purchase and Sales Agreement, these Parties desire to establish the terms and conditions for the design, construction, ownership, operation, maintenance, and cost responsibility for the 115/92 kV Mirage Substation, located near Thousand Palms, California ("Interconnection Facilities").

3. Edison shall, pursuant to the Edison Tariff Rule No. 21, engineer, design, construct, own, operate, and maintain the Interconnection Facilities, described in Exhibit A, and procure equipment, materials, and necessary rights-of-way for such facilities.

4. Seller shall pay Edison a pro rata share of the cost of the Interconnection Facilities to be constructed, owned, operated, and maintained by Edison as provided in this Section 4 and Exhibit A. The cost figures set forth in Exhibit A are estimates only and shall be adjusted to reflect the recorded

cost after installation is complete.

4.1 Not later than thirty (30) days after the date of execution of this Agreement, Seller shall pay Edison a pro rata share of the Total Estimated Installed Cost of the Interconnection Facilities as set forth in Exhibit A. The Seller's pro rata share is 25/65 of the total installed cost of the Interconnection Facilities and represents the Seller's 25,000 kVA portion of the total 65,000 kVA Interconnection Facilities.

4.2 Pursuant to Edison's Tariff Rule No. 2H for Seller-financed added facilities (Interconnection Facilities), Seller shall pay a monthly charge of 0.9% of the Seller's pro rata share of the Total Estimated Installed Cost of the Interconnection Facilities as set forth in Exhibit A. When the recorded book cost of the Interconnection Facilities has been determined by Edison, the charge to Seller shall be adjusted retroactively to the date when the Interconnection

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Facilities were first available for use. Charges or credits to the Seller resulting from such adjustment shall, unless otherwise agreed to, be payable within thirty (30) days of the presentation of a statement therefor.

4.3 If Seller abandons its plans for the generating facility or otherwise terminates its need for the Interconnection Facilities prior to the Interconnection Facilities being placed in use, for any reason whatsoever, Seller shall pay Edison costs which Edison incurred as a direct result of such a termination. Such costs shall include the cost of engineering, design, procurement of equipment and materials, acquisition of rights-of-way, and construction of the Interconnection Facilities.

4.4 Pursuant to Edison's Tariff Rule No. 21, when a change in the Interconnection Facilities results in a change in the installed cost of the Interconnection Facilities, the charges provided herein shall be adjusted consistent with such change.

4.5 Monthly charges for Interconnection Facilities shall commence upon the date the Interconnection Facilities are available for use and shall be payable within thirty (30) days after Edison submits a statement therefor.

5. Edison's obligations under this Agreement shall be subject to the availability of materials required for construction of the Interconnection Facilities and all applicable Tariff Schedules of Edison.

6. Edison shall exercise its best efforts to provide the Interconnection Facilities to accommodate Seller's projected operation date.

7. This Agreement shall be subject to applicable tariff rules and modification of such rules as directed by the Public Utilities Commission of the State of California in the exercise of its jurisdiction.

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8. This Agreement shall become effective upon execution by the Parties and consent by Chevron U.S.A. Inc. and shall remain in effect for the period the Seller uses the Interconnection Facilities.

9. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter into this Interconnection Agreement on behalf of the Party for whom they sign. This Interconnection Agreement is hereby executed as of this 12th day of August, 1985.

SOUTHERN CALIFORNIA EDISON COMPANY

BY /s/ Edward A. Myers, Jr.

Name Edward A. Myers, Jr.

Title Vice President

HEBER GEOTHERMAL COMPANY, A PARTNERSHIP
DRAVO ENERGY, INC., A PARTNER

BY /s/ John E. Jacobsen

Name John E. Jacobsen

Title Asst. General Manager

CENTENNIAL GEOTHERMAL, INC. PARTNER

BY /s/ Robert O'Leary

Name Robert O'Leary

Title President

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CHEVRON U.S.A. INC., REPRESENTED BY ITS AGENT,
CHEVRON RESOURCES COMPANY

BY /s/ A.M. Cooper

Name A.M. Cooper

Title Vice President

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PLANT CONNECTION AGREEMENT
FOR THE
HEBER GEOTHERMAL PLANT NO. 1
BETWEEN
IMPERIAL IRRIGATION DISTRICT
AND
HEBER GEOTHERMAL COMPANY

Execution Copy

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT (IID), an irrigation district organized and operating under the laws of the State of California and HEBER GEOTHERMAL COMPANY (Heber Geothermal), a California Partnership (hereinafter individually Party, collectively Parties).

2. RECITALS

2.1 Heber Geothermal leases and operates a geothermal generating facility with a maximum 49.9 megawatt net output at the Heber known Geothermal Resource Area (KGRA) and sells the Electric Output From the Plant to Southern

California Edison Company (SCE).

2.1.1 Heber Geothermal intends to construct the Plant, and upon completion of such construction, sell the Plant to United States Trust Company of New York, a New York corporation, not in its individual capacity (except as expressly provided in the Participation Agreement and the Trust Agreement) but solely as Owner Trustee under the Trust Agreement, and its successors and assigns as such Owner Trustee (the "Owner Trustee") and lease back the Plant from the Owner Trustee pursuant to the Lease Agreement, dated the Lease Closing Date, between the Owner Trustee, as Lessor, and Heber Geothermal, as Lessee (the "Lease"). To finance construction of the Plant, Heber Geothermal proposes to borrow money from General Electric Credit Corporation, a New York corporation ("GECC"), pursuant to a loan agreement. Such borrowing will be secured in accordance with the Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 1983, among Heber Geothermal, the deed trustee and GECC, and as it may be amended, modified and supplemented from time to time in accordance with the terms thereof (the "Mortgage")

by a first mortgage on the Plant and by an assignment (for security purposes only) of certain contractual rights of Heber Geothermal. Upon completion of such construction, Heber Geothermal intends to assign all of its rights under certain contracts outright to the Owner Trustee pursuant to the Bill of Sale and Assignment, dated the Lease Closing Date, from Heber Geothermal in favor of the Owner Trustee (the "Bill of Sale") in connection with the sale of the Plant to the Owner Trustee. Contemporaneously with such assignment and sale, Heber Geothermal intends to enter into the Lease pursuant to which all of the Owner Trustee's rights under such contracts will be assigned to Heber Geothermal during the term of the Lease and thereafter if Heber Geothermal purchases the Plant pursuant to the terms of the Lease. After giving effect to the aforesaid sale and leaseback, Heber Geothermal will be fully obligated to perform all of its obligations with respect to such contracts.

2.2 SCE has entered into the Power Purchase Agreement dated August 26, 1983, (Purchase Agreement) with Heber Geothermal to purchase all the Electric Output From the Plant.

2.3 SCE and Heber Geothermal agree that the terms and conditions regarding transmission of the Electric Output From the Plant to an IID/SCE point of interconnection shall be pursuant to an agreement to be entered between IID and SCE.

2.4 Since the Plant has been built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Heber Geothermal hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the Plant manager. Those reasonable purposes included maintenance and

repairs to IID equipment in Heber Geothermal facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Heber Geothermal desires to purchase and IID desires to sell the electrical energy necessary to satisfy all of the corporation and maintenance power consumption requirements of the Plant for the life of the Plant that is

not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.2 Energy: Electric energy in excess of Heber Geothermal's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

4.3 Operation Date: The day on which the Plant Energy is accepted by IID for SCE's account.

4.4 Plant: A maximum of 49.9 MW net output geothermal generating facility owned by Heber Geothermal including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.5 Point of Delivery: The point on the high voltage side of Heber Geothermal's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.6 System Emergency: A condition on IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

4.7 Electric Output From the Plant: For the purposes of this agreement, the Electric Output From the Plant shall be defined as the net metered output of the Plant plus the net metered usage of electric power by chevron, as shown on in Exhibit B.

4.8 Consumption of Energy From IID's Resources: For the purposes of this agreement, Consumption of Energy From IID's Resources shall be defined as the metered energy delivered to Heber Geothermal, less that metered energy consumed by Chevron during deliveries from IID. Demand charges will be computed in the same manner.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective when signed by the Parties and shall terminate at the earlier of (i) midnight December 31, 2015, or (ii) twenty-four (24) months from the date the plant has ceased to operate at the option of the IID or (iii) the date agreed to by the Authorized Representatives.

6. CONNECTION OF PLANT

6.1 Heber Geothermal may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system.

6.2 Notwithstanding the provision that Heber Geothermal has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect

switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

7. ELECTRIC SERVICE TO HEBER GEOTHERMAL

IID shall provide electric service to Heber Geothermal pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Heber Geothermal and for energy deliveries by Heber Geothermal to IID for SCE's account shall be at the Point of Delivery as shown on Exhibit "B". Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "3".

9. HEBER GEOTHERMAL DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever Electric Output From the Plant exceeds Heber Geothermal 's power requirements, Heber Geothermal shall deliver all such excess output to IID for the account of SCE and IID shall accept such output for the account of SCE and deliver such output to SCE pursuant to transmission service agreement to be entered into between Southern California Edison Company and Imperial Irrigation District.

10. HEBER GEOTHERMAL'S GENERAL OBLIGATIONS

Heber Geothermal shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of the IID system.

10.2 Deliver the Electric Output From the Plant to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Heber Geothermal shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 When IID determines that it is necessary to utilize the transmission capability being utilized by Heber Geothermal to meet IID's load requirements,

a) pay its pro-rata share of the total costs associated with extensions or upgrades of IID's existing system and/or a new system required for delivery of Heber Geothermal's power, or

b) arrange for transmission capability exclusive of IID.

In any event, IID will give Heber Geothermal 60 months written notice of such determination.

11. IID'S GENERAL OBLIGATIONS

11.1 Accept the Electric Output From the Plant for the account of SCE at the Point of Delivery and concurrently deliver an equal amount of electric energy to the SCE system at IID/SCE point(s) of interconnection.

11.2 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Heber Geothermal and notify Heber Geothermal of any changes as far in advance as possible.

11.3 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Heber Geothermal. IID monthly shall send Heber Geothermal within ten (10) working days after the meter is read a bill for electric service. Heber Geothermal shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Heber Geothermal for Heber Geothermal's Consumption of Energy From IID's Resources in accordance with Rate Schedule A2, as it may be revised from time to time. Copy of current Rate Schedule A2 is attached as Exhibit "A".

12.3 If Heber Geothermal disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one half percent (1-1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written

procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to Heber Geothermal's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Heber Geothermal and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Heber Geothermal, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Heber Geothermal unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other party of the time when any inspection or test shall take place and that Party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

(i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,

(ii) the period immediately preceding the test of the meter equal the one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.

14.4 Heber Geothermal shall telemeter information to IID's new dispatch center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery, as well as voltage and breaker status over phone line leased by

Heber Geothermal. IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's new dispatch center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Heber Geothermal shall promptly pay IID's cost of design, purchase and installation of said equipment. Heber Geothermal shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Heber Geothermal to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Heber Geothermal, when such curtailment, interruption or

reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outages or abnormal operating conditions on its system which IID in its sole judgment deems to jeopardize its system integrity. IID shall exercise due diligence to minimize the frequency and duration of such curtailments, interruptions or reductions.

16. LIABILITY

16.1 Neither Party shall hold the other Party, its officers, agents or employees liable for any loss, damage, claim, cost, or expense for less of or damage to property, or injury or death of persons, which arises out of the first Party's ownership, operation or maintenance of facilities on its own side of the Point of Delivery.

16.2 Each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or

damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or willful misconduct.

17. UNCONTROLLABLE FORCE

Neither Party shall be considered to be in default with respect to any obligation hereunder, other than the obligations to pay money, if prevented from fulfilling such obligation by reason of an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the Party affected, including, but not limited to, failure or threat of imminent failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, sabotage and restraint by court or public authority, which by exercise of due diligence and foresight could not reasonably have been avoided. Whichever Party is rendered unable to fulfill any obligation by reason of uncontrollable forces shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing in this Agreement shall require a Party to settle any strike or labor dispute in which it is involved.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Heber Geothermal's Plant to IID's electric system, the acceptance of energy by IID from Heber Geothermal and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits

of their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the

relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 IID hereby consents to the assignment of this Agreement:

(i) by Heber Geothermal to GECC, as security, pursuant to the Mortgage;

(ii) by Heber Geothermal to the Owner Trustee pursuant to the Bill of Sale;

(iii) by the Owner Trustee to Heber Geothermal pursuant to the Lease or otherwise to Heber Geothermal in connection with the transactions contemplated by the Participation Agreement;

(iv) by any assignee permitted by this Section 21.2 (including any assignee permitted by this clause (iv) to any Person if such Person is, or has a binding contract for the operation of the Plant by, an experienced and prudent power plant operator and has a net worth (determined in accordance with generally accepted accounting principles) of at least \$100,000,000;

(v) by any assignee permitted by this Section 21.2 (including any assignee permitted by this clause (v) to any Person, unless IID shall have reasonably objected to such Person in writing within 30 days of notice to IID of the proposed assignment, which notice shall name the proposed assignee and the proposed operator of the Plant, such objection to be because such assignee either (a) is not a financially responsible entity, (b) is not, and does not have a contract for the operation of the Plant by, an experienced and prudent operating entity or (c) cannot obtain the rights, title and interest necessary to perform the assigned obligations.

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party

to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any, involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies some other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgment may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

The complete agreement of the Parties is set forth in this Agreement and all prior

communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

Heber Geothermal Company
226 West Brokaw Road
Suite 550
San Jose, California 95110

Imperial Irrigation District
c/o General Manager
P.O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 31st day of July, 1985.

HEBER GEOTHERMAL COMPANY

By /s/ John E. Jacobsen

Assistant General Manager

WITNESS:

By /s/ Robert E. Sindilar

IMPERIAL IRRIGATION DISTRICT

By /s/ W.R. Condit

President, Board of Directors

ATTEST:

By /s/ Larry E. Beck

EXHIBIT 10.3.24

PLANT CONNECTION AGREEMENT
FOR THE
SECOND IMPERIAL GEOTHERMAL COMPANY POWER PLANT

BETWEEN

IMPERIAL IRRIGATION DISTRICT
AND
SECOND IMPERIAL GEOTHERMAL COMPANY

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ATTACHMENTS

EXHIBIT "A" - RATE SCHEDULES GL AND A2

EXHIBIT "B" - METERING ONE-LINE DIAGRAM

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and SECOND IMPERIAL GEOTHERMAL COMPANY ("Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS

2.1 Producer intends to construct and operate, as owner or lessee, a geothermal generating facility with a maximum 33.0 megawatt net operating capacity at the Heber KGRA, Imperial County, California, and to sell the Plant electrical output to Southern California Edison Company ("SCE").

2.2 SCE has entered into the Power Purchase Agreement dated April 16, 1985, ("Purchase Agreement") with Producer, to purchase all the electrical output from the Plant.

2.3 SCE and Producer agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to a Transmission Service Agreement to be entered into between IID

and Producer.

2.4 Since the Plant will be built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Producer hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the

Plant manager. Those reasonable purposes include maintenance and repairs to IID equipment in Producer's facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Producer desires to purchase and IID desires to sell the electrical energy necessary to satisfy their operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Agreement. This Plant Connection Agreement between IID and Producer, and all Exhibits hereto, as may be amended from time to time.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.3 Energy: Electric energy in excess of Producer's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

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4.4 Operation Date: The day on which the Plant Energy is first accepted by IID for delivery to SCE.

4.5 Plant: A maximum of 33.0 MW net operating capacity geothermal facility operated by Producer, as owner or lessee, including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.6 Point of Delivery: The point on the high voltage side of Producer's switchyard when IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.7 System Emergency: A condition on IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective upon the Operation Date of the Plant, and shall remain in effect until the earlier of (i) thirty years after the plant achieves firm operation as such term is defined in Section 2.17 of the Power Purchase Contract dated April 16th, 1985 between Second Imperial Geothermal

Company and Southern California Edison Company, or (ii) thirty six (36) months from the date the Plant has ceased to operate at the option of IID. It is understood that if the Operation Date does not occur within five (5) years after the date this Agreement was executed, this Agreement shall be of no force or effect.

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6. CONNECTION OF PLANT

6.1 Producer may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system. Parallel operation will not commence until IID has inspected and approved the interconnection facilities and operational procedures.

6.2 Notwithstanding the provision that Producer has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

7. ELECTRIC SERVICE TO PRODUCER

IID shall provide electric service to Producer pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Producer and for energy deliveries by Producer to IID for delivery to SCE shall be at the Point of Delivery as shown on Exhibit "B." Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B."

9. PRODUCER'S DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds Producer's power requirements, Producer shall deliver all such excess output to IID for delivery to SCE and IID shall accept such output for delivery to SCE and deliver such output to SCE pursuant to a transmission service agreement to be entered into between Producer and IID.

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10. PRODUCER' S GENERAL OBLIGATIONS

Producer shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to

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IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Producer shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

IID shall:

11.1 Design, acquire, construct, operate and maintain, or cause to be designed, acquired, constructed, operated and maintained, and shall own, a connecting transmission line between IID's transmission system and the Plant. Following the completion of such line, IID may bill and Producer shall pay IID's costs of designing, acquiring and constructing such line. Producer shall have the right to audit IID's records and accounts to verify the cost of such line.

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11.2 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and simultaneously deliver an equal amount of electric energy (less applicable transmission losses) to the SCE system at IID/SCE point(s) of interconnection.

11.3 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Producer and notify Producer of any changes as far in advance as possible.

11.4 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.5 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Producer. IID monthly shall send Producer

within ten (10) working days after the meter is read a bill for electric service. Producer shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Producer for Producer's consumption of energy from IID's resources in accordance with Rate Schedule GL or Rate Schedule A-2, as applicable, as it may be revised from time to time. Copies of current Rate Schedule GL and current Rate Schedule A-2 are attached as Exhibit "A."

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12.3 If Producer disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1 1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to Producer's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Producer and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

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13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Producer, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Producer unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have representatives, present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a

meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,

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- (ii) the period immediately preceding the test of the meter equal to one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months;

14.4 Producer shall telemeter information to IID's Dispatch Center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery over phone line leased by Producer.

IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's Dispatch Center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Producer shall promptly pay IID's cost of design, purchase and installation of said equipment. Producer shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Producer to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Producer, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outages or

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abnormal operating conditions on its system. IID shall use reasonable efforts to keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

16.2 For the purpose of this Section 16, Willful Action shall be defined as action taken or not taken by a Party at the direction of its

directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

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16.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

16.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

16.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

16.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

16.4 The phrase "employees having management or administrative responsibility," as used in Section 16.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

16.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to

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property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

17. UNCONTROLLABLE FORCES

Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either

Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give

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prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Producer's Plant to IID's electric system, the acceptance of energy by IID from Producer and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the

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Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 This Agreement may be assigned by Producer only (i) to a purchaser or co-owner of the Plant or to a person who will operate the Plant pursuant to a contract or other arrangement with such purchaser and in either case with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for the Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 21.2 may be amended, modified or waived without the prior written consent of each and every Party to the Funding and Construction Agreement (except for any Parties in default thereunder.)

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States as applicable.

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24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the

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matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not, in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not

grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

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24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrator specifies some other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgement may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

25.1. The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

SECOND IMPERIAL GEOTHERMAL COMPANY
343 Second Street, Suite N
Los Altos, CA 94022

IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P.O. Box 937
Imperial, California 92251

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27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 27th day of October, 1992.

SECOND IMPERIAL GEOTHERMAL COMPANY

By: /s/ James W. Porter Jr.

ATTEST:

By: /s/ Indecipherable

Secretary

IMPERIAL IRRIGATION DISTRICT

By: /s/ Indecipherable

President, Board of Directors

ATTEST:

By: /s/ Indecipherable

Secretary

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Exhibit 10.3.25

TRANSMISSION SERVICE AGREEMENT
FOR ALTERNATIVE RESOURCES

BETWEEN

IMPERIAL IRRIGATION DISTRICT
AND
SECOND IMPERIAL GEOTHERMAL COMPANY

AGREE/SIGC.TSA
10/20/92

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1. PARTIES: The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and SECOND IMPERIAL GEOTHERMAL COMPANY, a "Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 Producer has caused to be constructed or intends to construct an alternative energy resource facility located in IID's service area.

2.2 Producer and IID have entered into a Plant connection Agreement.

2.3 Producer desires to purchase, and IID desires to sell firm transmission service of power from the Plant to Edison's Mirage Substation subject to the terms and conditions specified herein.

2.4 Producer is in the process of arranging for an institutional lender to

finance Producer's construction of the aforementioned alternative energy resource facility. Such financing is expected to occur pursuant to a closing on or prior to November 30, 1992 ("Closing"). Simultaneously with Closing, or immediately thereafter, Producer will execute documentation necessary to become a party to the Funding and Construction Agreement, dated June 29, 1987, providing for the funding and construction of transmission lines within IID's service area. It is agreed that this Agreement shall not become effective until the execution of such Funding and Construction Agreement.

3. AGREEMENT: The Parties agree as follows:

4. DEFINITIONS: The following terms when used herein with initial capitalization, whether in the singular or plural, shall have the meanings specified:

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4.1 Agreement: This IID-SIGC Transmission Service Agreement for Alternative Resources between Second Imperial Geothermal Company and IID, and all Exhibits attached hereto, as such Agreement may subsequently be amended for firm transmission service between the Plant and Edison's Mirage Substation.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 12.

4.3 Date of Initial Service: The date when the output from the Plant is first available for delivery to Edison, as notified to IID pursuant to Section 5.2.

4.4 Edison: Southern California Edison Company.

4.5 Funding and Construction Agreement: The Funding and construction Agreement dated June 29, 1987 entered into by IID and others, to which a form of this Agreement is attached as Exhibit 2.

4.6 Maximum Transmission Service Entitlement: The Maximum Transmission Service Entitlement for the Plant, as specified in Exhibit II and in any subsequent Plant Amendments.

4.7 Normal Transmission Capacity: The maximum transfer capability, expressed in megawatts (MW), from the Point of Receipt to the Point of Delivery. Such transfer capability, as determined by IID, in its sole judgment shall be consistent with prudent operating procedures and with generally-accepted engineering and operating practices in the electrical utility industry.

4.8 Operating Transmission Capability: The maximum transfer capability, expressed in megawatts (MW), available to IID at any given time to transmit power from Point of Receipt to Point of Delivery. Such transfer capability shall be as determined by IID in its sole judgment, may vary from time-to-time depending on system conditions, and shall be consistent with

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prudent operating procedures and generally-accepted engineering and operating practices in the electrical utility industry.

4.9 Plant: An electrical generating alternative energy resource facility developed by Producer for which IID shall provide transmission service, as specified in Exhibit II and in any subsequent Plant Amendments.

4.10 Plant Amendment: An agreement reached by the Parties, as an amendment to this Agreement, for transmission service to be provided by IID for the Plant added by Producer or for Producer's account subsequent to the execution of this Agreement.

4.11 Plant Connection Agreement: An agreement between IID and Producer providing for the connection of the Plant to IID's electrical system, as specified in Exhibit II and in any subsequent Plant Amendments.

4.12 Point(s) of Delivery: The 230 kV switchrack at the Mirage Substation site where Edison's 230 kV facilities are attached to IID's 230 kV Coachella-Mirage Line or other points as may be mutually agreed upon by the Authorized Representatives.

4.13 Point of Receipt: The point on the high voltage side of the Plant's transformer where IID's metering equipment measures the delivery of energy to the IID system.

4.14 Transmission Service Entitlement: The amount of transmission service, expressed in megawatts (MW), provided by IID for the Plant, from the applicable Point of Receipt to the applicable Point(s) of Delivery.

5. TERM:

5.1 Unless otherwise agreed to by the Parties, this Agreement shall be effective on the date on which it is executed and shall remain in effect until thirty years after the Plant achieves Firm Operation, as such term is defined in Section 2.17 of the Power Purchase Contract dated

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April 16, 1985, between Second Imperial Geothermal Company and Southern California Edison Company.

5.2 The Transmission Service Entitlement to be provided by IID for the Plant shall be contingent on a Plant Connection Agreement being in effect. Transmission service for the Plant shall commence on the Date of Initial Service of such Plant. Producer's Authorized Representative shall give IID's Authorized Representative written notice of the Date of Initial Service at least thirty (30) days before the Date of Initial Service.

6. TRANSMISSION SERVICE:

6.1 Subject to the terms of this Agreement, IID shall provide to Producer and Producer shall purchase from IID transmission service over IID's transmission system for the Plant. IID shall make arrangements with Edison to provide, at Producer's or Edison's expense, for the transfer of the electrical power to be delivered to Edison hereunder from IID's transmission system to Edison's transmission system at the Point(s) of Delivery.

6.2 The Transmission Service Entitlement for the Plant shall be the Maximum Transmission Service Entitlement for such Plant specified in Exhibit II or any subsequent Plant Amendments, or such lesser amount as may be established as follows. Beginning on the Date of Initial Service for the Plant, Producer shall be entitled to specify a Transmission Service Entitlement by Advance written notice given to IID's Authorized Representative at least thirty (30) days prior to the Date of Initial Service. The Transmission Service Entitlement to be provided by IID subsequent to the Date of Initial Service may be adjusted at six (6) month intervals thereafter until two (2) years after the Date of Initial Service for such Plant (the "Trial Period"). Such adjustments shall be made by having Producers' Authorized Representative give IID's Authorized Representative a ninety (90) day advance written notice as to the adjustment

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required. Beginning two (2) years after the Date of Initial Service for such

Plant, Producer shall be entitled to specify a Transmission Service Entitlement for each successive 2-year period during the remaining term of this Agreement by written notice from Producer's Authorized Representative to IID's Authorized Representative given at least ninety (90) days prior to the beginning of each 2-year period.

6.3 The Transmission Service Entitlement selected by Producer for the Plant in accordance with Section 6.2 may be any amount which is less than or equal to the Maximum Transmission Service Entitlement for such Plant specified in Exhibit II or any subsequent Plant Amendments, provided, however, that the following shall apply to the Plant after the Trial Period for such Plant has elapsed.

6.3.1 If (i) the sum of the Transmission Service Entitlements for all Plants which are no longer in their Trial Periods is less than the sum of the Maximum Transmission Service Entitlements for such Plants, as shown in Exhibit II and in any subsequent Plant Amendments, (the "Aggregate Maximum Transmission Service Entitlement"), and (ii) provided that IID requires additional capacity for transmitting electric power to Edison's transmission system for another person (or, following the Credit Installment Period as defined in the Funding and Construction Agreement, for itself) and (iii) IID's use of such required capacity would be in conflict with Producer's right as provided herein to increase the sum of the Transmission Service Entitlements for such Plants to the Aggregate Maximum Transmission Service Entitlement, then IID shall so notify Producer in writing, specifying in such notice the portion, expressed in megawatts (MW), of the excess of the Maximum Transmission Service Entitlement over the Transmission Service Entitlement for each such Plant which it desires to use as stated above. Producer shall have ninety (90) days after receipt of IID's notice to notify IID in writing that it

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desires to increase the Transmission Service Entitlements of such Plants. To the extent that Producer does not elect to increase the Transmission Service Entitlement of each such Plant up to the Maximum Transmission Service Entitlement for such Plant, IID shall be entitled to use such unclaimed capacity to satisfy the transmission requirements specified in its notice to Producer, and to the extent that IID does so, Producer shall thereafter be foreclosed from increasing the Transmission Service Entitlement for such Plant in a manner which would conflict with such usage by IID.

6.3.2 IID shall treat Producer and each other person who has entered into a transmission service agreement similar in substance to this Agreement in a fair and nondiscriminatory manner in requesting additional transmission capacity as provided in this Section 6.3. Without limiting the generality of the foregoing, IID shall request additional transmission capacity from Producer and such other persons on a pro rata basis, in proportion to the aggregate Maximum Transmission Service Entitlement for each person less the sum of the Transmission Service Entitlements for each of such persons' generating plants which is no longer in a Trial Period.

6.4 In the event that the Original Capacity Nomination designated by Producer (or the Participant associated with Producer) is adjusted pursuant to Section 3.07 of the Funding and Construction Agreement, the Parties agree to amend this Agreement in such a way that the sum of the Maximum Transmission Service Entitlements for all Plants hereunder is equal to such Original Capacity Nomination as so adjusted. As used in this Section 6.4, the terms Original capacity Nomination and participant shall have the meanings assigned to them in Article I of the funding and Construction Agreement.

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6.5 IID reserves the right to interrupt or curtail the transmission service provided hereunder as follows:

6.5.1 If the Operating Transmission Capability is reduced to less than Normal Transmission Capacity from a Point of Receipt to a Point of Delivery, and when continuity of service within IID's service area is not being jeopardized, IID may curtail the transmission service currently being provided from such Point of Receipt to such Point of Delivery, to an amount "A" determined by the following formula:

$$A = \frac{\text{Operating Transmission Capability}}{\text{Normal Transmission Capacity}} \times \text{Transmission Service Entitlement}$$

The transmission service for each Plant affected shall be curtailed by multiplying the Transmission Service Entitlement in accordance with Exhibit II and in any subsequent Plant Amendments by the same percentage (expressed as a decimal as used in the determination of "A". However, any such curtailment shall occur only after IID has made all reasonable efforts to eliminate the cause of the reduction in Operating Transmission Capability, and IID shall then employ reasonable efforts to eliminate expeditiously the cause of said reduction.

6.5.2 If continuity of service within IID's control area is being jeopardized, as determined by IID in its sole judgment, IID may interrupt or curtail the transmission service provided hereunder to the extent necessary to avoid or eliminate such jeopardy; provided that (i) such interruptions or curtailments may be made so that IID may fully utilize all generating resources owned by it or available to it under contract in order to avoid damage to IID's electrical system caused by overloading, (ii) such interruption or curtailment shall occur only after IID has made all reasonable efforts to avoid or eliminate such jeopardy and (iii) to the extent feasible any curtailment of transmission service provided hereunder from a Point of Receipt to a Point of Delivery shall be made in accordance with the formula set forth in Section 6.5.1.

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6.6 If IID's efforts do not avoid or eliminate such jeopardy, the Parties shall endeavor to develop some other arrangement to avoid or eliminate such jeopardy and minimize the effects of IID's interruption or curtailment on both parties.

6.7 In the event of any curtailments or interruptions made pursuant to Section 6.5.1 or Section 6.5.2, Producer shall, immediately after being orally notified by IID, reduce the electrical output of the Plants by the amounts requested by IID.

6.8 The transmission service to be provided by IID and purchased by Producer for each Plant shall not exceed the Transmission Service Entitlement for that Plant.

6.9 Subject to Section 6.5, IID shall, during the periods that IID has agreed to provide the transmission service at the specified Transmission Service Entitlements, accept hourly scheduled energy deliveries at each Point of Receipt and simultaneously deliver the same amount of energy (less transmission losses as provided herein) at the Point(s) of Delivery mutually agreed upon by the Parties' dispatchers and/or schedulers.

6.10 Hourly scheduled energy deliveries at each Point of Receipt shall conform with the practices and procedures developed by the Parties dispatchers and schedulers and agreed to by the Authorized Representatives.

7. TRANSMISSION LOSSES:

7.1 IID shall determine, by transmission power flow analysis, the

electrical losses (expressed as a percent amount of hourly scheduled energy deliveries) associated with the electrical output from each Plant. Such analysis shall be performed by IID at its sole expense. The initial percent amount, for each Plant, representing the electrical losses as determined herein shall be as specified in Exhibit II and in any subsequent Plant Amendments.

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7.2 Unless otherwise agreed to by Producer's and IID's schedulers and dispatchers, IID shall reduce the amount of all hourly scheduled energy deliveries for Producer or Producer's account by the percent amount of such hourly deliveries for each Plant in accordance with Exhibit II and in any subsequent Plant Amendments.

7.3 If either Party believes that there has been a significant change in IID's electrical system and the electrical losses associated with any Plant should be redetermined, either Party's Authorized Representative may submit a written request to the other Party's Authorized Representative that the electrical losses be redetermined. Following such request, a transmission flow analysis shall be performed by IID as approved by the Authorized Representatives and paid for by the requesting Party. Whenever the percent amount for electrical losses is redetermined, such percent amount shall become effective as of the first day of the month following the date of such redetermination; provided, that such a redetermination may be no sooner than twelve (12) months after the most recent redetermination. My redetermination of electrical losses made pursuant to this Section 7 shall be based on conditions in existence at the time of such redetermination.

7.4 Along with the monthly billing pursuant to Section 9.1, for the transmission service for each Plant, IID shall submit a monthly summary of hourly scheduled energy deliveries and of electrical losses for each Plant.

8. CHARGES:

8.1 For transmission service provided by IID, Producer shall pay IID at a rate to be determined by IID pursuant to the methodologies specified in Exhibit I. The initial rate is specified in Exhibit I-A and revisions thereto will be specified in any subsequent Plant Amendments. Any specific facility charge to Producer for connecting the Plant(s) to the IID

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transmission system shall be included only in the Plant Connection Agreement(s) between IID and Producer.

8.2 The transmission rate shall be reviewed annually and may be revised. Any revision of the rates shall be based on the methodologies in Exhibit I.A and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the rates.

8.3 An initial monthly scheduling fee, as specified in Exhibit II and revisions thereto specified in any subsequent Plant Amendments, shall be paid by Producer to IID for those months in which there were scheduled energy deliveries from the Plant. The initial scheduling fee has been determined by IID pursuant to the methodology specified in Exhibit I.B. The scheduling fee shall be reviewed annually and may be revised. Any revision of the scheduling fee shall be based on the methodology in Exhibit I.B and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the scheduling fee.

9. BILLING AND PAYMENT:

9.1 IID shall render bills to Producer, beginning in the month of the Date of Initial Service, on or before the fifteenth (15th) day of each month for the transmission service to be provided during the month. Producer shall pay such bills within twenty (20) days after receipt thereof.

All payments by Producer shall be sent to:

Imperial Irrigation District
c/o Manager, Finance & Accounting
P.O. Box 937
Imperial, CA 92251

All billings by IID shall be sent to

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Second Imperial Geothermal Company
343 Second Street, Suite N
Los Altos, CA 94022

9.2 Either Party's Authorized Representative may at any time, by advance written notice to the other Party's Authorized Representative, change the address to which payments or billings shall be sent.

9.3 Bills which are not paid in full by said due date shall thereafter bear an additional charge of one and one-half percent (1-1/2%) per month, or the maximum legal rate of interest, whichever is less, compounded monthly on the unpaid amount prorated by days from the due date until payment is received by IID.

9.4 In the event any portion of any bill is disputed, the disputed amount shall be paid when due under protest. If the protested portion of the payment is found to be incorrect by the Authorized Representatives, the dispute amount shall be paid by IID to Producer, including interest at the rate of 1-1/2% per month, or the maximum legal rate, whichever is less, compounded monthly from the date of payment by Producer to the date the refund check or adjusted bill is received by Producer.

9.5 For a fractional part of a calendar month at the beginning or end of the period for which the transmission service is provided hereunder, the charge pursuant to Section 8.1 shall be proportionately adjusted by the ratio of days that service is furnished by IID to Producer during such month to the total number of days in such month.

9.6 The charge for the transmission service pursuant to Section 8.1 shall be proportionately reduced to the extent the duration of the interruptions or curtailments of the transmission service which may concur pursuant to Section 6.5.1 or Section 6.5.2 exceed a cumulative total of twenty-four (24) hours during any calendar month based on 730 hours per month representing the full transmission service charge. The amount of such pro rata reduction

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in any month shall reflect the duration and amount of such interruptions or curtailments which exceed said cumulative 24 hours. Such pro rata reduction shall be reflected as a credit to Producer as soon as possible in a subsequent monthly bill.

9.7 The charge for the transmission service shall not be reduced if IID can deliver, but Edison's transmission system cannot receive, the hourly scheduled energy deliveries independent of the duration of time this condition exists.

10. LIABILITY

10.1 Except for any loss, damage, claim, costs, charge or expanse resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

10.2 For the purpose of this Section 10, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

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10.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

10.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

10.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

10.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

10.4 The phrase "employees having management or administrative responsibility," as used in Section 10.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

10.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

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11. AUDITING:

11.1 IID shall make its books, records, and other supporting information, as requested, available to Producer or to Producer's designated contracted representative(s) with a CPA firm, for the purpose of auditing any charges or

accounts to be kept by IID hereunder. All such audits shall be undertaken at reasonable times and in conformance with generally-accepted auditing standards.

11.2 If as a result of such audits Producer believes its charges or accounts should be adjusted, the findings shall be presented to the Authorized Representatives. If the Authorized Representatives agree that any audit finding should result in a revision of charges or accounts, such revisions shall be retroactive to the first billing for such charges and accounts and shall be made as soon as practical after determination.

11.3 The amount of any unresolved dispute shall accrue interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum legal rate, whichever is less, compounded monthly for any amount of money ultimately refunded to Producer.

12. AUTHORIZED REPRESENTATIVES: Within thirty (30) calendar days after the Completion Date, as defined in Article I of the Funding and Construction Agreement, each Party shall designate by written notice to the other Party a representative who is authorized to act on its behalf in the implementation of this Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Party.

13. NO DEDICATION OF FACILITIES: Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed

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that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

14. NON-WAIVER: None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

15. NO THIRD PARTY RIGHTS: The Parties do not intend to create rights in or to grant remedies to any Third Party or others as a beneficiary of this Agreement or of any duty, covenant, obligation or undertaking established hereunder.

16. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, the failure or inability of Edison to receive the electric power to be transmitted hereunder at the Point(s) of Delivery, which by exercise of due diligence such

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Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

17. ASSIGNMENTS:

17.1 Any assignment by Producer of its interest in this Agreement which is made without the written consent of IID (which shall not be unreasonably withheld) shall not relieve Producer from its primary liability for any of its duties and obligations hereunder, and in the event of any such assignment Producer shall continue to remain primarily liable for payment of any and all money due IID hereunder and for the performance and observance of all other covenants, duties and obligations to be performed and observed hereunder by it to the same extent as though no assignment has been made.

17.2 Notwithstanding any provision of Section 17.1 to the contrary, prior to the end of the Credit Installment Period, as defined in Article I of the Funding and Construction Agreement, Producer's right to transmission service under this Agreement with respect to the Plant may be assigned only (i) to a purchaser or co-owner of such Plant or to a person who will operate such plants pursuant to a contract or other arrangement with such purchaser and in either case only with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for such Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 17.2 may be amended, modified or waived without the prior written consent of each and

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every party to the Funding and Construction Agreement (except for any parties in default thereunder).

17.3 Whenever an assignment of Producer's interest in this Agreement is made with the written consent of IID, Producer's assignee shall expressly assume in writing the duties and obligations hereunder of Producer and, within thirty (30) days after any such assignment and assumption of duties and obligations, Producer shall furnish or cause to be furnished to IID a true and correct copy of such assignment and assumption of duties and obligations.

17.4 Subject to the foregoing restrictions on assignments, all of the terms of this Agreement shall be binding upon and inure to the benefit of both of the Parties and their respective successors, permitted assigns and legal representatives.

18. GOVERNING LAW: This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States, as applicable.

19. NOTICES: Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, postage prepaid, to the persons specified below unless otherwise provided for in this Agreement:

IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P.O. Box 937
Imperial, California 92251

SECOND IMPERIAL GEOTHERMAL PLANT

343 Second Street, Suite N
Los Altos, CA 94022

Either Party may at any time, by notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

20. SIGNATURE CLAUSE

17

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 27th day of October, 1992.

SECOND IMPERIAL GEOTHERMAL COMPANY

By /s/ James W. Porter, Jr.

ATTEST:

By /s/ F. Neil Schmidt

Secretary

IMPERIAL IRRIGATION DISTRICT

By /s/ Indecipherable

ATTEST:

By /s/ Indecipherable

Secretary

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EXECUTION COPY

Exhibit 10.3.26

PLANT CONNECTION AGREEMENT

FOR THE

ORMESA GEOTHERMAL PLANT

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

ORMESA GEOTHERMAL

EXECUTION COPY

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT (IID), an irrigation district organized and operating under the laws of the State of California and ORMESA GEOTHERMAL (ORMESA), a California Partnership (hereinafter individually Party, collectively Parties).

2. RECITALS

2.1 ORMESA owns and operates a geothermal generating facility with a maximum 24 megawatt net output at the East Mesa Known Geothermal Resource Area (KGRA) and sells the Plant electrical output to Southern California Edison Company (SCE).

2.2 SCE has entered into the Power Purchase Agreement dated July 18, 1984, (Purchase Agreement) with ORMESA to purchase all the electrical output from the Plant.

2.3 SCE and ORMESA agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to the IID-Edison Transmission Service Agreement for Alternate Resources between IID and SCE of September 10, 1985.

2.4 Since the Plant has been built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

ORMESA hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the Plant manager. Those reasonable purposes included maintenance and repairs to IID equipment in ORMESA facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 ORMESA desires to purchase and IID desires to sell the electrical energy necessary to satisfy the operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the parties relating to such interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.2 Energy: Electric energy in excess of ORMESA's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

4.3 Operation Date: The day on which the Plant Energy is accepted by IID for SCE's account.

4.4 Plant: A maximum of 24 MW net output geothermal generating facility owned by ORMESA including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.5 Point of Delivery: The point on the high voltage side of ORMESA's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.6 System Emergency: A condition of IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective when signed by the Parties and shall terminate

at the earlier of (i) midnight December 31, 2015, or (ii) at the option of the IID, at the termination of a twenty-four (24) month period during which the Plant has failed to operate continuously, or (iii) the date agreed to by the Authorized Representatives.

6. CONNECTION OF PLANT

6.1 ORMESA may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system.

6.2 Notwithstanding the provision that ORMESA has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

7. ELECTRIC SERVICE TO ORMESA

IID shall provide electric service to ORMESA pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to ORMESA and for energy deliveries by ORMESA to IID for SCE's account shall be at the Point of Delivery as shown on Exhibit "B". Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B".

9. ORMESA DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds ORMESA's power requirements, ORMESA shall deliver all such excess output to IID for the account of SCE and IID shall accept such output for the account of SCE and deliver such output to SCE pursuant to transmission service agreement to be entered into between Southern California Edison Company and Imperial Irrigation District.

10. ORMESA'S GENERAL OBLIGATIONS

ORMESA shall:

10.1 Operate the Plant in a manner consistent with applicable electric

utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive K----- volt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01p.m . on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the

hourly deliveries so scheduled become necessary, ORMESA shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 When IID determines that it is necessary to utilize the transmission capability being utilized by ORMESA to meet IID's load requirements,

a) pay its pro-rata share of the total costs associated with extensions or upgrades of IID's existing system and/or a new system required for delivery of ORMESA's power, or

b) arrange for transmission capability exclusive of IID. In any event, IID will give ORMESA 60 months written notice of such determination.

10.10 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

11.1 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and concurrently delivery an equal amount of electric energy to the SCE system at IID/SCE point(s) of interconnection.

11.2 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with ORMESA and notify ORMESA of any changes as far in advance as possible.

11.3 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.4 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to ORMESA. IID monthly shall send ORMESA within ten (10) working days after the meter is read a bill for electric service. ORMESA shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill ORMESA for ORMESA's consumption of energy from IID's resources in accordance with Rate Schedule A-2, as it may be revised from time to time. Copy of current Rate Schedule A-2, is attached as Exhibit "A".

12.3 If ORMESA disputes a bill, payment shall be made as if no dispute exists pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1-1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities of the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to ORMESA Authorized Representative for review, comment,

discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between ORMESA and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of delivers to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by ORMESA, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by ORMESA unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have

representatives present at the test or inspections. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,
- (ii) the period immediately preceding the test of the meter equal the one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.,

14.4 ORMESA shall telemeter information to IID's new dispatch center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery over phone line leased by ORMESA.

IID shall purchase, own and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's new dispatch center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and ORMESA shall promptly pay IID's cost of design, purchase and installation of said equipment which cost is estimated to be \$35,000.00. ORMESA shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require ORMESA to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to ORMESA, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forces outages or abnormal operating conditions on its system. IID shall use reasonable efforts to

keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Neither Party shall hold the other Party, its officers, agents or employees liable for any loss, damage, claim, cost, or expense for loss of or damage to property, or injury or death of persons, which arises out of the first Party's ownership, operation or maintenance of facilities on its own side of the Point of Delivery, except as provided in Section 16.2.

16.2 Each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to or breach of or default under this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or willful misconduct.

17. UNCONTROLLABLE FORCE

Neither Party shall be considered to be in default with respect to any obligation hereunder, other than the obligations to pay money, if prevented from fulfilling such obligation by reason of an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the Party affected, including, but not limited to, failure or threat of imminent failure of facilities, flood, earthquake, storm, lighting, fire, epidemic, war, riot, civil disturbance, sabotage and restraint by court or public authority, which by exercise of due diligence and foresight could not reasonably have been avoided. Whichever Party is rendered unable to fulfill any obligation by reason of uncontrollable forces shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing in this Agreement shall require a Party to settle any strike or labor dispute in which it is involved.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of ORMESA's Plant to IID's electric system, the acceptance of energy by IID from ORMESA and the providing of the electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 No assignment of this Agreement, or any part thereof, by either Party shall be

valid unless approved in writing in advance by the other Party. Such approval of assignment shall not be unreasonably withheld.

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any, involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two

arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies some other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgement may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable

25, ENTIRE AGREEMENT

25.1 The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

25.2 IID shall not amend the IID-Edison Transmission Service Agreement for Alternate Resources between IID and SCE of September 10, 1985 to the extent that any such amendment shall apply to the Plant without the prior written consent of ORMESA.

25.3 Notwithstanding any other provision of the Agreement, if IID has or hereinafter enters into any plant connection agreement with any alternate resource developer, which agreement contains terms more favorable to that developer than the terms extended to ORMESA, IID shall, within thirty (30) days following execution of such an agreement, modify this Agreement content with those more favorable terms.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

ORMESA GEOTHERMAL
500 Oermody Way
Sparks, Nevada 89431

IMPERIAL IRRIGATION DISTRICT

c/o General Manager
P.O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 1st day of October, 1985.

ORMESA GEOTHERMAL / ORMAT ENGINEERING
INC.

as General Partner

By: /s/ Indecipherable

Vice-President

ATTEST:

By: /s/ Indecipherable

Secretary

IMPERIAL IRRIGATION DISTRICT

By: /s/ W. R. Condit

President, Board of Directors

ATTEST:

By: /s/ Larry E. Beck

Secretary

PLANT CONNECTION AGREEMENT
FOR THE
ORMESA IE GEOTHERMAL POWER PLANT
BETWEEN
IMPERIAL IRRIGATION DISTRICT
AND ORMESA IE

EXECUTION COPY
10-21-88

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and ORMESA IE ("Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS

2.1 Producer intends to construct and operate, as owner or lessee, a generating facility with a maximum 9 megawatt net operating capacity at the East Mesa (KGRA), Imperial County, California, and to sell the Plant electrical output to Southern California Edison Company ("SCE").

2.2 SCE entered into the Power Purchase Agreement dated July 18, 1984 ("Purchase Agreement"), with Republic Geothermal, Inc. ("Republic"). Republic assigned the Power Purchase Contract to Ormat Systems, Inc. on November 6, 1984 to which assignment SCE consented on December 19, 1984. Ormat Systems, Inc. assigned the Power Purchase Contract to Owners Geothermal on February 27, 1985 to which assignment SCE consented on July 22, 1985.

2.3 SCE and Producer agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to a Transmission Service Agreement to be entered into between IID and Ormesa Geothermal.

2.4 Since the Plant will be built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Producer hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the Plant manager. Those reasonable purposes include maintenance and repairs to IID equipment in Producer's facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Producer desires to purchase and IID desires to sell the electrical energy necessary to satisfy the operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Agreement: This Plant Connection Agreement between IID and Producer, and all Exhibits hereto, as may be amended from time to time.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.3 Energy: Electric energy in excess of Producer's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

4.4 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this Agreement is attached as Exhibit C.

4.5 Operation Date: The day on which the Plant Energy is first accepted by IID for delivery to SCE.

4.6 Plant: A maximum of 9 MW net operating capacity Geothermal facility operated by Producer, as owner or lessee, including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.7 Point of Delivery: The point on the high voltage side of Producer's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.8 System Emergency: A condition on IID'S system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective upon the Operation Date of the Plant, and shall remain in effect until the earlier of (i) October 12, 2017, or (ii) thirty six (36) months from the date the Plant has ceased to operate at the option of IID. It is understood that (i) if the Completion Date, as the term Completion Date is defined In Article I of Funding and Construction Agreement does not occur, or (ii) if the Operation Date does not occur within five (5) years after the date this Agreement was executed, this Agreement shall be of no force or effect.

6. CONNECTION OF PLANT

6.1 Producer may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system. Parallel operation will not commence until IID has inspected and approved the interconnection facilities and operational procedures.

6.2 Notwithstanding the provision that Producer has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

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7. ELECTRIC SERVICE TO PRODUCER

IID shall provide electric service to Producer pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Producer and for energy deliveries by Producer to IID for delivery to SCE shall be at the Point of Delivery as shown on Exhibit "B." Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B."

9. PRODUCER'S DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds Producer's power requirements, Producer shall deliver all such excess output to IID for delivery to SCE and IID shall accept such output for delivery to SCE and deliver such output to SCE pursuant to a transmission service agreement to be entered into between Ormesa Geothermal and IID.

10. PRODUCER'S GENERAL OBLIGATIONS

Producer shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period

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commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Producer shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

IID shall:

11.1 Design, acquire, construct, operate and maintain, or cause to be designed, acquired, constructed, operated and maintained, and shall own, a connecting transmission line between IID's transmission system and the Plant. Following the completion of such line, IID may bill and Producer shall pay IID's costs of designing, acquiring and constructing such line. Producer shall have the right to audit IID's records and accounts to verify the cost of such line.

11.2 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and simultaneously deliver an equal amount of electric energy (less applicable transmission losses) to the SCE system at IID/SCE point(s) of interconnection.

11.3 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Producer and notify Producer of any changes as far in advance as possible.

11.4 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.5 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Producer. IID monthly shall send Producer within ten (10) working days after the meter is read a bill for electric service. Producer shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Producer for Producer's consumption of energy from IID's resources in accordance with Rate Schedule GL or Rate Schedule A-2, as applicable, as it may be revised from time to time. Copies of current Rate Schedule GL and current Rate Schedule A-2 are attached as Exhibit "A."

4

12.3 If Producer disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1 1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to Producer's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Producer and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Producer, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Producer unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by

the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,

5

- (ii) the period immediately preceding the test of the meter equal to one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.

14.4 Producer shall telemeter information to IID's Dispatch Center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery over phone line leased by Producer.

IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's Dispatch Center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Producer shall promptly pay IID's cost of design, purchase and installation of said equipment. Producer shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Producer to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Producer, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outages or abnormal operating conditions on its system. IID shall use reasonable efforts to keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of, any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

16.2 For the purpose of this Section 16, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

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16.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

16.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

16.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

16.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

16.4 The phrase "employees having management or administrative responsibility," as used in Section 16.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

16.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

17. UNCONTROLLABLE FORCES

Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Producer's Plant to IID's electric system, the acceptance of energy by IID from Producer and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties

shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of their authority, and consistent with this Agreement shall be binding upon the Parties. All change to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 This Agreement may be assigned by Producer only (i) to a purchaser or co-owner of the Plant or to a person who will operate the Plant pursuant to a contract or other arrangement with such purchaser and in either case with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for the Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 21.2 may be amended, modified or waived without the prior written consent of each and every Party to the Funding and Construction Agreement (except for any Parties in default thereunder).

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the

issues to be arbitrated, the amount or amounts, if any, involved In the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the Issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not grant any remedy or relief

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which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies some other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgement may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

25.1 The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent

first class mail, postage prepaid to the person specified below:

ORMESA IE
c/o Plant Manager
P.O. Box 819
El Centro, California 92244

IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P.O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

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28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this _____ day of _____, 1988.

ORMESA IE

By AMOR V, Managing General Partner

By /s/ Indecipherable

Its V. President

ATTEST:

By /s/ Indecipherable

Secretary

IMPERIAL IRRIGATION DISTRICT

By /s/ Indecipherable

President, Board of Directors

ATTEST:

By /s/ Larry E. Beck

Secretary

Exhibit 10.3.28

89____
ORMESA
9-21-89
EXECUTION COPY

File No. _____
Copy to Action: _____
Copy for Info: _____
Follow up Req: _____
TO OTL FAX _____ Date _____
_____ Date _____

PLANT CONNECTION AGREEMENT
FOR THE
ORMESA IH GEOTHERMAL POWER PLANT

BETWEEN

IMPERIAL IRRIGATION DISTRICT
AND
ORMESA IH

EXECUTION COPY
9-21-89

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and ORMESA IH ("Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS

2.1 Producer intends to construct and operate, as owner or lessee, a generating facility with a maximum 9 megawatt net operating capacity at the East Mesa (KGRA), Imperial County, California, and to sell the Plant electrical output to Southern California Edison Company ("SCE").

2.2 SCE entered into the Power Purchase Agreement dated July 18, 1984, ("Purchase Agreement") with Republic Geothermal, Inc. ("Republic"). Republic assigned the Power Purchase Contract to Ormat Systems, Inc. on November 6, 1984 to which assignment SCE consented on December 19, 1984. Ormat Systems, Inc. assigned the Power Purchase Contract to Ormesa Geothermal on February 27, 1985 to which assignment SCE consented on July 22, 1985.

2.3 SCE and Producer agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to a Transmission Service Agreement to be entered into between IID and Ormesa Geothermal.

2.4 Since the Plant will be built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Producer hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the Plant manager.

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Those reasonable purposes include maintenance and repairs to IID equipment in Producer's facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Producer desires to purchase and IID desires to sell the electrical energy necessary to satisfy the operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Agreement: This Plant Connection Agreement between IID and Producer, and all Exhibits hereto, as may be amended from time to time.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.3 Energy: Electric energy in excess of Producer's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

4.4 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this Agreement is attached as Exhibit C.

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4.5 Operation Date: The day on which the Plant Energy is first accepted by IID for delivery to SCE.

4.6 Plant: A maximum of 9 MW net operating capacity Geothermal facility operated by Producer, as owner or lessee, including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.7 Point of Delivery: The point on the high voltage side of Producer's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.8 System Emergency: A condition on IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective upon the Operation Date of the Plant, and shall remain in effect until the earlier of (i) October 12, 2017, or (ii) thirty six (36) months from the date the Plant has ceased to operate at the option of IID. It is understood that (i) if the Completion Date, as the term Completion Date is defined in Article I of Funding and Construction Agreement does not occur, or (ii) if the Operation Date does not occur within five (5) years after the date this Agreement was executed, this Agreement shall be of no force or effect.

6. CONNECTION OF PLANT

6.1 Producer may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system. Parallel

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operation will not commence until IID has inspected and approved the interconnection facilities and operational procedures.

6.2 Notwithstanding the provision that Producer has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

7. ELECTRIC SERVICE TO PRODUCER

IID shall provide electric service to Producer pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Producer and for energy deliveries by Producer to IID for delivery to SCE shall be at the Point of Delivery as shown on Exhibit "B." Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B." 9.

9. PRODUCER'S DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds Producer's power requirements, Producer shall deliver all such excess output to IID for delivery to SCE and IID shall accept such output for delivery to SCE and deliver such out-put to SCE pursuant to a transmission service agreement to be entered into between Ormesa Geothermal and IID.

10. PRODUCER'S GENERAL OBLIGATIONS

Producer shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

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10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Producer shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

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10.9 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

IID shall:

11.1 Design, acquire, construct, operate and maintain, or cause to be designed, acquired, constructed, operated and maintained, and shall own, a connecting transmission line between IID's transmission system and the Plant. Following the completion of such line, IID may bill and Producer shall pay IID's costs of designing, acquiring and constructing such line. Producer shall have the right to audit IID's records and accounts to verify the cost of such line.

11.2 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and simultaneously deliver an equal amount of electric energy (less applicable transmission losses) to the SCE system at IID/SCE point(s) of interconnection.

11.3 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Producer and notify Producer of any changes as far in advance as possible.

11.4 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.5 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Producer. IID monthly shall send Producer within ten (10) working days after the

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meter is read a bill for electric service. Producer shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Producer for Producer's consumption of energy from IID's resources in accordance with Rate Schedule GL or Rate Schedule A-2, as applicable, as it may be revised from time to time. Copies of current Rate Schedule GL and current Rate Schedule A-2 are attached as Exhibit "A."

12.3 If Producer disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1 1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within

six (6) months after the date signed. Such procedures shall be submitted to Producer's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Producer and IID's electric system

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dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Producer, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Producer unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,

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- (ii) the period immediately preceding the test of the meter equal to one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.

14.4 Producer shall telemeter information to IID's Dispatch Center regarding the kilowatts, kilowatt-hours, kilovars and kilovars-hours delivered to or received from IID at the Point of Delivery over phone line leased by Producer.

IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's Dispatch Center

continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Producer shall promptly pay IID's cost of design, purchase and installation of said equipment. Producer shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Producer to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Producer, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outages or abnormal operating conditions on its system. IID shall use reasonable efforts to keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body,

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officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

16.2 For the purpose of this Section 16, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

16.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

16.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

16.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

16.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

16.4 The phrase "employees having management or administrative responsibility," as used in Section 16.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

16.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

17. UNCONTROLLABLE FORCES

Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor

dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Producer's Plant to IID's electric system, the acceptance of energy by IID from Producer and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of

their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions

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or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 This Agreement may be assigned by Producer only (i) to a purchaser or co-owner of the Plant or to a person who will operate the Plant pursuant to a contract or other arrangement with such purchaser and in either case with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for the Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 21.2 may be amended, modified or waived without the prior written consent of each and every Party to the Funding and Construction Agreement (except for any Parties in default thereunder.)

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

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23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any, involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to

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appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies some other apportionment. All other expenses and costs of the arbitration shall be

borne by the Party incurring such expenses and costs.

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24.8 Any decision or award granted by the arbitrators shall be final and judgement may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

25.1 The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

ORMESA IH
c/o Plant Manager
P.O. Box 819
El Centro, California 92244

IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P.O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective, Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture, or impose a trust or partnership duty, obligation or liability on or

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with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 3rd day of October, 1989.

ORMESA GEOTHERMAL

by Ormat Geothermal, Inc.
Managing General Partner

By /s/ Indecipherable

Its V. President

ATTEST:

By /s/ Indecipherable

Secretary

IMPERIAL IRRIGATION DISTRICT

By /s/ Indecipherable

President, Board of Directors

ATTEST:

By /s/ Larry E. Beck

Secretary

Exhibit 10.3.29
89A.1
GE00C2
03-02-89
EXECUTION COPY

PLANT CONNECTION AGREEMENT
FOR THE
GEO EAST MESA LIMITED PARTNERSHIP
UNIT NO. 2

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

GEO EAST MESA LIMITED PARTNERSHIP

EXECUTION COPY
03-02-89

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and GEO EAST MESA LIMITED PARTNERSHIP ("Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS

2.1 Producer intends to construct and operate, as owner or lessee, a megawatt generating facility with a maximum 27.5 megawatt net operating capacity at the East Mesa (KGRA), Imperial County, California, and to sell the Plant electrical output to Southern California Edison Company ("SCE").

2.2 SCE entered into the Power Purchase Agreement dated May 20, 1988, ("Purchase Agreement") with Producer, to purchase all the electrical output from the Plant.

2.3 SCE and Producer agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to a Transmission Service Agreement to be entered into between IID and Producer.

2.4 Since the Plant will be built in the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Producer hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the Plant manager. Those reasonable purposes include maintenance and repairs to IID equipment in Producer's facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Producer desires to purchase and IID desires to sell the electrical energy necessary to satisfy the operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such interconnection.

3. AGREEMENT -----

The Parties agree as follows:

4. DEFINITIONS -----

4.1 Agreement: This Plant Connection Agreement between IID and Producer, and all Exhibits hereto, as may be amended from time to time.

4.2 Authorized Representative: The representative of a Party designated accordance with Section 13.

4.3 Energy: Electric energy in excess of Producer's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

4.4 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this Agreement is attached as Exhibit C.

4.5 Operation Date: The day on which the Plant Energy is first accepted by IID for delivery to SCE.

4.6 Plant: A maximum of 27.5 MW net operating capacity Geothermal facility operated by Producer, as owner or lessee, including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.7 Point of Delivery: The point on the high voltage side of Producer's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "B".

4.8 System Emergency: A condition on IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective upon the Operation Date of the Plant, and shall remain in effect until the earlier of (i) April 15, 2015, or (ii) thirty six (36) months from the date the Plant has ceased to operate at the option of IID. It is understood that (i) if the Completion Date, as the term Completion Date is defined in Article I of Funding and Construction Agreement does not occur, or (ii) if the Operation Date does not occur within five (5) years after the date this Agreement was executed, this Agreement shall be of no force or effect.

6. CONNECTION OF PLANT

6.1 Producer may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system. Parallel operation will not commence until IID has inspected and approved the interconnection facilities and operational procedures.

6.2 Notwithstanding the provision that Producer has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

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7. ELECTRIC SERVICE TO PRODUCER

IID shall provide electric service to Producer pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Producer and for energy deliveries by Producer to IID for delivery to SCE shall be at the Point of Delivery as shown on Exhibit "B." Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B."

9. PRODUCER'S DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds Producer's power requirements, Producer shall deliver all such excess output to IID for delivery to SCE and IID shall accept such output for delivery to SCE and deliver such output to SCE pursuant to a transmission service agreement to be entered into between Producer and IID.

10. PRODUCER'S GENERAL OBLIGATIONS

Producer shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

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10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Producer shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

IID shall:

11.1 Design, acquire, construct, operate and maintain, or cause to be designed, acquired, constructed, operated and maintained, and shall own, a connecting transmission line between

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IID's transmission system and the Plant. Following the completion of such line, IID may bill and Producer shall pay IID's costs of designing, acquiring and constructing such line. Producer shall have the right to audit IID's records and accounts to verify the cost of such line.

11.2 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and simultaneously deliver an equal amount of electric energy (less applicable transmission losses) to the SCE system at IID/SCE point(s) of interconnection.

11.3 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Producer and notify Producer of any changes as far in advance as possible.

11.4 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.5 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Producer. IID monthly shall send Producer within ten (10) working days after the meter is read a bill for electric service. Producer shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Producer for Producer's consumption of energy from IID's resources in accordance with Rate Schedule GL or Rate Schedule A-2, as applicable, as it may be revised from time to time. Copies of current Rate Schedule GL and current Rate Schedule A-2 are attached as Exhibit "A."

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12.3 If Producer disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1 1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to Producer's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Producer and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Producer, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Producer unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to inaccurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,
- (ii) the period immediately preceding the test of the meter equal to one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.

14.4 Producer shall telemeter information to IID's Dispatch Center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery over phone line leased by Producer.

IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's Dispatch Center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Producer shall promptly pay IID's cost of design, purchase and installation of said equipment. Producer shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Producer to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Producer, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system or if IID determines that such curtailment, interruption or reduction is necessary because

of a System Emergency, forced outages or abnormal operating conditions on its system. IID shall use reasonable efforts to keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the

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released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

16.2 For the purpose of this Section 16, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

16.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

16.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

16.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

16.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

16.4 The phrase "employees having management or administrative responsibility," as used in Section 16.2, means the employees of a Party who are responsible for one or more of the

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executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

16.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

17. UNCONTROLLABLE FORCES

Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be

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involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Producer's Plant to IID's electric system, the acceptance of energy by IID from Producer and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19 NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any

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provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 This Agreement may be assigned by Producer only (i) to a purchaser or co-owner of the Plant or to a person who will operate the Plant pursuant to a contract or other arrangement with such purchaser and in either case with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for the Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 21.2 may be amended, modified or waived without the prior written consent of each and every Party to the Funding and Construction Agreement (except for any Parties in default thereunder.)

22. EFFECT OF SECTION HEADINGS

Section heading appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided,

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however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice of the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any, involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and

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may call for additional information which shall be furnished by the Party having such information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The arbitrators may not grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies some other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgment may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

25.1 The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

GEO EAST MESA
LIMITED PARTNERSHIP
P.O. Box 748
Holtville, CA 92250

IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P. O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 21st day of March, 1989.

GEO EAST MESA LIMITED PARTNERSHIP

By /s/ Indecipherable

3-16-89

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ATTEST:

By /s/ Indecipherable

Secretary

IMPERIAL IRRIGATION DISTRICT

By /s/ Indecipherable

President, Board of Directors

ATTEST:

By /s/ Larry E. Beck

Secretary

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Exhibit 10.3.30

89A.1
GE00C3
03-02-89
EXECUTION COPY

PLANT CONNECTION AGREEMENT
FOR THE
GEO EAST MESA LIMITED PARTNERSHIP
UNIT NO. 3

BETWEEN

IMPERIAL IRRIGATION DISTRICT
AND
GEO EAST MESA LIMITED PARTNERSHIP

EXECUTION COPY
03-02-89

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1. PARTIES

The parties to this Agreement are IMPERIAL IRRIGATION DISTRICT ("IID"), organized under the Water Code of the State of California and GEO EAST MESA LIMITED PARTNERSHIP ("Producer"), hereinafter referred to individually as "Party", and collectively as "Parties".

2. RECITALS

2.1 Producer intends to construct and operate, as owner or lessee, a megawatt generating facility with a maximum 27.5 megawatt net operating capacity at the East Mesa (KGRA), Imperial County, California, and to sell the Plant electrical output to Southern California Edison Company ("SCE").

2.2 SCE has entered into the Power Purchase Agreement dated May 20, 1988, ("Purchase Agreement") with Producer, to purchase all the electrical output from the Plant.

2.3 SCE and Producer agree that the terms and conditions regarding transmission of the Plant's Energy to an IID/SCE point of interconnection shall be pursuant to a Transmission Service Agreement to be entered into between IID and Producer.

2.4 Since the Plant will be built In the IID service territory, it will be convenient to connect the Plant to the IID electric system.

Producer hereby grants the IID the right to enter the Plant site for any reasonable purposes connected with this Agreement, by previous arrangements with the

Plant manager. Those reasonable purposes include maintenance and repairs to IID equipment in Producer's facilities, observing tests of said facilities, reading of kilowatt-hour meters, and the like.

2.5 Producer desires to purchase and IID desires to sell the electrical energy necessary to satisfy the operation and maintenance power consumption requirements of the Plant for the life of the Plant that is not normally generated by the Plant itself, or portable generating equipment.

2.6 The Parties desire, by means of this Agreement, to Interconnect the Plant to the IID electrical system and to establish the terms, conditions and obligations of the Parties relating to such Interconnection.

3. AGREEMENT

The Parties agree as follows:

4. DEFINITIONS

4.1 Agreement: This Plant Connection Agreement between IID and Producer, and all Exhibits hereto, as may be amended from time to time.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 13.

4.3 Energy: Electric energy in excess of Producer's electric energy requirements, expressed in kilowatt-hours, generated by the Plant and measured and delivered to the Point of Delivery.

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4.4 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this Agreement is attached as Exhibit C.

4.5 Operation Date: The day on which the Plant Energy is first accepted by IID for delivery to SCE.

4.6 Plant: A maximum of 27.5 MW net operating capacity Geothermal facility operated by Producer, as owner or lessee, including all associated equipment and improvements necessary for generating electric energy and transmitting it to the high voltage side of the power transformer.

4.7 Point of Delivery: The point on the high voltage side of Producer's switchyard where IID's metering equipment measures the delivery of Energy to the IID system as shown on Exhibit "5".

4.8 System Emergency: A condition on IID's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

5. EFFECTIVE DATE AND TERM

This Agreement shall become effective upon the Operation Date of the Plant, and shall remain in effect until the earlier of (i) April 15, 2015, or (ii) thirty six (36) months from the date the Plant has ceased to operate at the option of IID. It is understood that (i) if the Completion Date, as the term Completion Date is defined in Article I of Funding and Construction Agreement does not occur, or (ii) if the Operation Date does

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not occur within five (5) years after the date this Agreement was executed, this Agreement shall be of no force or effect.

6. CONNECTION OF PLANT

6.1 Producer may electrically connect its Plant, in accordance with the provisions of this Agreement, so that it can operate in parallel with the IID electric system. Parallel operation will not commence until IID has inspected and approved the interconnection facilities and operational procedures.

6.2 Notwithstanding the provision that Producer has furnished the high voltage switchyard complete, including the high voltage oil circuit breakers and disconnect switches, the control of the high voltage oil circuit breakers and disconnect switches shall be under the control of the IID dispatcher.

7. ELECTRIC SERVICE TO PRODUCER

IID shall provide electric service to Producer pursuant to Section 12.

8. METERING OF ENERGY DELIVERIES

Metering for electric service to Producer and for energy deliveries by Producer to IID for delivery to SCE shall be at the Point of Delivery as shown on Exhibit "B." Four meters shall be installed which shall measure and record flows in each direction as shown on Exhibit "B."

9. PRODUCER'S DELIVERY AND IID ACCEPTANCE OF ENERGY FROM PLANT

Whenever electric output from the Plant exceeds Producer's power requirements, Producer shall deliver all such excess output to IID for delivery to SCE and

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IID shall accept such output for delivery to SCE and deliver such output to SCE pursuant to a transmission service agreement to be entered into between Producer and IID.

10. PRODUCER'S GENERAL OBLIGATIONS

Producer shall:

10.1 Operate the Plant in a manner consistent with applicable electric utility industry standards, good engineering practice, and without degradation of quality or reliability of service to IID customers.

10.2 Deliver the Plant's net electrical output to IID for the account of SCE at the Point of Delivery.

10.3 Each Party shall provide the reactive kilovolt-ampere (KVA) requirements of its own system so that there will be no interchange of reactive KVA between systems. The Parties shall cooperate to control the flow of reactive KVA to prevent the introduction of objectionable operating conditions on the system of either Party.

10.4 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of the Plant with IID.

10.5 Give IID a written schedule on or before June 1, and December 1, each year of the estimated amounts and rates of delivery of energy

to be delivered to IID for the account of SCE at the Point of Delivery during each month of the succeeding twelve-month (12) period commencing July 1, and January 1.

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10.6 Give IID a written schedule on or before the fifteenth (15th) day of each month of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each day of the succeeding calendar month.

10.7 Give IID a schedule on or before 12:01 p.m. on Tuesday of each seven-day (7) period of the estimated amounts and rates of delivery of energy to be delivered to IID for the account of SCE at the Point of Delivery during each hour of the succeeding seven-day (7) period commencing at 12:01 a.m. on the following Monday; provided, however, that if any changes in the hourly deliveries so scheduled become necessary, Producer shall notify IID of such changes as far in advance as possible.

10.8 Provide IID any reasonable rights-of-way and access required for testing and reading of meters by previous arrangement with the Plant manager.

10.9 Carry out the directions of the Authorized Representatives with respect to the matters set forth in this Agreement.

11. IID'S GENERAL OBLIGATIONS

IID shall:

11.1 Design, acquire, construct, operate and maintain, or cause to be designed, acquired, constructed, operated and maintained, and shall own, a connecting transmission line between IID's transmission system and the Plant. Following the completion of such line, IID may bill and Producer shall pay IID's costs of designing,

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acquiring and constructing such line. Producer shall have the right to audit IID's records and accounts to verify the cost of such line.

11.2 Accept the Plant's net electrical output for the account of SCE at the Point of Delivery and simultaneously deliver an equal amount of electric energy (less applicable transmission losses) to the SCE system at IID/SCE point(s) of interconnection.

11.3 Coordinate, to the greatest extent practicable, major overhaul and inspection outages of IID transmission facilities with Producer and notify Producer of any changes as far in advance as possible.

11.4 Carry out the directions of the Authorized Representative with respect to the matters set forth in this Agreement.

11.5 Operate its system in a manner consistent with applicable utility industry standards and good engineering practices.

12. BILLING

12.1 IID shall read the meters monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that electric energy is first supplied to Producer. IID monthly shall send Producer within ten (10) working days after the meter is read a bill for

electric service. Producer shall pay IID the total amount billed within thirty (30) days of receipt of the bill.

12.2 IID shall bill Producer for Producer's consumption of energy from IID's resources in accordance with Rate Schedule GL or Rate Schedule A-2, as applicable, as it

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may be revised from time to time. Copies of current Rate Schedule GL and current Rate Schedule A-2 are attached as Exhibit "A."

12.3 If Producer disputes a bill, payment shall be made as if no dispute existed pending resolution of the dispute by the Authorized Representatives. If the bill is determined to be in error, the disputed amount shall be refunded by IID including interest at the rate of one and one-half percent (1 1/2%) per month, compounded monthly, from the date of payment to the date the refund check or adjusted bill is mailed.

13. AUTHORIZED REPRESENTATIVES

13.1 Within thirty (30) days after the date this Agreement is signed, each Party shall designate, by written notice to the other Party, an Authorized Representative who is authorized to act in its behalf in the implementation of this Agreement and with respect to those matters contained herein which are the functions and responsibilities for the Authorized Representatives. Either Party may, at any time, change the designation of its Authorized Representative by written notice to the other Party.

13.2 IID's Authorized Representative shall develop detailed written procedures necessary and convenient to administer this Agreement within six (6) months after the date signed. Such procedures shall be submitted to Producer's Authorized Representative for review, comment, discussion and concurrence before they are put into effect. Such procedures shall include, without limitation: (i) communication between Producer and IID's electric system dispatcher with regard to daily operating matters, (ii) billing and payments, (iii) specified equipment tests, and (iv) operating matters which

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affect or may affect quality and reliability of service to electric customers and continuity of deliveries to SCE.

13.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

14. METERS

14.1 All meters shall be sealed and the seal shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

14.2 IID shall inspect and test all meters upon their installation and at least once every year thereafter. If requested to do so by Producer, IID shall inspect or test a meter more frequently than every year, but the expense of such inspection or test shall be paid by Producer unless the meter is found to register inaccurately by more than two percent (2%) from the measurement made by a standard meter. Each Party shall give reasonable notice to the other Party of the time when any inspection or test shall take place and that Party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired or replaced in order to provide accurate metering. All adjustments due to accurate meters shall be limited to the preceding six (6) months.

14.3 If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for:

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- (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,
- (ii) the period immediately preceding the test of the meter equal to one-half (1/2) the time from the date of the last previous test of the meter; provided, however, that the period covered by the correction shall not exceed six (6) months.

14.4 Producer shall telemeter information to IID's Dispatch Center regarding the kilowatts, kilowatt-hours, kilovars and kilovar-hours delivered to or received from IID at the Point of Delivery over phone line leased by Producer.

IID shall purchase, own, and shall design, install, operate, maintain, or cause to be designed, installed, operated, and maintained, equipment to automatically transmit from the Plant to IID's Dispatch Center continuous values of Plant output expressed as megawatts, megavars and megawatt-hours. IID may thereupon bill and Producer shall promptly pay IID's cost of design, purchase and installation of said equipment. Producer shall have the right to audit IID's records and accounts to verify the cost of said equipment.

15. CONTINUITY OF SERVICE

IID shall not be obligated to accept and IID may require Producer to temporarily curtail, interrupt or reduce deliveries of energy upon advance notice to Producer, when such curtailment, interruption or reduction is required in order for IID to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its

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system or if IID determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outages or abnormal operating conditions on its system. IID shall use reasonable efforts to keep interruptions and curtailments to a minimum time.

16. LIABILITY

16.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

16.2 For the purpose of this Section 16, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing

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body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

16.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

16.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

16.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

16.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

16.4 The phrase "employees having management or administrative responsibility," as used in Section 16.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

16.5 Subject to the foregoing provisions of this Section 16, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees

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against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

17. UNCONTROLLABLE FORCES

Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or

approvals from any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of

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its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

18. INTEGRATION AND AMENDMENTS

This Agreement constitutes the entire agreement between the Parties relating to the interconnection of Producer's Plant to IID's electric system, the acceptance of energy by IID from Producer and the providing of electric service by IID. No oral agreement or prior written agreement between the Parties shall be of any effect whatsoever; provided, however, that any arrangements agreed upon by the Authorized Representatives within the limits of their authority, and consistent with this Agreement shall be binding upon the Parties. All changes to this Agreement shall be in writing and shall be signed by an officer of each Party.

19. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future; but the same shall continue and remain in full force and effect.

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20. NO DEDICATION OF FACILITIES

Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof by the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

21. SUCCESSORS AND ASSIGNS

21.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

21.2 This Agreement may be assigned by Producer only (i) to a purchaser or co-owner of the Plant or to a person who will operate the Plant pursuant to a contract or other arrangement with such purchaser and in either case with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for the Plant or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 21.2 may be amended, modified or waived without the prior written consent of each and every Party to the Funding and Construction Agreement (except for any Parties in

default thereunder.)

22. EFFECT OF SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only, and shall not be construed as interpretations of text.

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23. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California or the laws of the United States, as applicable.

24. ARBITRATION

24.1 Any dispute arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the Parties acting through their Authorized Representatives shall be settled by arbitration to the extent permitted by the laws applicable to the Parties; provided, however, that no Party to the dispute shall be bound to any greater extent than any other Party to the dispute. Arbitration shall not apply to any dispute or matter that is within the jurisdiction of any regulatory agency.

24.2 Any demand for arbitration shall be made by written notice to the other Party setting forth in adequate detail the nature of the dispute, the issues to be arbitrated, the amount or amounts, if any, involved in the dispute, and the remedy sought. Within twenty (20) days from the receipt of such notice, the other Party may submit its own written statement of the dispute and may set forth in adequate detail any additional related matters or issues to be arbitrated.

24.3 Within thirty (30) days after delivery of the written notice demanding arbitration, the Parties acting through their Authorized Representatives shall meet for the purpose of selecting an arbitrator. The Parties may agree upon a single arbitrator, but in the event that they cannot agree, three arbitrators shall be used. Each Party shall designate one arbitrator, and the two arbitrators shall then select a third arbitrator. All

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arbitrators shall be persons skilled and experienced in the field in which the dispute has arisen and no person shall be eligible for appointment as an arbitrator who is or has been an officer or employee of either of the Parties or otherwise interested in the matter to be arbitrated. Should either party refuse or neglect to appoint an arbitrator or to furnish the arbitrators with any papers or information demanded, the arbitrators are empowered, by both Parties, to proceed without the participation or assistance of that Party.

24.4 Except as otherwise provided in this Section, the arbitration shall be governed by the rules and practices of the American Arbitration Association, or a similar organization if the American Arbitration Association should not at the time exist.

24.5 Arbitration proceedings shall be held in Imperial, California, at a time and place to be selected by the arbitrators. The arbitrators shall hear evidence submitted by the Parties and may call for additional information which shall be furnished by the Party having such

information. The arbitrators shall have no authority to call for information not related to the issues included in the dispute or to determine other issues not in dispute.

24.6 If there is only one arbitrator, his decision shall be binding and conclusive on the Parties. If there are three arbitrators, the decision of any two shall be binding and conclusive. The decision of the arbitrators shall contain findings regarding the issues involved in the dispute, including the merits of the positions of the Parties, the materiality of any default, and the remedy or relief to which a Party shall be entitled. The

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arbitrators may not grant any remedy or relief which is inconsistent with this Agreement, nor shall the arbitrators make findings or decide issues not in dispute.

24.7 The fees and expenses of the arbitrators shall be shared equally by the Parties, unless the decision of the arbitrators specifies one other apportionment. All other expenses and costs of the arbitration shall be borne by the Party incurring such expenses and costs.

24.8 Any decision or award granted by the arbitrators shall be final and judgement may be entered on it in any court of competent jurisdiction. This agreement to arbitrate shall be specifically enforceable.

25. ENTIRE AGREEMENT

25.1 The complete agreement of the Parties is set forth in this Agreement and all communications regarding subject interconnected operations whether oral or written, are hereby abrogated and withdrawn.

26. NOTICES

Any formal communication or notice in connection with this Agreement shall be in writing and shall be deemed properly given if delivered in person or sent first class mail, postage prepaid to the person specified below:

GEO EAST MESA
LIMITED PARTNERSHIP
P.O. Box 748
Holtville, CA 92250

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IMPERIAL IRRIGATION DISTRICT
c/o General Manager
P. O. Box 937
Imperial, California 92251

27. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

28. SIGNATURE CLAUSE

The Parties have caused this Agreement to be executed in their respective names, in duplicate, by their respective officers hereunto this 21st day of March, 1989.

GEO EAST MESA LIMITED
PARTNERHIP

By /s/ M.N. Brunano

ATTEST:

By /s/ Letitia D. Davis

Secretary

IMPERIAL IRRIGATION DISTRICT

By /s/ Lester A. Bornt

President, Board of Directors

ATTEST:

By /s/ Larry E. Beck

Secretary

Exhibit 10.3.31

9-21-89
EXECUTION COPY

ORMESA I, ORMESA IE AND ORMESA IH GEOTHERMAL POWER PLANTS

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

ORMESA GEOTHERMAL

EXECUTION COPY
9-21-89

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EXHIBIT I - DEVELOPMENTS AND METHODOLOGIES FOR TRANSMISSION
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EXHIBIT II- TRANSMISSION SERVICE FOR ORMESA I, ORMESA IE, AND ORMESA IH
GEOTHERMAL POWER PLANTS

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1. PARTIES: The Parties to this Agreement are Imperial Irrigation District, organized under the Water Code of the State of California ("IID"), and Ormesa Geothermal ("Producer"), hereinafter sometimes referred to individually as "Party," and collectively as "Parties."

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 Ormesa I, Ormesa IE and Ormesa IH have caused to be constructed alternate energy resource facilities located in IID's service area.

2.2 Ormesa I, Ormesa IE and Ormesa IH and IID have entered into Plant Connection Agreements.

2.3 Producer desires to purchase, and IID desires to sell firm transmission service of power from the Plants to Edison's Mirage Substation subject to the terms and conditions specified herein.

2.4 Producer and IID are parties to that certain Funding and Construction Agreement dated June 29, 1987, providing for the funding and construction of transmission lines within IID's service area.

3. AGREEMENT: The Parties agree as follows:

4. DEFINITIONS: The following terms, when used herein with initial capitalization, whether in the singular or plural, shall have the meanings specified:

4.1 AGREEMENT: This IID - Producer Transmission Service Agreement for Alternative Resources between Ormesa Geothermal and IID, and all Exhibits attached hereto, as

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such Agreement may subsequently be amended for firm transmission service between each Plant and Edison's Mirage Substation.

4.2 Authorized Representative: The representative of a party designated in accordance with Section 12.

4.3 Date of Initial Service: The date when the output from each Plant is first available for delivery to Edison, as notified to IID pursuant to Section 5.2.

4.4 Edison: Southern California Edison Company.

4.5 Funding and Construction Agreement: An agreement entered into by LED and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this agreement is attached as Exhibit III.

4.6 Maximum Transmission Service Entitlement: The Maximum Transmission Service Entitlement as specified in Exhibit[s] II, Transmission Service, and in any subsequent Plant Amendments.

4.7 Normal Transmission Capacity: The maximum transfer capability, expressed in megawatts (MW), from the Point of Receipt to the Point of Delivery. Such transfer capability, as determined by IID, in its sole judgment, shall be consistent with prudent operating procedures and with generally-accepted engineering and operating practices in the electrical utility industry.

4.8 Operating Transmission Capability: The maximum transfer capability, expressed in megawatts (MW), available to IID at any given time to transmit power from Point of Receipt to Point of Delivery. Such transfer capability shall be as determined by IID in its sole judgment,

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may vary from time-to-time depending on system conditions, and shall be consistent with prudent operating procedures and generally-accepted engineering and operating practices in the electrical utility industry.

4.9 Plants: The electrical generating alternative energy resource facilities developed by Producer and Ormesa IH respectively for which IID shall provide transmission service, as specified in Exhibit(s) II, Transmission Service, and in any subsequent Plant Amendments.

4.10 Plant Amendment: An agreement reached by the Parties, as an amendment to this Agreement, for transmission service to be provided by IID for a Plant added by Producer or for Producer's account subsequent to the execution of this Agreement.

4.11 Plant Connection Agreements: The agreements between IID and Producer and between IID and Ormesa IH respectively providing for the connection of the Plants to IID's electrical system, as specified in Exhibit[s] II, Transmission Service, and in any subsequent Plant Amendments. The existing Ormesa I, Ormesa IE and the Ormesa IH Plant each operate under a separate Plant Connection Agreement. This 38 MW Transmission Service Agreement covers all facilities because all plants deliver energy to IID at the same point.

4.12 Point(s) of Delivery: The 230-kV switchrack at the Mirage Substation site where Edison's 230-kV facilities are attached to IID's 230-kV Coachella-Mirage Line or other points as may be mutually agreed upon by the Authorized Representatives.

4.13 Point of Receipt: The point on the high voltage side of the Plant's transformer where IID's metering equipment measures the delivery of energy to the IID system.

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4.14 Transmission Service Entitlement: The amount of transmission service, expressed in megawatts (MW), provided by IID for the Plants, from the applicable Point of Receipt to the applicable Point(s) of Delivery.

5. TERM:

5.1 Unless otherwise agreed to by the Parties, this Agreement shall be effective on the Completion Date for the transmission lines being constructed pursuant to the Funding and Construction Agreement, as the term Completion Date is defined in Article I thereof, and shall remain in effect until October 12, 2017. It is understood that if such Completion Date does not occur, this Agreement shall be of no force or effect.

5.2 The Transmission Service Entitlement to be provided by IID for each Plant shall be contingent on Plant Connection Agreements being in effect. Transmission service for each Plant shall commence on the Date of Initial Service of such Plant. Producer's Authorized Representative shall give IID's Authorized Representative written notice of the Date of Initial Service at least thirty (30) days before the Date of Initial Service.

6. TRANSMISSION SERVICE:

6.1 Subject to the terms of this Agreement, IID shall provide to Producer and Producer shall purchase from IID transmission service over IID's transmission system for each Plant. IID shall make arrangements with Edison to provide, at Producer's or Edison's expense, for the transfer of the electrical power to be delivered to Edison hereunder from IID's transmission system to Edison's transmission system at the Point(s) of Delivery.

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6.2 The Transmission Service Entitlement for the Plants shall be the Maximum Transmission Service Entitlement for such Plants specified in Exhibit(s) II, Transmission Service, or any subsequent Plant Amendments, or such lesser amount as may be established as follows. Beginning on the Date of Initial Service for each Plant, Producer shall be entitled to specify a Transmission Service Entitlement by advance written notice given to IID's Authorized Representative at least thirty (30) days prior to the Date of Initial Service. The Transmission Service Entitlement to be provided by IID subsequent to the Date of Initial Service may be adjusted at six (6) month intervals thereafter until two (2) years after the Date of Initial Service for such Plant (the "Trial Period"). Such adjustments shall be made by having Producer's Authorized Representative give IID's Authorized Representative a ninety (90) day advance written notice as to the adjustment required. Beginning two (2) years after the Date of Initial Service for such Plant, Producer shall be entitled to specify a Transmission Service Entitlement for each successive two-year period during the remaining term of this Agreement by written notice from Producer's Authorized Representative to IID's Authorized Representative given at least ninety (90) days prior to the beginning of each two-year period.

6.3 The Transmission Service Entitlement selected by Producer for the Plants in accordance with Section 6.2 may be any amount which is less than or equal to the Maximum Transmission Service Entitlement for such Plant specified in Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments, provided, however, that the following shall apply to each Plant after the Trial Period for such Plant has elapsed.

6.3.1 If (i) the sum of the Transmission Service Entitlements for all Plants which are no longer in their Trial Periods is less than the sum of the Maximum Transmission Service Entitlements for such Plants, as shown in Exhibit(s) II, Transmission Service and in any

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subsequent Plant Amendments, (the "Aggregate Maximum Transmission Service Entitlement"), and (ii) provided that IID requires additional capacity for transmitting electric power to Edison's transmission system for another person (or, following the Credit Installment Period as defined in the Funding and Construction Agreement, for itself) and (iii) IID's use of such required capacity would be in conflict with Producer's right as provided herein to increase the sum of the Transmission Service Entitlements for such Plants to the Aggregate Maximum Transmission Service Entitlement, then IID shall so notify Producer in writing, specifying in such notice the portion, expressed in megawatts (MW), of the excess of the Maximum Transmission Service Entitlement over the Transmission Service Entitlement for each such Plant which it desires to use as stated above. Producer shall have ninety (90) days after receipt of IID's notice to notify IID in writing that it desires to increase the Transmission Service Entitlements of such Plants. To the extent that Producer does not elect to increase the Transmission Service Entitlement of each such Plant up to the Maximum Transmission Service Entitlement for such Plant, IID shall be entitled to use such unclaimed capacity to satisfy the transmission requirements specified in its notice to Producer, and to the extent that IID does so, Producer shall thereafter be foreclosed from increasing the Transmission Service Entitlement for such Plant in a manner which would conflict with such usage by IID.

6.3.2 IID shall treat Producer and each other person who has entered into a transmission service agreement similar in substance to this Agreement in a fair and nondiscriminatory manner in requesting additional transmission capacity as provided In this Section 6.3. Without limiting the generality of the foregoing, IID shall request additional transmission capacity from Producer and such other persons on a pro rata basis, in proportion to the Aggregate Maximum Transmission Service Entitlement for each person less the sum of the

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Transmission Service Entitlements for each of such persons' generating plants which is no longer in a Trial Period.

6.4 In the event that the Original Capacity Nomination designated by Producer (or the Participant associated with Producer) is adjusted pursuant to Section 3.07 of the Funding and Construction Agreement, the Parties agree to amend this Agreement in such a way that the sum of the Maximum Transmission Service Entitlements for all Plants hereunder is equal to such Original Capacity Nomination as so adjusted. As used in this Section 6.4, the terms Original Capacity Nomination and Participant shall have the meanings assigned to them in Article I of the Funding and Construction Agreement.

6.5 IID reserves the right to interrupt or curtail the transmission service provided hereunder as follows:

6.5.1 If the Operating Transmission Capability is reduced to less than Normal Transmission Capacity from a Point of Receipt to a Point of Delivery, and when continuity of service within IID's service area is not being jeopardized, IID may curtail the transmission service currently being provided from such Point of Receipt to such Point of Delivery, to an amount "A" determined by the following formula:

$$\frac{A = \text{Operating Transmission Capability}}{\text{Normal Transmission Capacity}} \times \text{Transmission Service Entitlement}$$

The transmission service shall be curtailed by multiplying the Transmission Service Entitlement in accordance with Exhibit[s] II, Transmission

Service and in any subsequent Plant Amendments by the same percentage (expressed as a decimal) as used in the determination of "A." However, any such curtailment shall occur only after IID has made all reasonable efforts to

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eliminate the cause of the reduction in Operating Transmission Capability, and IID shall then employ reasonable efforts to eliminate expeditiously the cause of said reduction.

6.5.2 If continuity of service within IID's control area is being jeopardized, as determined by IID in its sole judgment, ITO may interrupt or curtail the transmission service provided hereunder to the extent necessary to avoid or eliminate such jeopardy; provided that (i) such interruptions or curtailments may be made so that IID may fully utilize all generating resources owned by it or available to it under contract in order to avoid damage to IID's electrical system caused by overloading, (ii) such interruption or curtailment shall occur only after IID has made all reasonable efforts to avoid or eliminate such jeopardy and (iii) to the extent feasible any curtailment of transmission service provided hereunder from a Point of Receipt to a Point of Delivery shall be made in accordance with the formula set forth in Section 6.5.1.

6.6 If IID's efforts do not avoid or eliminate such jeopardy, the Parties shall endeavor to develop some other arrangement to avoid or eliminate such jeopardy and minimize the effects of IID's interruption or curtailment on both parties.

6.7 In the event of any curtailments or interruptions made pursuant to Section 6.5.1 or Section 6.5.2, Producer shall, immediately after being orally notified by IID, reduce the electrical output of the Plants by the amounts requested by IID.

6.8 The transmission service to be provided by IID and purchased by Producer for the Plants shall not exceed the Transmission Service Entitlement for the Plants.

6.9 Subject to Section 6.5, IID shall, during the periods that IID has agreed to provide the transmission service at the specified Transmission Service Entitlements, accept hourly

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scheduled energy deliveries at each Point of Receipt and simultaneously deliver the same amount of energy (less transmission losses as provided herein) at the Point(s) of Delivery mutually agreed upon by the Parties' dispatchers and/or schedulers.

6.10 Hourly scheduled energy deliveries at each Point of Receipt shall conform with the practices and procedures developed by the Parties' dispatchers and schedulers and agreed to by the Authorized Representatives.

7. TRANSMISSION LOSSES:

7.1 IID shall determine, by transmission power flow analysis, the electrical losses (expressed as a percent amount of hourly scheduled energy deliveries) associated with the electrical output from the Plants. Such analysis shall be performed by IID at its sole expense. The initial percent amount, for each Plant, representing the electrical losses as determined herein shall be as specified in Exhibit(s) II, Transmission Service and in any subsequent Plant Amendments.

7.2 Unless otherwise agreed to by Producer's and IID's schedulers and dispatchers, IID shall reduce the amount of all hourly scheduled energy

deliveries for Producer or Producer's account by the percent amount of such hourly deliveries for each Plant in accordance with Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments.

7.3 If either Party believes that there has been a significant change in IID's electrical system and the electrical losses associated with any Plant should be redetermined, either Party's Authorized Representative may submit a written request to the other Party's Authorized Representative that the electrical losses be redetermined. Following such request, a transmission

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flow analysis shall be performed by IID as approved by the Authorized Representatives and paid for by the requesting Party. Whenever the percent amount for electrical losses is redetermined, such percent amount shall become effective as of the first day of the month following the date of such redetermination; provided, that such a redetermination may be no sooner than twelve (12) months after the most recent redetermination. Any redetermination of electrical losses made pursuant to this Section 7 shall be based on conditions in existence at the time of such redetermination.

7.4 Along with the monthly billing pursuant to Section 9.1, for the transmission service for each Plant, IID shall submit a monthly summary of hourly scheduled energy deliveries and of electrical losses for each Plant.

8. CHARGES:

8.1 For transmission service provided by IID, Producer shall pay IID at a rate to be determined by IID pursuant to the methodologies specified in Exhibit I.A. The initial rate is specified in Exhibit[s] II, Transmission Service and revisions thereto will be specified in any subsequent Plant Amendments. Any specific facility charge to Producer for connecting the Plant(s) to the IID transmission system shall be included only in the Plant Connection Agreement(s) between IID and Producer.

8.2 The transmission rate shall be reviewed annually and may be revised. Any revision of the rates shall be based on the methodologies in Exhibit I.A and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the rates.

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8.3 An initial monthly scheduling fee, as specified in Exhibit[s] II, Transmission Service and revisions thereto specified in any subsequent Plant Amendments, shall be paid by Producer to IID for those months in which there were scheduled energy deliveries from the Plant(s). The initial scheduling fee has been determined by IID pursuant to the methodology specified in Exhibit I.B. The scheduling fee shall be reviewed annually and may be revised. Any revision of the scheduling fee shall be based on the methodology in Exhibit I.B and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the scheduling fee.

9. BILLING AND PAYMENT:

9.1 IID shall render bills to Producer, beginning in the month of the Date of Initial Service, on or before the fifteenth (15th) day of each month for the transmission service to be provided during the month. Producer shall pay such bills within twenty (20) days after receipt thereof.

All payments by Producer shall be sent to:

Imperial Irrigation District
c/o Manager, Finance and Accounting
P.O. Box 937
Imperial, California 92251

All billings by IID shall be sent to:

Ormesa Geothermal
P.O. Box 819
El Centro, California 92244

9.2 Either Party's Authorized Representative may at any time, by advance written notice to the other Party's Authorized Representative, change the address to which payments or billings shall be sent.

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9.3 Bills which are not paid in full by said due date shall thereafter bear an additional charge of one and one-half percent (1-1/2%) per month, or the maximum legal rate of interest, whichever is less, compounded monthly on the unpaid amount prorated by days from the due date until payment is received by IID.

9.4 In the event any portion of any bill is disputed, the disputed amount shall be paid when due under protest. If the protested portion of the payment is found to be incorrect by the Authorized Representatives, the disputed amount shall be paid by IID to Producer, including interest at the rate of 1-1/2% per month, or the maximum legal rate, whichever is less, compounded monthly from the date of payment by Producer to the date the refund check or adjusted bill is received by Producer.

9.5 For a fractional part of a calendar month at the beginning or end of the period for which the transmission service is provided hereunder, the charge pursuant to Section 8.1 shall be proportionately adjusted by the ratio of days that service is furnished by IID to Producer during such month to the total number of days in such month.

9.6 The charge for the transmission service pursuant to Section 8.1 shall be proportionately reduced to the extent the duration of the interruptions or curtailments of the transmission service which may occur pursuant to Section 6.5.1 or Section 6.5.2 exceed a cumulative total of twenty-four (24) hours during any calendar month based on 730 hours per month representing the full transmission service charge. The amount of such prorata reduction in any month shall reflect the duration and amount of such interruptions or curtailments which exceed said cumulative 24 hours. Such prorata reduction shall be reflected as a credit to Producer as soon as possible in a subsequent monthly bill.

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9.7 The charge for the transmission service shall not be reduced if IID can deliver, but Edison's transmission system cannot receive, the hourly scheduled energy deliveries independent of the duration of time this condition exists.

10. LIABILITY:

10.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party)

from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

10.2 For the purpose of this Section 10, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

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10.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

10.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

10.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

10.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

10.4 The phrase "employees having management or administrative responsibility," as used in Section 10.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

10.5 Subject to the foregoing provisions of this Section 10, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the Indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such

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losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

11. AUDITING

11.1 IID shall make its books, records, and other supporting information, as requested, available to Producer or to Producer's designated contracted representative(s) with a CPA firm, for the purpose of auditing any charges or accounts to be kept by IID hereunder. All such audits shall be undertaken at reasonable times and in conformance with generally-accepted auditing standards.

11.2 If as a result of such audits Producer believes its charges or accounts should be adjusted, the findings shall be presented to the Authorized

Representatives. If the Authorized Representatives agree that any audit finding should result in a revision of charges or accounts, such revisions shall be retroactive to the first billing for such charges and accounts and shall be made as soon as practical after determination.

11.3 The amount of any unresolved dispute shall accrue interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum legal rate, whichever is less, compounded monthly for any amount of money ultimately refunded to Producer.

12. AUTHORIZED REPRESENTATIVES: Within thirty (30) calendar days after the Completion Date, as defined in Article I of the Funding and Construction Agreement, each Party shall designate by written notice to the other Party a representative who is authorized to act on its behalf in the implementation of this Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Party.

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13. NO DEDICATION OF FACILITIES: Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof of the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

14. NON-WAIVER: None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

15. NO THIRD PARTY RIGHTS: The Parties do not intend to create rights in or to grant remedies to any Third Party or others as a beneficiary of this Agreement or of any duty, covenant, obligation or undertaking established hereunder.

16. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities

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and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, the failure or inability of Edison to receive the electric power to be transmitted hereunder at the Point(s) of Delivery, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

17. ASSIGNMENTS:

17.1 Any assignment by Producer of its interest in this Agreement which is made without the written consent of IID (which shall not be unreasonably withheld) shall not relieve Producer from its primary liability for any of its duties and obligations hereunder, and in the event of any such assignment Producer shall continue to remain primarily liable for payment of any and all money due IID hereunder and for the performance and observance of all other covenants, duties and obligations to be performed and observed hereunder by it to the same extent as though no assignment has been made.

17.2 Notwithstanding any provision of Section 17.1 to the contrary, prior to the end of the Credit Installment Period, as defined in Article I of the Funding and Construction Agreement, Producer's right to transmission service under this Agreement with respect to one or more of the Plants may be assigned only (i) to a purchaser or co-owner of such Plants or to a person who will

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operate such Plants pursuant to a contract or other arrangement with such purchaser and in either case only with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for such Plants or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 17.2 may be amended, modified or waived without the prior written consent of each and every party to the Funding and Construction Agreement (except for any parties in default thereunder).

17.3 Whenever an assignment of Producer's interest in this Agreement is made with the written consent of IID, Producer's assignee shall expressly assume in writing the duties and obligations hereunder of Producer and, within thirty (30) days after any such assignment and assumption of duties and obligations, Producer shall furnish or cause to be furnished to IID a true and correct copy of such assignment and assumption of duties and obligations.

17.4 Subject to the foregoing restrictions on assignments, all of the terms of this Agreement shall be binding upon and inure to the benefit of both of the Parties and their respective successors, permitted assigns and legal representatives.

18. GOVERNING LAW: This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States, as applicable.

19. NOTICES: Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, postage prepaid, to the persons specified below unless otherwise provided for in this Agreement:

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All payments by Producer shall be sent to:

Imperial Irrigation District
c/o General Manager
P.O. Box 937
Imperial, California 92251

All billings by IID shall be sent to:

Ormesa Geothermal
c/o Plant Manager

P.O. Box 819
El Centro, California 92244

Either Party may at any time, by notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

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20. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter into this IID-Ormesa Geothermal Transmission Service Agreement for Alternative Resources (Standard Form) on behalf of the Party for whom they signed. This Agreement is hereby executed as of the 3rd day of October, 1989.

IMPERIAL IRRIGATION DISTRICT

By: /s/ Lester A. Bornt

President, Board of Directors

ORMESA GEOTHERMAL
BY ORMAT GEOTHERMAL, INC.
Managing General Partner

By: /s/ Indecipherable

Its: V. Pres.

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Exhibit 10.3.32

TRANSMISSION SERVICE AGREEMENT

FOR THE

GEO EAST MESA LIMITED PARTNERSHIP

UNIT NO. 2

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

GEO EAST MESA LIMITED PARTNERSHIP

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1. PARTIES: The Parties to this Agreement are Imperial Irrigation District, organized under the Water Code of the State of California ("IID"), and Geo East Mesa Limited Partnership, L. P. ("Producer"), hereinafter sometimes referred to individually as "Party," and collectively as "Parties."

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 Producer has caused to be constructed or intends to construct an alternative energy resource facility located in IID's service area.

2.2 Producer and IID have entered into a Plant Connection Agreement.

2.3 Producer desires to purchase, and IID desires to sell firm transmission service of power from the Plant to Edison's Mirage Substation subject to the terms and conditions specified herein.

2.4 Producer and IID are parties to that certain Funding and Construction Agreement dated June 29, 1987, providing for the funding and construction of transmission lines within IID's service area.

3. AGREEMENT: The Parties agree as follows:

4. DEFINITIONS: The following terms, when used herein with initial capitalization, whether in the singular or plural, shall have the meanings specified:

4.1 Agreement: This IID - Producer Transmission Service Agreement for Alternative Resources between Geo East Mesa Limited Partnership, L. P. and IID, and all

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Exhibits attached hereto, as such Agreement may subsequently be amended for firm transmission service between each Plant and Edison's Mirage Substation.

4.2 Authorized Representative: The representative of a party designated in accordance with Section 12.

4.3 Date of Initial Service: The date when the output from each Plant is first available for delivery to Edison, as notified to IID pursuant to Section 5.2.

4.4 Edison: Southern California Edison Company.

4.5 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this agreement is attached as Exhibit III.

4.6 Maximum Transmission Service Entitlement: The Maximum Transmission Service Entitlement for each Plant, as specified in Exhibit[s] II, Transmission Service, and in any subsequent Plant Amendments.

4.7 Normal Transmission Capacity: The maximum transfer capability, expressed in megawatts (MW), from the Point of Receipt to the Point of Delivery. Such transfer capability, as determined by IID, in its sole judgment, shall be consistent with prudent operating procedures and with generally-accepted engineering and operating practices in the electrical utility industry.

4.8 Operating Transmission Capability: The maximum transfer capability, expressed in megawatts (MW), available to IID at any given time to transmit

power from Point of Receipt to Point of Delivery. Such transfer capability shall be as determined by

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IID in its sole judgment, may vary from time-to-time depending on system conditions, and shall be consistent with prudent operating procedures and generally-accepted engineering and operating practices in the electrical utility industry.

4.9 Plant: An electrical generating alternative energy resource facility developed by Producer for which IID shall provide transmission service, as specified in Exhibit[s] II, Transmission Service, and in any subsequent Plant Amendments.

4.10 Plant Amendment: An agreement reached by the Parties, as an amendment to this Agreement, for transmission service to be provided by IID for a Plant added by Producer or for Producer's account subsequent to the execution of this Agreement.

4.11 Plant Connection Agreement: An agreement between IID and Producer providing for the connection of a Plant to IID's electrical system, as specified in Exhibit[s] II, Transmission Service, and in any subsequent Plant Amendments.

4.12 Point(s) of Delivery: The 230-kV switchrack at the Mirage Substation site where Edison's 230-kV facilities are attached to IID's 230-kV Coachella-Mirage Line or other points as may be mutually agreed upon by the Authorized Representatives.

4.13 Point of Receipt: The point on the high voltage side of the Plant's transformer where IID's metering equipment measures the delivery of energy to the IID system.

4.14 Transmission Service Entitlement: The amount of transmission service, expressed in megawatts (MW), provided by IID for each Plant, from the applicable Point of Receipt to the applicable Point(s) of Delivery.

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5. TERM:

5.1 Unless otherwise agreed to by the Parties, this Agreement shall be effective on the Completion Date for the transmission lines being constructed pursuant to the Funding and Construction Agreement, as the term Completion Date is defined in Article I thereof, and shall remain in effect until April 15, 2015. It is understood that if such Completion Date does not occur, this Agreement shall be of no force or effect.

5.2 The Transmission Service Entitlement to be provided by IID for each Plant shall be contingent on a Plant Connection Agreement being in effect. Transmission service for each Plant shall commence on the Date of Initial Service of such Plant. Producer's Authorized Representative shall give IID's Authorized Representative written notice of the Date of Initial Service at least thirty (30) days before the Date of Initial Service.

6. TRANSMISSION SERVICE:

6.1 Subject to the terms of this Agreement, IID shall provide to Producer and Producer shall purchase from IID transmission service over IID's transmission system for each Plant. IID shall make arrangements with Edison to

provide, at Producer's or Edison's expense, for the transfer of the electrical power to be delivered to Edison hereunder from IID's transmission system to Edison's transmission system at the Point(s) of Delivery.

6.2 The Transmission Service Entitlement for each Plant shall be the Maximum Transmission Service Entitlement for such Plant specified in Exhibit[s] II, Transmission

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Service, or any subsequent Plant Amendments, or such lesser amount as may be established as follows. Beginning on the Date of Initial Service for each Plant, Producer shall be entitled to specify a Transmission Service Entitlement by advance written notice given to IID's Authorized Representative at least thirty (30) days prior to the Date of Initial Service. The Transmission Service Entitlement to be provided by IID subsequent to the Date of Initial Service may be adjusted at six (6) month intervals thereafter until two (2) years after the Date of Initial Service for such Plant (the "Trial Period"). Such adjustments shall be made by having Producer's Authorized Representative give IID's Authorized Representative a ninety (90) day advance written notice as to the adjustment required. Beginning two (2) years after the Date of Initial Service for such Plant, Producer shall be entitled to specify a Transmission Service Entitlement for each successive two-year period during the remaining term of this Agreement by written notice from Producer's Authorized Representative to IID's Authorized Representative given at least ninety (90) days prior to the beginning of each two-year period.

6.3 The Transmission Service Entitlement selected by Producer for each Plant in accordance with Section 6.2 may be any amount which is less than or equal to the Maximum Transmission Service Entitlement for such Plant specified in Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments, provided, however, that the following shall apply to each Plant after the Trial Period for such Plant has elapsed.

6.3.1 If (i) the sum of the Transmission Service Entitlements for all Plants which are no longer in their Trial Periods is less than the sum of the Maximum

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Transmission Service Entitlements for such Plants, as shown in Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments, (the "Aggregate Maximum Transmission Service Entitlement"), and (ii) provided that IID requires additional capacity for transmitting electric power to Edison's transmission system for another person (or, following the Credit Installment Period as defined in the Funding and Construction Agreement, for itself) and (iii) IID's use of such required capacity would be in conflict with Producer's right as provided herein to increase the sum of the Transmission Service Entitlements for such Plants to the Aggregate Maximum Transmission Service Entitlement, then IID shall so notify Producer in writing, specifying in such notice the portion, expressed in megawatts (MW), of the excess of the Maximum Transmission Service Entitlement over the Transmission Service Entitlement for each such Plant which it desires to use as stated above. Producer shall have ninety (90) days after receipt of IID's notice to notify IID in writing that it desires to increase the Transmission Service Entitlements of such Plants. To the extent that Producer does not elect to increase the Transmission Service Entitlement of each such Plant up to the Maximum Transmission Service Entitlement for such Plant, IID shall be entitled to use such unclaimed capacity to satisfy the transmission requirements specified in its notice to Producer, and to the extent that IID does so, Producer shall thereafter be foreclosed from increasing the

Transmission Service Entitlement for such Plant in a manner which would conflict with such usage by IID.

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6.3.2 IID shall treat Producer and each other person who has entered into a transmission service agreement similar in substance to this Agreement in a fair and nondiscriminatory manner in requesting additional transmission capacity as provided in this Section 6.3. Without limiting the generality of the foregoing, IID shall request additional transmission capacity from Producer and such other persons on a pro rata basis, in proportion to the Aggregate Maximum Transmission Service Entitlement for each person less the sum of the Transmission Service Entitlements for each of such persons' generating plants which is no longer in a Trial Period.

6.4 In the event that the Original Capacity Nomination designated by Producer (or the Participant associated with Producer) is adjusted pursuant to Section 3.07 of the Funding and Construction Agreement, the Parties agree to amend this Agreement in such a way that the sum of the Maximum Transmission Service Entitlements for all Plants hereunder is equal to such Original Capacity Nomination as so adjusted. As used in this Section 6.4, the terms Original Capacity Nomination and Participant shall have the meanings assigned to them in Article I of the Funding and Construction Agreement.

6.5 IID reserves the right to interrupt or curtail the transmission service provided hereunder as follows:

6.5.1 If the Operating Transmission Capability is reduced to less than Normal Transmission Capacity from a Point of Receipt to a Point of Delivery, and when continuity of service within IID's service area is not being jeopardized, IID may curtail

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the transmission service currently being provided from such Point of Receipt to such Point of Delivery, to an amount "A" determined by the following formula:

$$A = \frac{\text{Operating Transmission Capability}}{\text{Normal Transmission Capacity}} \times \text{Transmission Service Entitlement}$$

The transmission service for each Plant affected shall be curtailed by multiplying the Transmission Service Entitlement in accordance with Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments by the same percentage (expressed as a decimal) as used in the determination of "A." However, any such curtailment shall occur only after IID has made all reasonable efforts to eliminate the cause of the reduction in Operating Transmission Capability, and IID shall then employ reasonable efforts to eliminate expeditiously the cause of said reduction.

6.5.2 If continuity of service within IID's control area is being jeopardized, as determined by IID in its sole judgment, IID may interrupt or curtail the transmission service provided hereunder to the extent necessary to avoid or eliminate such jeopardy; provided that (i) such interruptions or curtailments may be made so that IID may fully utilize all generating resources owned by it or available to it under contract in order to avoid damage to IID's electrical system caused by overloading, (ii) such interruption or curtailment

shall occur only after IID has made all reasonable efforts to avoid or eliminate such jeopardy and (iii) to the extent feasible any curtailment of transmission service provided hereunder from a Point of Receipt to a Point of Delivery shall be made in accordance with the formula set forth in Section 6.5.1.

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6.6 If IID's efforts do not avoid or eliminate such jeopardy, the Parties shall endeavor to develop some other arrangement to avoid or eliminate such jeopardy and minimize the effects of IID's interruption or curtailment on both parties.

6.7 In the event of any curtailments or interruptions made pursuant to Section 6.5.1 or Section 6.5.2, Producer shall, immediately after being orally notified by IID, reduce the electrical output of the Plants by the amounts requested by IID.

6.8 The transmission service to be provided by IID and purchased by Producer for each Plant shall not exceed the Transmission Service Entitlement for that Plant.

6.9 Subject to Section 6.5, IID shall, during the periods that IID has agreed to provide the transmission service at the specified Transmission Service Entitlements, accept hourly scheduled energy deliveries at each Point of Receipt and simultaneously deliver the same amount of energy (less transmission losses as provided herein) at the Point(s) of Delivery mutually agreed upon by the Parties' dispatchers and/or schedulers.

6.10 Hourly scheduled energy deliveries at each Point of Receipt shall conform with the practices and procedures developed by the Parties' dispatchers and schedulers and agreed to by the Authorized Representatives.

7. TRANSMISSION LOSSES:

7.1 IID shall determine, by transmission power flow analysis, the electrical losses (expressed as a percent amount of hourly scheduled energy deliveries) associated with the electrical output from each Plant. Such analysis shall be performed by IID at its sole expense. The initial percent amount, for each Plant, representing the electrical losses as

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determined herein shall be as specified in Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments.

7.2 Unless otherwise agreed to by Producer's and IID's schedulers and dispatchers, IID shall reduce the amount of all hourly scheduled energy deliveries for Producer or Producer's account by the percent amount of such hourly deliveries for each Plant in accordance with Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments.

7.3 If either Party believes that there has been a significant change in IID's electrical system and the electrical losses associated with any Plant should be redetermined, either Party's Authorized Representative may submit a written request to the other Party's Authorized Representative that the electrical losses be redetermined. Following such request, a transmission flow analysis shall be performed by IID as approved by the Authorized Representatives and paid for by the requesting Party. Whenever the percent amount for electrical losses is redetermined, such percent amount shall become effective as of the first day of the month following the date of such redetermination; provided,

that such a redetermination may be no sooner than twelve (12) months after the most recent redetermination. Any redetermination of electrical losses made pursuant to this Section 7 shall be based on conditions in existence at the time of such redetermination.

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7.4 Along with the monthly billing pursuant to Section 9.1, for the transmission service for each Plant, IID shall submit a monthly summary of hourly scheduled energy deliveries and of electrical losses for each Plant.

8. CHARGES:

8.1 For transmission service provided by IID, Producer shall pay IID at a rate to be determined by IID pursuant to the methodologies specified in Exhibit I.A. The initial rate is specified in Exhibit[s] II, Transmission Service and revisions thereto will be specified in any subsequent Plant Amendments. Any specific facility charge to Producer for connecting the Plant(s) to the IID transmission system shall be included only in the Plant Connection Agreement(s) between IID and Producer.

8.2 The transmission rate shall be reviewed annually and may be revised. Any revision of the rates shall be based on the methodologies in Exhibit I.A and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the rates.

8.3 An initial monthly scheduling fee, as specified in Exhibit[s] II, Transmission Service and revisions thereto specified in any subsequent Plant Amendments, shall be paid by Producer to IID for those months in which there were scheduled energy deliveries from the Plant(s). The initial scheduling fee has been determined by IID pursuant to the methodology specified in Exhibit I.B. The scheduling fee shall be reviewed annually and may be revised. Any revision of the scheduling fee shall be based on the methodology in Exhibit I.B and on the conditions in existence at the time of the revision. Producer shall

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have the right to review any exhibits or work papers prepared by IID to revise the scheduling fee.

9. BILLING AND PAYMENT:

9.1 IID shall render bills to Producer, beginning in the month of the Date of Initial Service, on or before the fifteenth (15th) day of each month for the transmission service to be provided during the month. Producer shall pay such bills within twenty (20) days after receipt thereof.

All payments by Producer shall be sent to:

Imperial Irrigation District
c/o Manager, Finance and Accounting
P.O. Box 937
Imperial, California 92251

All billings by IID shall be sent to:

Geo East Mesa Limited Partnership
P.O. Box 748
Holtville, CA 92250

9.2 Either Party's Authorized Representative may at any time, by advance written notice to the other Party's Authorized Representative, change the address to which payments or billings shall be sent.

9.3 Bills which are not paid in full by said due date shall thereafter bear an additional charge of one and one-half percent (1-1/2%) per month, or the maximum legal rate of interest, whichever is less, compounded monthly on the unpaid amount prorated by days from the due date until payment is received by IID.

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9.4 In the event any portion of any bill is disputed, the disputed amount shall be paid when due under protest. If the protested portion of the payment is found to be incorrect by the Authorized Representatives, the disputed amount shall be paid by IID to Producer, including interest at the rate of 1-1/2% per month, or the maximum legal rate, whichever is less, compounded monthly from the date of payment by Producer to the date the refund check or adjusted bill is received by Producer.

9.5 For a fractional part of a calendar month at the beginning or end of the period for which the transmission service is provided hereunder, the charge pursuant to Section 8.1 shall be proportionately adjusted by the ratio of days that service is furnished by IID to Producer during such month to the total number of days in such month.

9.6 The charge for the transmission service pursuant to Section 8.1 shall be proportionately reduced to the extent the duration of the interruptions or curtailments of the transmission service which may occur pursuant to Section 6.5.1 or Section 6.5.2 exceed a cumulative total of twenty-four (24) hours during any calendar month based on 730 hours per month representing the full transmission service charge. The amount of such prorata reduction in any month shall reflect the duration and amount of such interruptions or curtailments which exceed said cumulative 24 hours. Such prorata reduction shall be reflected as a credit to Producer as soon as possible in a subsequent monthly bill.

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9.7 The charge for the transmission service shall not be reduced if IID can deliver, but Edison's transmission system cannot receive, the hourly scheduled energy deliveries independent of the duration of time this condition exists.

10. LIABILITY:

10.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and

employees from any such liability.

10.2 For the purpose of this Section 10, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

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10.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

10.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

10.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

10.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

10.4 The phrase "employees having management or administrative responsibility," as used in Section 10.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing controlling and supervising such Party's performance under this Agreement with responsibility for results.

10.5 Subject to the foregoing provisions of this Section 10, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property,

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or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

11. AUDITING

11.1 IID shall make its books, records, and other supporting information, as requested, available to Producer or to Producer's designated contracted representative(s) with a CPA firm, for the purpose of auditing any charges or accounts to be kept by IID hereunder. All such audits shall be undertaken at reasonable times and in conformance with generally-accepted auditing standards.

11.2 If as a result of such audits Producer believes its charges or accounts should be adjusted, the findings shall be presented to the Authorized Representatives. If the Authorized Representatives agree that any audit finding should result in a revision of charges or accounts, such revisions shall be retroactive to the first billing for such charges and accounts and shall be made

as soon as practical after determination.

11.3 The amount of any unresolved dispute shall accrue interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum legal rate, whichever is less, compounded monthly for any amount of money ultimately refunded to Producer.

12. AUTHORIZED REPRESENTATIVES: Within thirty (30) calendar days after the Completion Date, as defined in Article I of the Funding and Construction Agreement, each Party shall designate by written notice to the other Party a representative who is

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authorized to act on its behalf in the implementation of this Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Party.

13. NO DEDICATION OF FACILITIES: Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof of the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

14. NON-WAIVER: None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

15. NO THIRD PARTY RIGHTS: The Parties do not intend to create rights in or to grant remedies to any Third Party or others as a beneficiary of this Agreement or of any duty, covenant, obligation or undertaking established hereunder.

16. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted

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to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, the failure or inability of Edison to receive the electric power to be transmitted hereunder at the Point(s) of Delivery, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force

shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

17. ASSIGNMENTS:

17.1 Any assignment by Producer of its interest in this Agreement which is made without the written consent of IID (which shall not be unreasonably withheld) shall not relieve Producer from its primary liability for any of its duties and obligations hereunder, and in the event of any such assignment Producer shall continue to remain primarily

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liable for payment of any and all money due IID hereunder and for the performance and observance of all other covenants, duties and obligations to be performed and observed hereunder by it to the same extent as though no assignment has been made.

17.2 Notwithstanding any provision of Section 17.1 to the contrary, prior to the end of the Credit Installment Period, as defined in Article I of the Funding and Construction Agreement, Producer's right to transmission service under this Agreement with respect to one or more of the Plants may be assigned only (i) to a purchaser or co-owner of such Plants or to a person who will operate such Plants pursuant to a contract or other arrangement with such purchaser and in either case only with the prior written consent of IID (which shall not be unreasonably withheld) or (ii) for security purposes, to a bank or other entity which provides financing for such Plants or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 17.2 may be amended, modified or waived without the prior written consent of each and every party to the Funding and Construction Agreement (except for any parties in default thereunder).

17.3 Whenever an assignment of Producer's interest in this Agreement is made with the written consent of IID, Producer's assignee shall expressly assume in writing the duties and obligations hereunder of Producer and, within thirty (30) days after any such assignment and assumption of duties and obligations, Producer shall furnish or cause to be furnished to IID a true and correct copy of such assignment and assumption of duties and obligations.

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17.4 Subject to the foregoing restrictions on assignments, all of the terms of this Agreement shall be binding upon and inure to the benefit of both of the Parties and their respective successors, permitted assigns and legal representatives.

18. GOVERNING LAW: This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States, as applicable.

19. NOTICES: Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, postage prepaid, to the persons specified below unless otherwise provided for in this Agreement:

Imperial Irrigation District
c/o General Manager
P.O. Box 937
Imperial, California 92251

Geo East Mesa Limited Partnership
P.O. Box 748
Holtville, California 92250

Either Party may at any time, by notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

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20. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter into this IID-Geo East Mesa Limited Partnership Transmission Service Agreement for Alternative Resources (Standard Form) on behalf of the Party for whom they signed. This Agreement is hereby executed as of the 21st day of March, 1989.

IMPERIAL IRRIGATION DISTRICT

By: /s/ Lester A. Bornt

President, Board of Directors

GEO EAST MESA LIMITED PARTNERSHIP

By: /s/ M.N. Brunano

3-8-89

Exhibit 10.3.33

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03-02-89
EXECUTION COPY

TRANSMISSION SERVICE AGREEMENT
FOR THE
GEO EAST MESA LIMITED PARTNERSHIP
UNIT NO. 3

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

EXECUTION COPY
03 -02-89

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EXHIBIT I - DEVELOPMENTS AND METHODOLOGIES FOR TRANSMISSION SERVICE CHARGES AND SCHEDULING FEE

EXHIBIT II - TRANSMISSION SERVICE FOR GEO EAST MESA LIMITED PARTNERSHIP

1. PARTIES: The Parties to this Agreement are Imperial Irrigation District, organized under the Water Code of the State of California ("IID") and Geo East Mesa Limited Partnership, L. P. ("Producer"), hereinafter sometimes referred to individually as "Party," and collectively as "Parties."

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 Producer has caused to be constructed or intends to construct an alternative energy resource facility located in IID's service area.

2.2 Producer and IID have entered into a Plant Connection Agreement.

2.3 Producer desires to purchase, and IID desires to sell firm transmission service of power from the Plant to Edison's Mirage Substation subject to the terms and conditions specified herein.

2.4 Producer and IID are parties to that certain Funding and Construction Agreement dated June 29, 1987, providing for the funding and construction of transmission lines within IID's service area.

3. AGREEMENT: The Parties agree as follows:

4. DEFINITIONS: The following terms, when used herein with initial capitalization, whether in the singular or plural, shall have the meanings specified:

4.1 Agreement: This IID - Producer Transmission Service Agreement for Alternative Resources between Geo East Mesa Limited Partnership, L. P. and IID, and all Exhibits attached hereto, as such Agreement may subsequently be amended for firm transmission service between each Plant and Edison's Mirage Substation.

4.2 Authorized Representative: The representative of a party designated in accordance with Section 12.

4.3 Date of Initial Service: The date when the output from each Plant is first available for delivery to Edison, as notified to IID pursuant to Section 5.2.

4.4 Edison: Southern California Edison Company.

4.5 Funding and Construction Agreement: An agreement entered into by IID and others dated June 29, 1987, providing for the funding and construction of the Heber-Mirage Transmission Project, to which a form of this agreement is attached as Exhibit III.

4.6 Maximum Transmission Service Entitlement: The Maximum Transmission Service Entitlement for each Plant, as specified in Exhibit(s) II, Transmission Service, and in any subsequent Plant Amendments.

4.7 Normal Transmission Capacity: The maximum transfer capability, expressed in megawatts (NMW), from the Point of Receipt to the Point of Delivery. Such transfer capability, as determined by IID, in its sole judgment, shall be consistent with prudent operating procedures and with generally-accepted engineering and operating practices in the electrical utility industry.

4.8 Operating Transmission Capability: The maximum transfer capability, expressed in megawatts (MW), available to IID at any given time to transmit power from Point of Receipt to Point of Delivery. Such transfer capability shall be as determined by IID in its sole judgment, may vary from time-to-time depending on system conditions, and shall be consistent with prudent operating procedures and generally-accepted engineering and operating practices in the electrical utility industry.

4.9 Plant: An electrical generating alternative energy resource facility developed by Producer for which IID shall provide transmission service, as specified in Exhibit(s) II, Transmission Service, and in any subsequent Plant Amendments.

4.10 Plant Amendment: An agreement reached by the Parties, as an amendment to this Agreement, for transmission service to be provided by IID for a Plant added by Producer or for Producer's account subsequent to the execution of this Agreement.

4.11 Plant Connection Agreement: An agreement between IID and Producer providing for the connection of a Plant to IID's electrical system, as specified in Exhibit(s) II, Transmission Service, and in any subsequent Plant Amendments.

4.12 Point(s) of Delivery: The 230-kV switchrack at the Mirage Substation site where Edison's 230-kV facilities are attached to IID's 230-kV Coachella-Mirage Line or other points as may be mutually agreed upon by the Authorized Representatives.

4.13 Point of Receipt: The point on the high voltage side of the Plant's transformer where IID's metering equipment measures the delivery of energy to the IID system.

4.14 Transmission Service Entitlement: The amount of transmission service, expressed in megawatts (MW), provided by IID for each Plant, from the applicable Point of Receipt to the applicable Point(s) of Delivery.

5. TERM:

5.1 Unless otherwise agreed to by the Parties, this Agreement shall be effective on the Completion Date for the transmission lines being constructed pursuant to the Funding and Construction Agreement, as the term Completion Date is defined in Article I thereof, and shall remain in effect until April 15, 2015. It is understood that if such Completion Date does not occur, this Agreement shall be of no force or effect.

5.2 The Transmission Service Entitlement to be provided by IID for each Plant shall be contingent on a Plant Connection Agreement being in effect. Transmission service for each Plant shall be contingent on the Date of initial Service of such Plant. Producer's Authorized

Representative shall give IID's Authorized Representative written notice of the Date of Initial Service at least thirty (30) days before the Date of Initial Service.

6. TRANSMISSION SERVICE:

6.1 Subject to the terms of this Agreement, IID shall provide to Producer and Producer shall purchase from IID transmission service over IID's transmission system for each Plant. IID shall make arrangements with Edison to provide, at Producer's or Edison's expense, for the transfer of the electrical power to be delivered to Edison hereunder from IID's transmission system to Edison's transmission system at the Point(s) of Delivery.

6.2 The Transmission Service Entitlement for each Plant shall be the Maximum Transmission Service Entitlement for such Plant specified in Exhibit(s) II, Transmission Service, or any subsequent Plant Amendments, or such lesser amount as may be established as follows. Beginning on the Date of Initial Service for each Plant, Producer shall be entitled to specify a Transmission Service Entitlement by advance written notice given to IID's Authorized Representative at least thirty (30) days prior to the Date of Initial Service. The Transmission Service Entitlement to be provided by IID subsequent to the Date of Initial Service may be adjusted at six (6) month intervals thereafter until two (2) years after the Date of Initial Service for such Plant (the "Trial

Period"). Such adjustments shall be made by having Producer's Authorized Representative give IID's Authorized Representative a ninety (90) day advance written notice as to the adjustment required. Beginning two (2) years after the Date of Initial Service for such Plant, Producer shall be entitled to specify a Transmission Service Entitlement for each successive two-year period during the remaining term of this Agreement by written notice from Producer's Authorized Representative to IID's Authorized Representative given at least ninety (90) days prior to the beginning of each two-year period.

6.3 The Transmission Service Entitlement selected by Producer for each Plant in accordance with Section 6.2 may be any amount which is less than or equal to the Maximum Transmission Service Entitlement for such Plant specified in Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments, provided, however, that the following shall apply to each Plant after the Trial Period for such Plant has elapsed.

6.3.1 If (i) the sum of the Transmission Service Entitlements for all Plants which are no longer in their Trial Periods is less than the sum of the Maximum Transmission Service Entitlements for such Plants, as shown in Exhibit(s) II, Transmission Service and in any subsequent Plant Amendments, (the "Aggregate Maximum Transmission Service Entitlement") and (ii) provided that IID requires additional capacity for transmitting electric power to Edison's transmission system for another person (or, following the Credit Installment Period as defined in the Funding and Construction Agreement, for itself) and (iii) IID's use of such required capacity would be in conflict with Producer's right as provided herein to increase the sum of the Transmission Service Entitlements for such Plants to the Aggregate Maximum Transmission Service Entitlement, then IID shall so notify Producer in writing, specifying in such notice the portion, expressed in megawatts (MW), of the excess of the Maximum Transmission Service Entitlement over the Transmission Service Entitlement for each such Plant which it desires to use as stated above. Producer shall have ninety (90) days after receipt of IID's notice to notify IID in writing that it desires to increase the Transmission Service Entitlements of such Plants. To the extent that Producer does not elect to increase the Transmission Service Entitlement of each such Plant up to the Maximum Transmission Service Entitlement for such Plant, IID shall be entitled to use such unclaimed capacity to satisfy the transmission requirements specified in its notice to Producer, and to the extent that IID does so, Producer shall thereafter be foreclosed from

increasing the Transmission Service Entitlement for such Plant in a manner which would conflict with such usage by IID.

6.3.2 IID shall treat Producer and each other person who has entered into a transmission service agreement similar in substance to this Agreement in a fair and nondiscriminatory manner in requesting additional transmission capacity as provided in this Section 6.3. Without limiting the generality of the foregoing, IID shall request additional transmission capacity from Producer and such other persons on a pro rata basis, in proportion to the Aggregate Maximum Transmission Service Entitlement for each person less the sum of the Transmission Service Entitlements for each of such persons' generating plants which is no longer in a Trial Period.

6.4 In the event that the Original Capacity Nomination designated by Producer (or the Participant associated with Producer) is adjusted pursuant to Section 3.07 of the Funding and Construction Agreement, the Parties agree to amend this Agreement in such a way that the sum of the Maximum Transmission Service Entitlements for all Plants hereunder is equal to such Original Capacity Nomination as so adjusted. As used in this Section 6.4, the terms Original Capacity Nomination and Participant shall have the meanings assigned to them in Article I of the Funding and Construction Agreement.

6.5 IID reserves the right to interrupt or curtail the transmission service provided hereunder as follows:

6.5.1 If the Operating Transmission Capability is reduced to less than Normal Transmission Capacity from a Point of Receipt to a Point of Delivery, and when continuity of service within IID's service area is not being jeopardized, IID may curtail the transmission service currently being provided from such Point of Receipt to such Point of Delivery, to an

amount "A" determined by the following formula:

$$A = \frac{\text{Operating Transmission Capability}}{\text{Normal Transmission Capacity}} \times \text{Transmission Service Entitlement}$$

The transmission service for each Plant affected shall be curtailed by multiplying the Transmission Service Entitlement in accordance with Exhibit[s] II, Transmission Service and in any subsequent Plant Amendments by the same percentage (expressed as a decimal) as used in the determination of "A." However, any such curtailment shall occur only after IID has made all reasonable efforts to eliminate the cause of the reduction in Operating Transmission Capability, and IID shall then employ reasonable efforts to eliminate expeditiously the cause of said reduction.

6.5.2 If continuity of service within IID's control area is being jeopardized, as determined by IID in its sole judgment, IID may interrupt or curtail the transmission service provided hereunder to the extent necessary to avoid or eliminate such jeopardy; provided that (i) such interruptions or curtailments may be made so that IID may fully utilize all generating resources owned by it or available to it under contract in order to avoid damage to IID's electrical system caused by overloading, (ii) such interruption or curtailment shall occur only after IID has made all reasonable efforts to avoid or eliminate such jeopardy and (iii) to the extent feasible any curtailment of transmission service provided hereunder from a Point of Receipt to a Point of Delivery shall be made in accordance with the formula set forth in Section 6.5.1.

6.6 If IID's efforts do not avoid or eliminate such jeopardy, the Parties shall endeavor to develop some other arrangement to avoid or eliminate such jeopardy and minimize the effects of IID's interruption or curtailment on both parties.

6.7 In the event of any curtailments or interruptions made pursuant to Section 6.5.1 or Section 6.5.2, Producer shall, immediately after being orally notified by IID, reduce the electrical output of the Plants by the amounts requested by IID.

6.8 The transmission service to be provided by IID and purchased by Producer for each Plant shall not exceed the Transmission Service Entitlement for that Plant.

6.9 Subject to Section 6.5, IID shall, during the periods that IID has agreed to provide the transmission service at the specified Transmission Service Entitlements, accept hourly scheduled energy deliveries at each Point of Receipt and simultaneously deliver the same amount of energy (less transmission losses as provided herein) at the Point(s) of Delivery mutually agreed upon by the Parties' dispatchers and/or schedulers.

6.10 Hourly scheduled energy deliveries at each Point of Receipt shall conform with the practices and procedures developed by the Parties' dispatchers and schedulers and agreed to by the Authorized Representatives.

7. TRANSMISSION LOSSES:

7.1 IID shall determine, by transmission power flow analysis, the electrical losses (expressed as a percent amount of hourly scheduled energy deliveries) associated with the electrical output from each Plant. Such analysis shall be performed by IID at its sole expense. The initial percent amount, for

each Plant, representing the electrical losses as determined herein shall be as specified in Exhibit(s) II, Transmission Service and in any subsequent Plant Amendments.

7.2 Unless otherwise agreed to by Producer's and IID's schedulers and dispatchers, IID shall reduce the amount of all hourly scheduled energy deliveries for Producer or Producer's

account by the percent amount of such hourly deliveries for each Plant in accordance with Exhibit(s) II, Transmission Service and in any subsequent Plant Amendments.

7.3 If either Party believes that there has been a significant change in IID's electrical system and the electrical losses associated with any Plant should be redetermined, either Party's Authorized Representative may submit a written request to the other Party's Authorized Representative that the electrical losses be redetermined. Following such request, a transmission flow analysis shall be performed by IID as approved by the Authorized Representatives and paid for by the requesting Party. Whenever the percent amount for electrical losses is redetermined, such percent amount shall become effective as of the first day of the month following the date of such redetermination; provided, that such a redetermination may be no sooner than twelve (12) months after the most recent redetermination. Any redetermination of electrical losses made pursuant to this Section 7 shall be based on conditions in existence at the time of such redetermination.

7.4 Along with the monthly billing pursuant to Section 9.1, for the transmission service for each Plant, IID shall submit a monthly summary of hourly scheduled energy deliveries and of electrical losses for each Plant.

8. CHARGES:

8.1 For transmission service provided by IID, Producer shall pay IID at a Exhibit I.A. The initial rate is specified in Exhibit[s] II, Transmission Service and revisions thereto will be specified in any subsequent Plant Amendments. Any specific facility charge to Producer for connecting the Plant(s) to the IID transmission system shall be included only In the Plant Connection Agreement(s) between IID and Producer.

8.2 The transmission rate shall be reviewed annually and may be revised. Any revision of the rates shall be based on the methodologies In Exhibit I.A and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the rates.

8.3 An initial monthly scheduling fee, as specified in Exhibit[s] II, Transmission Service and revisions thereto specified in any subsequent Plant Amendments, shall be paid by Producer to IID for those months In which there were scheduled energy deliveries from the Plant(s). The initial scheduling fee has been determined by IID pursuant to the methodology specified in Exhibit I.B. The scheduling fee shall be reviewed annually and may be revised. Any revision of the scheduling fee shall be based on the methodology in Exhibit I.B and on the conditions in existence at the time of the revision. Producer shall have the right to review any exhibits or work papers prepared by IID to revise the scheduling fee.

9. BILLING AND PAYMENT:

9.1 IID shall render bills to Producer, beginning in the month of the Date of Initial Service, on or before the fifteenth (15th) day of each month for the transmission service to be provided during the month. Producer shall pay such bills within twenty (20) days after receipt thereof.

All payments by Producer shall be sent to:

Imperial Irrigation District
c/o Manager, Finance and Accounting
P.O. Box 937
Imperial, California 92251

All billings by IID shall be sent to:

Geo East Mesa Limited Partnership
P.O. Box 748
Holtville, CA 92250

9.2 Either Party's Authorized Representative may at any time, by advance written notice to the other Party's Authorized Representative, change the address to which payments or billings shall be sent.

9.3 Bills which are not paid in full by said due date shall thereafter bear an additional charge of one and one-half percent (1-1/2%) per month, or the maximum legal rate of interest, whichever is less, compounded monthly on the unpaid amount prorated by days from the due date until payment is received by IID.

9.4 In the event any portion of any bill is disputed, the disputed amount shall be paid when due under protest. If the protested portion of the payment is found to be incorrect by the Authorized Representatives, the disputed amount shall be paid by IID to Producer, including interest at the rate of 1-1/2% per month, or the maximum legal rate, whichever is less, compounded monthly from the date of payment by Producer to the date the refund check or adjusted bill is received by Producer.

9.5 For a fractional part of a calendar month at the beginning or end of the period for which the transmission service is provided hereunder, the charge pursuant to Section 8.1 shall be proportionately adjusted by the ratio of days that service is furnished by IID to Producer during such month to the total number of days in such month.

9.6 The charge for the transmission service pursuant to Section 8.1 shall be proportionately reduced to the extent the duration of the interruptions or curtailments of the

transmission service which may occur pursuant to Section 6.5.1 or Section 6.5.2 exceed a cumulative total of twenty-four (24) hours during any calendar month based on 730 hours per month representing the full transmission service charge. The amount of such prorata reduction in any month shall reflect the duration and amount of such interruptions or curtailments which exceed said cumulative 24 hours. Such prorata reduction shall be reflected as a credit to Producer as soon as possible in a subsequent monthly bill.

9.7 The charge for the transmission service shall not be reduced if IID can deliver, but Edison's transmission system cannot receive, the hourly scheduled energy deliveries independent of the duration of time this condition exists.

10. LIABILITY:

10.1 Except for any loss, damage, claim, costs, charge or expense resulting from Willful Action, neither Party (the "released Party"), its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from

the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to a Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the released Party's electrical system, Plant(s) or associated facilities in connection with the implementation of this Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

10.2 For the purpose of this Section 10, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

10.2.1 Action which is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

10.2.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

10.2.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

10.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

10.4 The phrase "employees having management or administrative responsibility," as used in Section 10.2, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing controlling and supervising such Party's performance under this Agreement with responsibility for results.

10.5 Subject to the foregoing provisions of this Section 10, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, or employees against all losses, claims, demands, costs or expenses for loss of or damage to property, or injury or death of

persons, which directly or indirectly arise out of the Indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

11. AUDITING

11.1 IID shall make its books, records, and other supporting information, as requested, available to Producer or to Producer's designated contracted representative(s) with a CPA firm, for the purpose of auditing any charges or accounts to be kept by IID hereunder. All such audits shall be undertaken at reasonable times and in conformance with generally-accepted auditing standards.

11.2 If as a result of such audits Producer believes its charges or accounts should be adjusted, the findings shall be presented to the Authorized Representatives. If the Authorized Representatives agree that any audit finding should result in a revision of charges or accounts, such revisions shall be retroactive to the first billing for such charges and accounts and shall be made

as soon as practical after determination.

11.3 The amount of any unresolved dispute shall accrue interest at the rate of one and one-half percent (1-1/2%) per month, or the maximum legal rate, whichever is less, compounded monthly for any amount of money ultimately refunded to Producer.

12. AUTHORIZED REPRESENTATIVES: Within thirty (30) calendar days after the Completion Date, as defined in Article I of the Funding and Construction Agreement, each Party shall designate by written notice to the other Party a representative who is authorized to act on its behalf in the implementation of this Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Party.

13. NO DEDICATION OF FACILITIES: Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof of the Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder. 14. NON-WAIVER: None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

15. NO THIRD PARTY RIGHTS: The Parties do not intend to create rights in or to grant remedies to any Third Party or others as a beneficiary of this Agreement or of any duty, covenant, obligation or undertaking established hereunder.

16. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and actions or

nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, the failure or inability of Edison to receive the electric power to be transmitted hereunder at the Point(s) of Delivery, which by exercise of due diligence such Party, could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

17. ASSIGNMENTS:

17.1 Any assignment by Producer of its interest in this Agreement which is made without the written consent of IID (which shall not be unreasonably withheld) shall not relieve Producer from its primary liability for any of its duties and obligations hereunder, and in the event of any such assignment Producer shall continue to remain primarily liable for payment of any and all money due IID hereunder and for the performance and observance of all other covenants, duties and obligations to be performed and observed hereunder by it

to the same extent as though no assignment has been made.

17.2 Notwithstanding any provision of Section 17.1 to the contrary, prior to the end of the Credit Installment Period, as defined in Article I of the Funding and Construction Agreement, Producer's right to transmission service under this Agreement with respect to one or more of the Plants may be assigned only (i) to a purchaser or co-owner of such Plants or to a person who will operate such Plants pursuant to a contract or other arrangement with such purchaser and in either case only with the prior written consent of IID (which shall not be unreasonably withheld) or (ii)

for security purposes, to a bank or other entity which provides financing for such Plants or any electrical transmission facilities associated therewith. Producer and IID agree that nothing in this Section 17.2 may be amended, modified or waived without the prior written consent of each and every party to the Funding and Construction Agreement (except for any parties in default thereunder).

17.3 Whenever an assignment of Producer's interest in this Agreement is made with the written consent of IID, Producer's assignee shall expressly assume in writing the duties and obligations hereunder of Producer and, within thirty (30) days after any such assignment and assumption of duties and obligations, Producer shall furnish or cause to be furnished to IID a true and correct copy of such assignment and assumption of duties and obligations.

17.4 Subject to the foregoing restrictions on assignments, all of the terms of this Agreement shall be binding upon and inure to the benefit of both of the Parties and their respective successors, permitted assigns and legal representatives.

18. GOVERNING LAW: This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States, as applicable.

19. NOTICE: Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, postage prepaid, to the persons specified below unless otherwise provided for In this Agreement:

Imperial Irrigation District
c/o General Manager
P.O. Box 937
Imperial, California 92251

Geo East Mesa Limited Partnership
P.O. Box 748

Holtville, California 92250

Either Party may at any time, by notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement. 20. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter Into this IID-Geo East Mesa Limited Partnership Transmission Service Agreement for Alternative Resources (Standard Form) on behalf of the Part/for whom they signed. This Agreement is hereby executed as of the 21st day of March, 1989.

IMPERIAL IRRIGATION DISTRICT

By: /s/ Lester A. Bornt

President, Board of Directors

GEO EAST MESA LIMITED PARTNERSHIP

By:

/s/ M.N. Brunano

3-16-89

Exhibit 10.3.34

Schedule A
Item 29

IID - EDISON
TRANSMISSION SERVICE AGREEMENT
FOR ALTERNATIVE RESOURCES

BETWEEN
IMPERIAL IRRIGATION DISTRICT
AND
SOUTHERN CALIFORNIA EDISON COMPANY

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IID - EDISON

TRANSMISSION SERVICE AGREEMENT

FOR ALTERNATIVE RESOURCES

1. PARTIES: The Parties to this Agreement are Imperial Irrigation District, organized under the Water Code of the State of California ("IID"), and Southern California Edison Company, a California corporation ("Edison"), hereinafter sometimes referred to individually as "Party," and collectively as "Parties".

2. RECITALS: This Agreement is made with reference to the following facts, among others:

2.1 Edison plans to develop its own alternative resource facilities and/or purchase the electrical output from Third Party alternative resource facilities located in IID's service area.

2.2 Edison and the Third Parties require transmission service from IID to deliver the output from such alternative resource facilities to Edison's electrical system.

2.3 In a Letter Agreement executed on November 22, 1983, the Parties agreed to establish an intertie connecting the Parties' electrical systems to facilitate exchanges of power. The Parties also agreed to develop and execute a transmission service agreement to provide transmission for Edison's power to its electrical system over IID's existing or upgraded electrical system.

2.4 In a Letter Agreement executed on December 7, 1982, the Parties agreed to develop certain transmission facilities at 230 kilovolts to provide for the export of alternative resource facilities electrical output from the Imperial Valley to Edison's electrical system.

2.5 Edison desires to purchase transmission service for the electrical output from the alternative resource facilities and IID is willing to sell said service to Edison.

3. AGREEMENT: The Parties agree as follows:

4. DEFINITIONS: The following terms, when used herein with initial capitalization, whether in the singular or the plural, shall have the meanings specified:

4.1. Agreement: This "IID-Edison Transmission Service Agreement for Alternative Resources" between Southern California Edison Company and Imperial Irrigation District, and all Exhibits, as such Agreement may subsequently be amended.

4.2 Authorized Representative: The representative of a Party designated in accordance with Section 12.

4.3 Blythe Substation: Western's electrical 161 kilovolt (kV) substation at Blythe, California where IID's existing 161 kV "F" transmission line terminates.

4.4 Coachella-Mirage Line: Approximately 20.6 miles of 230 kV transmission line that IID shall cause to be constructed and that shall be owned by IID. Such line is to

line is anticipated to be in operation on or before June 1, 1986, or as soon thereafter as practicable.

4.5 Coachella Valley Substation: IID's electrical substation located within its Control Area and scheduled to be a terminal point for the Coachella-Mirage Line.

4.6 Control Area: All or part of a Party's electrical generation resources, transmission facilities and distribution facilities, or a combination thereof with those of other utilities, agencies or pools to which a common automatic generation control scheme is applied.

4.7 Date of Initial Service: The date when the Plant output is first available for delivery to Edison and as provided to IID pursuant to Section 5.2. Such date shall be deemed to be May 1, 1986, for the Plants specified in Exhibits II, III, and IV.

4.8 Mirage Substation: Edison's electrical 230/115/92 kV substation located approximately eight miles west of the City of Indio and one and one-half miles north of Interstate Highway 10 where the Points of Interconnection are located and where the Coachella-Mirage Line terminates.

4.9 Normal Transmission Capacity: The maximum electrical power transfer ability, expressed in megawatts (MW), available to IID to transmit IID's electrical power and to provide the transmission service. Such transfer ability, as determined by IID, in its

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sole judgment, shall be consistent with prudent operating procedures and with generally-accepted engineering and operating practices in the electrical utility industry.

4.10 Operating Transmission Capability: The maximum electrical power transfer ability, expressed in megawatts (MW), available to IID at any given time to transmit IID's electrical power and to provide the transmission service. Such transfer ability shall be as determined by IID in its sole judgment, may vary from time-to-time depending on system conditions, and shall be consistent with prudent operating procedures and generally-accepted engineering and operating practices in the electrical utility industry.

4.11 Plant(s): The electrical generating alternative resource facilities developed by Edison or Third Parties for which IID shall provide transmission service is specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s).

4.12 Plant Amendment(s): The agreement(s) reached by the Parties, as amendments to this Agreement, for transmission service to be provided by IID for each Plant added by Edison or for Edison's account subsequent to the execution of this Agreement.

4.13 Plant Connection Agreement(s): The agreement(s) between IID and Third Parties or Edison providing for the connection of the Plant(s) to IID's electrical system as specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s).

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4.14 Point of Delivery: The Points of Interconnection, Blythe Substation or other points as agreed to by the Authorized Representatives as delivery points and as specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendments.

4.15 Points of Interconnection: The 115/92 kV switchrack at the Mirage

Substation site where Edison's 115 kV facilities are attached to IID's 92 kV facilities or the 230 kV switchrack where Edison's 230 kV facilities shall be attached to the Coachella-Mirage Line.

4.16 Point of Receipt: The point at which IID receives the electrical output from each Plant for Edison or for Edison's account, as specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendments.

4.17 Third Parties: Developers and/or operators of facilities using alternative resources including biomass, waste, wind, solar, geothermal and water to produce electrical energy. Such developers and/or operators are not signatories to this Agreement.

4.18 Transmission Service Entitlement: The amount of transmission service, expressed in megawatts (MW), provided by IID to Edison from a Point of Receipt to the Point(s) of Delivery.

4.19 Western: The United States Department of Energy Western Area Power Administration.

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5. TERM:

5.1 Unless otherwise agreed to by the Parties, this Agreement shall be effective upon execution by the Parties and shall remain in effect until the earlier of December 31, 2015 or the termination date of the last Plant Connection Agreement.

5.2 The Transmission Service Entitlement to be provided by IID for each Plant shall be contingent on a Plant Connection Agreement being in effect. Transmission service shall commence on the Date of Initial Service of such Plant(s). If not already specified in Section 4.7, Edison's Authorized Representative shall provide the Date of Initial Service to IID's Authorized Representative in a thirty (30) days' written notice in advance of the Date of Initial Service.

6. TRANSMISSION SERVICE:

6.1 Subject to the terms of this Agreement, IID shall provide to Edison and Edison shall purchase from IID transmission service over IID's transmission system for the Plant(s) herein.

6.2 The Transmission Service Entitlement for each Plant shall be the amount either specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s), or the amount provided to IID's Authorized Representative by Edison's Authorized Representative in a thirty (30)-day advance written notice prior to the Date of Initial Service. Except for the Plants specified in Exhibits II, III and IV, the Transmission

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Service Entitlement to be provided by IID subsequent to the Date of Initial Service may be adjusted semi-annually until the Plant(s) has/have operated for two years. Such adjustment shall be made by having Edison's Authorized Representative give IID's Authorized Representative a ninety (90)-day advance written notice as to the adjustment required. At the end of the two-year operating period for such Plant(s), the Transmission Service Entitlement shall remain as established or as redetermined by the Authorized Representatives and shall subsequently be fixed for the remainder of the terms specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s). The Transmission Service Entitlement shall not be changed unless otherwise agreed to by the Authorized Representatives.

6.3 IID reserves the right to interrupt or curtail the transmission service provided hereunder as follows:

6.3.1 If the Operating Transmission Capability is reduced to less than normal Transmission Capacity from a Point of Receipt to a Point of Delivery, and when continuity of service within IID's Control Area is not being jeopardized, IID may curtail the transmission service currently being provided from such Point of Receipt to such Point of Delivery, to an amount "A" determined by the following formula:

$$A = \frac{\text{Operating Transmission Capability}}{\text{Normal Transmission Capacity}} \times \text{Transmission Service Entitlement}$$

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The transmission service for each Plant shall be curtailed by multiplying the Transmission Service Entitlement in accordance with Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendments by the same percentage (expressed as a decimal) as used in the determination of "A". However, any such curtailment shall occur only after IID has made all reasonable efforts to eliminate the cause of the reduction in Operating Transmission Capability, and IID shall then employ reasonable efforts to eliminate expeditiously the cause of said reduction.

6.3.2 If continuity of service within IID's Control Area is being jeopardized, as determined by IID in its sole judgment, IID may interrupt or curtail the transmission service provided hereunder to the extent necessary to avoid or eliminate such jeopardy; provided, (i) that such interruptions or curtailments may be made so that IID may fully utilize all generating resources owned by it or available to it under contract in order to avoid damage to IID's electrical system caused by overloading, (ii) that no such interruption or curtailment may be made by IID in order that IID may acquire all or any portion of Edison's capacity or energy available to Edison under contract without Edison's prior consent, and (iii) that such interruption or curtailment shall occur only after IID has made all reasonable efforts to avoid or eliminate such jeopardy.

6.4 If IID's efforts do not avoid or eliminate such jeopardy, the Parties shall endeavor to develop some other arrangements to avoid or eliminate such jeopardy and minimize the effects of IID's interruption or curtailment to both to Parties' Control Areas.

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6.5 Subject to Section 6.8, and in the event of any curtailments or interruptions made pursuant to Section 6.3.1 or Section 6.3.2, Edison shall, immediately after being orally satisfied by IID, reduce its energy schedules by the amounts requested by IID.

6.6 The transmission service to be provided by IID and purchased by Edison for each Plant shall not exceed the Transmission Service Entitlement.

6.7 Subject to Section 6.3, IID shall, during the periods that IID has agreed to provide the transmission service at the specified Transmission Service Entitlements, accept hourly scheduled energy deliveries at the Point of Receipt and simultaneously deliver the same amount of energy to Edison or for Edison's account at the Point(s) of Delivery mutually agreed upon by the Parties' dispatchers and/or schedulers. Unless otherwise agreed to by the Authorized Representatives, the total sum of Transmission Service Entitlements to the

Points of Delivery specified below shall not exceed 150 MV. However, in no case shall the Transmission Service Entitlement to a specified Point of Delivery exceed the following:

Blythe Substation 161 kV: 110 MV
Mirage Substation 115/92 kV: 35 MW
Mirage Substation 230 kV: 150 MW'

Edison shall provide IID an executed copy of its transmission service agreement with Western.

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6.8 Hourly scheduled energy deliveries shall be in accordance with the provisions of this Agreement. The hourly schedules shall conform with the practices and procedures developed by the Parties' dispatchers and schedulers and agreed to by the Authorized Representatives. IID shall coordinate the hourly scheduled energy deliveries from the Plant(s) until such time that dynamic scheduling may be arranged and procedures for such may be agreed to by the Authorized Representatives.

7. TRANSMISSION LOSSES: -----

7.1 IID shall determine, by transmission power flow analysis, the electrical losses (expressed as a percent amount of hourly scheduled energy deliveries) associated with the electrical output from each Plant. Such analysis may be performed by IID, at its sole expense, and as deemed necessary by changing conditions on IID's electrical system. The initial percent amount, for each Plant, representing the electrical losses as determined herein shall be as specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s).

7.2 Unless otherwise agreed to by Edison's and IID's schedulers and dispatchers, IID shall reduce the amount of all hourly scheduled energy deliveries to Edison or for Edison's account by the percent amount of such hourly deliveries for each Plant in accordance with Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s) plus a transformer loss percent amount if delivered at the Mirage Substation 115/92 kV switchrack.

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7.3 If either Party believes that there has been a significant change in IID's electrical system and the electrical losses associated with any Plant should be redetermined, either Party's Authorized Representative may submit a written request _____ the other Party's Authorized Representative that the electrical losses be redetermined. Following such request, a transmission flow analysis may be performed by IID as approved by the Authorized Representatives and paid for by the requesting Party. If the percent amount for electrical losses is redetermined, such percent amount shall become effective as of the first day of the month following the date of such redetermination; provided, that such a redetermination may be no sooner than twelve (12) months after the most recent redetermination. Any redetermination of electrical losses made pursuant to this Section 7 shall be based on conditions in existence at the time of such redetermination.

7.4 Along with the monthly billing pursuant to Section 9.1, for the transmission service for each Plant, IID shall submit a monthly summary of hourly scheduled energy deliveries and of electrical losses for each Plant.

8. CHARGES:

8.1 For transmission service provided by IID, Edison shall pay IID at an initial rate of \$1.14 per kilowatt per month for transmission service over

IID's 92 kV-161 kV- 230 kV transmission system plus the appropriate initial rate specified in Exhibit I.B for transmission service over IID's 34.5 kV subtransmission system as applicable. The total

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charge for transmission service shall be determined by the sum of the products of such applicable rates times the Transmission Service Entitlements. The initial rate for the 92 kV-161 kV-230 kV transmission system and the initial rate for the 34.5 kV subtransmission system has been determined by IID pursuant to the methodologies specified in Exhibit I.A and Exhibit I.B respectively. Any specific facility charge to the Third Parties or to Edison for connecting the Plant(s) to the IID transmission system(s) shall be included only in the Plant Connection Agreement(s) between IID and the Third Parties or Edison.

8.2 Both the 92 kV-161 kV-230 kV transmission and 34.5 kV subtransmission system rates shall be reviewed annually and may be revised. Such review and revision, if necessary, shall commence effective January 1, 1986. Any revision of the rates shall be based on the methodologies in Exhibit I.A-2 and Exhibit I.B.A and on the conditions in existence at the time of the revision. Edison shall have the right to review any exhibits or work papers prepared by IID to revise the rates prior to the effective date(s) of the revision.

8.3 An initial monthly scheduling fee, as specified in Exhibits II, III, IV, V, VI, VII, VIII and in any subsequent Plant Amendment(s), shall be paid by Edison to IID for those months in which there were scheduled energy deliveries from the Plant(s). The initial scheduling fee has been determined by IID pursuant to the methodology specified in Exhibit I.C. The scheduling fee shall be reviewed annually and may be revised. Such

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review and revision, if necessary, shall commence effective January 1, 1986. Any revision of the scheduling fee shall be based on the methodology in Exhibit I.C and on the conditions in existence at the time of the revision. Edison shall have the right to review any exhibits or work papers prepared by IID to revise the scheduling fee prior to the effective date of the revision.

9. BILLING AND PAYMENT:

9.1 IID shall render bills to Edison, beginning in the month of the Date of Initial Service, on or before the fifteenth (15th) day of each month for the transmission service to be provided during the month. Edison shall pay such bills within twenty (20) days after receipt thereof.

All payments by Edison shall be sent to:

Imperial Irrigation District
c/c Manager, Finance & Accounting
P.O. Box 937
Imperial, CA 92251

All billings by IID shall be sent to:

Southern California Edison Company
c/o Manager of Cogeneration and Small Power Development
P.O. Box 800
Rosemead, CA 91770

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9.2 Either Party's Authorized Representative may at any time, by advance written notice to the other Party's Authorized Representative, change the address to which payments or billings shall be sent.

9.3 Bills which are not paid in full by said due date shall thereafter bear an additional charge of one and one-half percent (1 1/2%) per month, or the maximum legal rate of interest, whichever is less, compounded monthly on the unpaid amount prorated by days from the due date until payment is received by IID.

9.4. In the event any portion of any bill is disputed, the disputed amount shall be paid when due under protest. If the protested portion of the payment is found to be incorrect by the Authorized Representatives, the disputed amount shall be paid by IID to Edison, including interest at the rate of 1-1/2% per month, or the maximum legal rate, whichever is less, compounded monthly from the date of payment by Edison to the date the refund check or adjusted bill is received by Edison.

9.5 For a fractional part of a calendar month at the beginning or end of the period for which the transmission service is provided hereunder, the charge pursuant to Section 8.1 shall be proportionately adjusted by the ratio of days that service is furnished by IID to Edison during such month to the total number of days in such month.

9.6 The charge for the transmission service pursuant to Section 8.1 shall be proportionately reduced to the extent the duration of interruptions or curtailments of the

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transmission service which may occur pursuant to Section 6.3.2 exceed a cumulative total of twenty-four (24) hours during any calendar month based on 730 hours per month representing the full transmission service charge. The amount of such prorata reduction in any month shall reflect the duration and amount of such interruptions or curtailments which exceed said cumulative 24 hours. Such prorata reduction shall be reflected as a credit to Edison as soon as possible in a subsequent monthly bill.

9.7 The charge for the transmission service shall not be reduced if IID can deliver, but Edison cannot receive the hourly scheduled energy deliveries independent of the duration of time this condition exists.

10. LIABILITY:

10.1 Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, neither Party, its directors or other governing body, officers or employees shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense of any kind or nature incurred by the other Party (including direct, indirect or consequential loss, damage, claim, cost, charge or expense; and whether or not resulting from the negligence of a Party, its directors or other governing body, officers, employees or any person or entity whose negligence would be imputed to such Party) from engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of such Party's electrical system in connection with implementation of this Agreement. Except for any loss, damage, claim, cost, charge or

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expense resulting from Willful Action, each Party releases the other Party, its directors or other governing body, officers and employees from any such liability.

10.2 Except for liability resulting from Willful Action of the other Party, a Party whose electrical customer shall make a claim or bring an action for any death, injury, loss or damage arising out of delivery of, interruptions to or curtailment of electrical service to such customer caused by performance or nonperformance of a Party's obligations hereunder shall indemnify and hold harmless the other Party, its directors or other governing body, officers and employees from and against any liability for such death, injury, loss or damage. As used in this Agreement, the term "electrical customer" shall mean an electrical consumer, except an electrical utility system to whom power is delivered for resale.

10.3 For the purpose of this Section 10, Willful Action shall be defined as action taken or not taken by a Party at the direction of its directors or other governing body, officers or employees having management or administrative responsibility affecting its performance under this Agreement, as follows:

10.3.1 Action which is knowingly or intentionally taken or failed to be taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

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10.3.2 Action which has been determined by final arbitration award or final judgment or judicial decree to be a material default under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

10.3.3 Action which is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under this Agreement.

10.4 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

10.5 The phrase "employees having management or administrative responsibility", as used in Section 10.3, means the employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party's performance under this Agreement with responsibility for results.

11. AUDITING:

11.1 IID shall make its books, records, and other supporting information, as requested, available to Edison or to Edison's designated contracted representative(s) with a CPA firm, for the purpose of auditing any charges or accounts to be kept by IID

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hereunder. All such audits shall be undertaken at reasonable times and in conformance with generally-accepted auditing standards.

11.2 If as a result of such audits Edison believes its charges or accounts should be adjusted, the findings shall be presented to the Authorized Representatives. If the Authorized Representatives agree that any audit finding should result in a revision of charges or accounts, such revisions shall be retroactive to the first billing for such charges and accounts and shall be made as soon as practical after determination.

11.3 The amount of any unresolved dispute shall accrue interest at the

rate of one and one-half percent (1 1/2%) per month, or the maximum legal rate, whichever is less, compounded monthly for any amount of money ultimately refunded to Edison.

12. AUTHORIZED REPRESENTATIVES: Within thirty (30) calendar days after the date of execution of this Agreement, each Party shall designate by written notice to the other Party a representative who is authorized to act on its behalf in the implementation of' this Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Party.

13. NO DEDICATION OF FACILITIES: Any undertaking by one Party to the other Party under any provision of this Agreement shall not constitute the dedication of the system or any portion thereof of the Party to the public or to the other Party, and it is

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understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of its obligations hereunder.

14. NON-WAIVER: None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of arty of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

15. NO THIRD PARTY RIGHTS: The Parties do not intend to create rights in or to grant remedies to any hird Party or others as a beneficiary of this Agreement or of any duty, covenant, obligation or undertaking established hereunder.

16. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement where a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected including, but not restricted to, failure of or threat of failure of facilities which have been maintained in accordance with generally-accepted engineering and operating practices in the electrical utility industry, flood, drought, earthquake, tornado, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor

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dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority (whether valid or invalid) and action or nonaction by or inability to obtain or keep the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence such Party' could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Nothing contained herein shall be construed as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

17. ASSIGNMENTS:

17.1 Any assignment by Edison of its interest in this Agreement which

is made without the written consent of IID shall not relieve Edison from its primary liability for any of its duties and obligations hereunder, and in the event of any such assignment Edison shall continue to remain primarily liable for payment of any and all money due IID hereunder and for the performance and observance of all other covenants, duties and obligations to be performed and observed hereunder by it to the same extent as though no assignment has been made.

17.2 Whenever an assignment of Edison's interest in this Agreement is made with the written consent of' IID, Edison's assignee shall expressly assume in writing the duties

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and obligations hereunder of Edison and, within thirty (30) days after any such assignment and assumption of duties and obligations, Edison shall furnish or cause to be furnished to IID a true and correct copy of such assignment and assumption of duties and obligations.

18. GOVERNING LAW: This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States, as applicable.

19. NOTICES: Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made or delivered in person or sent by United States mail, postage prepaid, to the persons specified below unless otherwise provided for in this Agreement:

Imperial Irrigation District
c/a General Manager
P. O. Box 937
Imperial, California 92551

Southern California Edison Company
c/o Secretary
P.O. Box 800
Rosemead, California 91770

Either Party may at any time, by notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

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20. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter into this IID-Edison Transmission Service Agreement for Alternative Resources on behalf of the Party for whom they sign. This Agreement is hereby executed as of the 26 day of September, 1985.

IMPERIAL IRRIGATION DISTRICT

By: /s/ Lloyd W. Allen

Name: Lloyd W. Allen
President, Pro Tem Board of Directors

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Edward A. Myers, Jr.

Name: Edward A. Myers, Jr.
Vice President

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Exhibit 10.3.35

PLANT AMENDMENT NO. 1
TO
IID - EDISON
TRANSMISSION SERVICE AGREEMENT
FOR ALTERNATIVE RESOURCES

BETWEEN

IMPERIAL IRRIGATION DISTRICT

AND

SOUTHERN CALIFORNIA EDISON COMPANY

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PLANT AMENDMENT NO. 1 TO
IID-EDISON
TRANSMISSION SERVICE AGREEMENT
FOR ALTERNATIVE RESOURCES

1. PARTIES: The Parties to this Plant Amendment No. 1, and to the IID-Edison transmission Service Agreement for Alternative Resources ("Agreement"), executed by the Parties as of September 26, 1985, are the Imperial Irrigation District, organized under the Water Code of the State of California ("IID") and Southern California Edison Company, a California corporation ("Edison"), hereinafter sometimes referred to individually as "Party," and collectively as "Parties."

2. RECITALS: This Plant Amendment No. 1 is made with reference to the following facts, among others:

2.1 The Agreement provides for, among other things, Edison to purchase transmission service from IID to deliver the electrical output from alternative resource facilities located in IID's service area either directly to Edison's electrical system or to a utility interconnected with IID's electrical system for ultimate delivery to Edison.

2.2 The Agreement also provides for transmission service for the output of additional alternative resource facilities added subsequent to the execution of the Agreement. The transmission service for the subsequent facilities is to be provided for by amending the Agreement.

2.3 On June 13, 1984, Edison and Ormat Systems, Inc. entered into an agreement providing for the purchase by Edison of capacity and associated energy from Ormat's Ormesa Geothermal Power Plant Unit No. 2.

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2.4 The Parties, therefore, desire to amend the Agreement to enable Edison to purchase transmission service from IID for the electrical output from the Ormesa Geothermal Power Plant Unit No. 2. IID is willing to sell said service to Edison.

3. AGREEMENT: The Parties agree as follows:

4. EFFECTIVE DATE: This Plant Amendment No. 1 shall become effective upon the date executed by the Parties.

5. AMENDMENTS TO SECTION 4:

5.1 Section 4.14 is hereby deleted and replaced with the following:

"4.14 Point(s) of Delivery: The Points of Interconnection, Knob Substation, Blythe Substation, or any other points as agreed to by the Authorized Representatives as delivery points."

5.2 Section 4.20 is hereby added as follows:

"4.20 Knob Substation: The 161 kV electrical substation located approximately ten (10) miles northwest of Yuma, Arizona which is owned and operated by Western and where an electrical interconnection exists between Western's and IID's electrical systems."

6. AMENDMENT TO SECTION 6: That the portion of Section 6.7 listing the Points of Delivery and the maximum Transmission Service Entitlement assigned thereto, shall be deleted and replaced with the following:

"Blythe Substation 161 kVs:	110 MW
Mirage Substation 115/92 kVs:	35 MW
Mirage Substation 230 kV:	150 MW
Knob Substation 161 kVs:	20 MW"

7. ADDITION OF EXHIBIT A: Exhibit A as attached hereto shall be added to the Agreement as Exhibit IX.

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8. EFFECT OF THIS PLANT AMENDMENT NO. 1: Except as amended herein, all terms, covenants and conditions contained in the IID-Edison Transmission Service Agreement for Alternative Resources shall remain in full force and effect.

9. SIGNATURE CLAUSE: The signatories hereto represent that they have been appropriately authorized to enter into this Plant Amendment No. 1 on behalf of the Party for whom they sign. This Plant Amendment No. 1 to the IID-Edison Transmission Service Agreement for Alternative Resources is hereby executed as of the 25th day of August, 1987.

IMPERIAL IRRIGATION DISTRICT

By /s/ Indecipherable

President, Board of Directors

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Glenn J. Bjorklund

Glenn J. Bjorklund
Vice President

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Exhibit 10.3.36

LEYTE OPTIMIZATION PROJECT

BOT AGREEMENT

between

PNOC-ENERGY DEVELOPMENT CORPORATION

and

ORMAT

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LEYTE OPTIMIZATION PROJECT

BOT AGREEMENT

This Agreement made and executed on this 4th day of August, 1995 by and between:

1. PNOC-ENERGY DEVELOPMENT CORPORATION, hereinafter referred to as PNOC-EDC, a wholly-owned subsidiary of the Philippine National Oil Company, a corporation created and organized under Presidential Decree No. 334, as amended, with principal office address at PNOC Complex, Merritt Road, Fort Bonifacio, Makati, Metro Manila, Philippines, herein represented by its President Mr. NAZARIO C. VASQUEZ, who is duly authorized to represent it in this Agreement.

2. ORMAT INC., hereinafter referred to as the Operator, a private corporation duly organized and existing under the laws of the State of Delaware, U. S. A. licensed to do business in the Republic of the Philippines through its branch office at 8th Fl., Solid Bank Bldg., 777 Paseo de Roxas, Makati, Metro Manila, Philippines, represented herein by its Vice President, Mr. Jacob Menahem, who is duly authorized to represent it in this Agreement.

WITNESSETH THAT

WHEREAS, Republic Act 6957 dated July 9, 1990 as amended by RA 7718 (BOT Law) authorized government infrastructure agencies, including PNOC-EDC, to enter into contracts with private contractors for the financing, construction, operation and maintenance of infrastructure projects;

WHEREAS, NAPOCOR and PNOC-EDC have previously executed a Memorandum of Understanding for the Development of Geothermal Power Plants in PNOC-EDC Projects, including the geothermal resources of the Leyte Power Optimization Project Areas, where PNOC-EDC holds an existing Geothermal Service Contract.

WHEREAS, PNOC-EDC has invited several contractors to submit proposals for the design, construction, operation and maintenance of geothermal power plants on a build-operate-transfer (BOT) basis for the Leyte Geothermal Power Optimization Project Geothermal Service Contract Area, and these power plants will convert PNOC-EDC's geothermal energy into electricity for sale to NAPOCOR; and

WHEREAS, the Operator wishes to design, construct, own and operate geothermal electricity generating plants, utilizing the geothermal resources of the Leyte Geothermal Power Optimization Project Area and with a Contracted Capacity of 49.00 MW net and wishes to deliver electricity exclusively on behalf of PNOC-EDC on such terms and conditions as are set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing presents and the mutual covenants hereinafter set forth, the Operator and PNOC-EDC have agreed as follows:

ARTICLE 1 DEFINITION OF TERMS

1.1 DEFINITIONS

When used in this Agreement, the terms below shall have the following meanings:

ACCESSION UNDERTAKING: The accession undertaking to be executed in accordance with Subsection 19(c) and in the form of Annex E.

AGREEMENT: This Agreement including attachments, as may be amended from time to time.

ATMOSPHERIC CONDITIONS: The atmospheric conditions specified in the Interface Data attached hereto as Annex C.

BILLING PERIOD: The time interval from 10:00 AM on the twenty-fifth (25th) day of the current month to 10:00 AM on the twenty fifth (25th) day of the following month where the Operator shall read meters and accumulate data needed for the purpose of billing capacity and energy delivered to NAPOCOR on behalf of PNOC-EDC.

BOI: The Board of Investments of the Republic of the Philippines.

BUYOUT DATE: The meaning specified in Section 9.3.

CAPACITY PAYMENT: The total capacity payments made pursuant to Section 8.3.1.

COMMERCIAL OPERATION DATE: The first day of the Billing Period following the Completion Date of each Plant as defined in Section 4.1(a).

COMMISSIONING PERIOD: The period of three months prior to the scheduled Completion Date of Plant 4. The period of four months prior to the scheduled Completion Date of Plants 1, 2 and 3.

COMPLETION DATE: With respect to each Plant, the day upon which the Operator certifies to PNOC-EDC that such Plant is capable of operating in accordance with the Operating Parameters

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and has successfully completed testing in accordance with Article 5 or the date that such Plant is deemed completed in accordance with Section 5.4.

CONSTRUCTION PERFORMANCE SECURITY: The Performance Security described in Section 3.1(a).

CONTRACTED CAPACITY: Thirty-five and sixty-five hundredths (35.65) MW (net) for the period after the Completion Date for Plants 1, 2 and 3 and before the Completion Date of Plant 4 and forty-nine (49.00) MW (net) for the period after the Completion Date of Plant 4 and thereafter for any year during the Cooperation Period. Contracted Capacity contemplates availability for the duration of the Cooperation Period and assumes the continuous delivery and acceptance of Geothermal Fluid by PNOC-EDC as specified in the Geothermal Fluid Specifications. Said power shall be the aggregate power of all Plants measured per Plant at (a) the Interconnection Point MP1 for NAPOCOR Power and (b) the Interconnection Point MP2 for Steamfield Power, each as indicated in Figures C.1 - C.4 in Annex C and Annex C.

CONTRACT CAPACITY PRICE: The basic capacity purchase price per kilowatt (kW) per month for electric capacity nominated by the Operator consisting of the Contract Capacity Rate for Capital Costs (CCR), the Contract Capacity Rate for Fixed Operating Costs (OCR), and the Service Fee Rate to reflect Return on Investments (SFR).

CONTROL: To establish the electrical output of the Plants through dispatching procedures including shut-down and start-up.

COOPERATION PERIOD: The period of ten (10) years of commercial operation starting from the last Commercial Operation Date of Plants 1, 2 and 3 and continuing until the 10th anniversary of that Commercial Operation Date.

CORRECTION CURVES: The curves, set forth in Annex B, used to adjust the Power Plant performance for variation in the Geothermal Fluids and Atmospheric Conditions from those specified in the Geothermal Fluid Specifications and the Interface Data.

EFFECTIVITY DATE: The date upon which PNOC-EDC and the Operator agree that all conditions precedent set forth in Article 26 have been either duly fulfilled or waived to the satisfaction of the relevant Party.

ELECTIVE MODIFICATIONS: Modifications to the Operator's design of the Power Plant requested by PNOC-EDC that are not solely for the purpose of correcting design errors made by the Operator in its design of the Power Plant.

EMERGENCY: A condition or situation which in NAPOCOR's sole judgment affects NAPOCOR's ability to maintain safe, adequate, and continuous electrical service.

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ENERGY DELIVERED: An amount of energy expressed in kilowatt hours (kWh) generated by the Power Plant which are delivered to NAPOCOR on behalf of PNOC-EDC at the Point of Interconnection plus those delivered to PNOC-EDC for its own use (points MP1 and MP2 as indicated in Figures C.1 - C.4 in Annex C).

ENERGY FEE: The fees payable pursuant to Subsection 8.3.2.

FORCE MAJEURE: An event specified in Section 14.1.

GENERATING UNIT: A single turbine generator unit, together with its associated auxiliaries and ancillary plant required to enable it to generate electricity and to be connected to and operate in parallel with NAPOCOR's electricity transmission system.

GEOTHERMAL FLUID: The geothermal steam to be supplied to the Operator by PNOC-EDC and the condensed steam and low pressure steam to be received from the Operator by PNOC-EDC.

GEOTHERMAL FLUID SPECIFICATIONS: The design point and other Interface Data specifications for and quantities of Geothermal Fluid set forth in Annex C including, without limitation, PNOC-EDC's undertakings to accept low pressure steam and to accept condensed steam from the Plants for reinjection and/or other proper disposal.

GOVERNMENT: The government of the Republic of the Philippines including all of its political subdivisions and the agencies and instrumentalities of the foregoing.

GUARANTEED COMMERCIAL OPERATION DATE: The dates set forth in Section 4.1 for each Plant opposite the terms "Guaranteed Commercial Operation Date", as such dates may be extended pursuant to this Agreement.

GUARANTEED NET PLANT STEAM RATE: With respect to each Plant, the Net Plant Steam Rate guaranteed by the Operator, which, for any year during the Cooperation Period, is the amount set forth in Annex I corresponding to such year, as corrected for variations in Atmospheric Conditions and in the Geothermal Fluid provided by PNOC-EDC using the Correction Curves.

INTERCONNECTION FAILURE: Any event, circumstance or state of facts located beyond the Power Plant side of the Points of Interconnection which curtails or eliminates the ability of NAPOCOR or PNOC-EDC to request and utilize power from the Power Plant including, without limitation, problems in interconnection or

transmission equipment located beyond the Points of Interconnection described in Annex C.

NAPOCOR: The National Power Corporation.

NAPOCOR ELECTRIC SYSTEM INTEGRITY: Operation of NAPOCOR's electric system in a manner which minimizes risks of injury to persons and/or property and enables NAPOCOR to provide

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adequate and reliable electric service to its customers, all in accordance with generally and internationally-accepted utility practice.

NAPOCOR POWER: An amount of energy (in kWh) delivered to NAPOCOR on behalf of PNOC-EDC measured in each one of the Plants at the high voltage side of the transformer (MP1) at the relevant Point of Interconnection as indicated in Figures C.1.-C.4 in Annex C.

NET PLANT STEAM RATE: For each Plant, it is the total Geothermal Fluid flow into the that Plant over a given period of time, expressed in kilograms, divided by the Energy Delivered over the same period expressed in kWh. Any measurement of Net Plant Steam Rate shall be corrected for variations in the Atmospheric Conditions and in the Geothermal Fluid provided by PNOC-EDC during such period of time from the Geothermal Fluid Specifications using the Correction Curves.

NEWCO: The company organized under the laws of the Republic of the Philippines which will be a party to this Agreement by and under the terms of the Accession Undertaking.

NOMINATED CAPACITY: The capacity or amount of power that the Operator guarantees in accordance with Section 6.13 to deliver to NAPOCOR on behalf of PNOC-EDC for a period of one year, including the Steamfield Power.

OPERATING PARAMETERS: The operating parameters set forth in Annex B4 attached hereto.

OPERATING REPRESENTATIVE: Individual(s) appointed by each Party and by NAPOCOR for the purpose of securing effective cooperation and interchange of information between the Parties and NAPOCOR in connection with administration and technical matters related to this Agreement and the Power Purchase Agreement.

OPERATION PERFORMANCE SECURITY: The Performance Security described in Section 3.1(d).

OUTAGE: The inability of the Operator to meet a capacity up to the Nominated Capacity when requested by NAPOCOR, provided, that no Outage shall occur if:

- (a) the capacity adjusted per the Correction Curves which the Operator makes available to NAPOCOR is at least equal to current Nominated Capacity less Steamfield Power; or
- (b) PNOC-EDC fails to deliver or to accept Geothermal Fluid from any Plant or the Geothermal Fluid delivered to or accepted from any Plant varies from the Geothermal Fluid Specifications and such variation is outside the range of the Correction Curves, except that in as far as acceptance of Geothermal Fluid from the Operator is concerned, PNOC-EDC's obligation under the Geothermal Fluid Specifications is limited to the steam exit pressure only; or

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- (c) an Interconnection Failure has occurred; or

- (d) the inability of the Operator is due to Force Majeure; or
- (e) the inability of the Operator is due to Scheduled Maintenance provided that the number of hours in any one year under this clause (e) shall not be considered an Outage, if it does not exceed the number of Scheduled Maintenance hours stated for that year; or
- (f) the failure by PNOC-EDC or NAPOCOR to request or utilize power from the Power Plant is due to any dispute between PNOC-EDC and NAPOCOR (under the Power Purchase Agreement or otherwise) which did not arise from any default of the Operator under this Agreement, including termination or expiration of the Power Purchase Agreement,

OUTAGE HOUR: Any hour in which, due to Outage, the Operator failed, for a continuous period of thirty (30) minutes, to deliver power adjusted per the Correction Curves at a level of at least ninety five percent (95%) of the Nominated Capacity. For the purpose of defining Outage Hour, if NAPOCOR requests dispatch of capacity in excess of the amount defined in Subsection (a) of the definition of Outage, failure to deliver such excess amount shall not constitute an Outage Hour. For purpose of calculating the Total Outage Hours (TOH) for any given period (including Billing Period), the following formula shall be used:

$$n \ 0.95 \times NC - (AC_i + NRC_i)$$

$$TOH = (\text{Sigma}) \text{ ----- } \times W_i$$

$$i=1 \text{ to } 0.95 \times NC$$

where:

TOH = Total outage hours in any Billing Period.

NC = Nominated Capacity for that Billing Period expressed in kW.

n = The number of hours in that Billing Period.

AC_i = The total power delivered during hour i expressed in kW adjusted per the Correction Curves.

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NRC_i = NC less power requested by NAPOCOR in hour i, expressed in kW.

w_i = Variable for hour i defined as follows:

if,

1) (AC_i + NRC_i) (greater than or equal to) 0.95 x NC; or

2) (AC_i + NRC_i) (less than) 0.95 x NC for a period shorter than 30 continues minutes in hour i;

or

3) Any of the events defined in Subsections (a), (b), (c), (d), (e) and (f) of

the definition of Outage occurs during hour i ,

then $w_i = 0$

otherwise $w_i = 1$

PARTIES: The contracting parties in this Agreement, referring to the Operator and PNOC-EDC.

PERFORMANCE SECURITY: The Construction Performance Security required to be posted by the Operator to guarantee its performance during the construction of the Power Plant and to be converted into the Operation Performance Security to guarantee Operator's performance during the Cooperation Period in accordance with Section 3.1 hereof.

PLANT: Each of the power plants as described in Annex B and Annex C and identified as follows: Plant 1 is the power plant in Mahanagdong "A" Area; Plant 2 is the power plant in Mahanagdong "B" Area; Plant 3 is the power plant in Tongonan 1 Area; and Plant 4 is the power plant in Malitbog Area.

POINT OF INTERCONNECTION: The point at the interconnection facilities where the transfer and metering of electrical energy among PNOC-EDC, NAPOCOR and the Operator takes place, which point shall be the transformer high side terminals at each Plant.

POLITICAL FM: An event specified in Section 14.1(b).

POWER PLANT: The Operator's generating equipment consisting of four (4) Plants including all of the step-up transformers and switching facilities, together with all protective and other associated

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equipment and improvements, necessary to produce electrical energy at the Point of Interconnection of each Plant excluding associated land, land rights and interests in land, which equipment shall include the proposed Generating Units with a total gross capacity of 49.59 MW, conforming to the technical specifications set forth in Annex B and Annex C.

POWER PURCHASE AGREEMENT: The contractual agreement dated March 04, 1994 and addendum agreement dated May 06, 1994 between NAPOCOR and PNOC-EDC for the sale by PNOC-EDC of electric capacity and energy from the Leyte project including this Power Plant to NAPOCOR.

PROTECTIVE APPARATUS: The equipment and apparatus installed by the Operator and/or NAPOCOR pursuant to Sections 6.8 hereof.

SCHEDULED MAINTENANCE: The maintenance referred to in Section 6.14 and approved in accordance with section 6.15 and 6.16.

SCHEDULED OUTAGE: A planned interruption of the Power Plant's generating capability that has been scheduled with PNOC-EDC in accordance with Sections 6.14 and 6.15 and is for maintenance, testing, inspection, repair, overhauls, replacement, improvement or similar activity.

SITE: The land located at the Leyte Power Project Expansion Geothermal Reservation to be provided by PNOC-EDC for the construction and operation (and purposes incidental thereto including all other areas reasonably required to perform the construction and operation) of the Power Plant as more particularly described in Annex A.

STEAMFIELD POWER: An amount of energy (in kWh) delivered to PNOC-EDC and measured in each one of the Plants at the relevant Points of Interconnection as indicated in Figures C.1 - C.4 of Annex C.

T-BILL RATE: The rate per annum, on any day, at which Philippine Treasury Bills (with terms of thirty (30) days or if no such bill with a term of thirty (30) days is issued such bill which is issued having the term nearest to thirty (30) days) were issued by the Government on the Friday immediately preceding such day, or, if no such bills were issued on such Friday then the day immediately preceding such Friday on which such bills were issued.

TERMINATION DATE: The date upon which this Agreement is terminated pursuant to Article 9 or 15.

TRANSFER DATE: The day following the last day of the Cooperation Period; provided, however, that in case of termination of this Agreement pursuant to Article 9, the Transfer Date shall be the date following full payment of the Buyout Price as defined in Section 9.2.

TRANSMISSION LINE: Has the meaning specified in Section 4.2.

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1.2 INTERPRETATION

In this Agreement:

- (a) any reference to an "Article", "Section", or "Clause" is a reference to an article or section hereof or an annex hereto or a clause or section in an annex hereto;
- (b) the headings and sub-headings appear as a matter of convenience and shall not affect the construction of this Agreement;
- (c) the singular includes the plural and vice versa, and words importing any gender include the other genders;
- (d) a reference to a person includes a reference to a body corporate and to an unincorporated body of persons; and
- (e) references to any Party include the successors and any permitted assigns of that Party.

1.3 ABBREVIATIONS

In this Agreement:

- (a) "\$" and "dollar(s)" and "cents" denote lawful currency of the United States of America;
- (b) "Ps" and "peso(s)" denote lawful currency of the Republic of the Philippines;
- (c) "MW" denotes a megawatt;
- (d) "MWh" denotes a megawatt hour;
- (e) "kW" denotes a kilowatt;
- (f) "kwh" denotes a kilowatt hour;
- (g) "kV" denotes kilovolt;
- (h) "DC" denotes direct current; and
- (i) "AC" denotes alternating current.

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ARTICLE 2 PROJECT

2.1 POWER FACILITY

The Operator shall be responsible for the finance, design, supply, construction, testing operation and maintenance of four (4) Plants with an aggregate gross capacity of approximately 51.00 MW to be installed on the Site, whose net generation (exclusive of the Steamfield Power) shall be delivered to NAPOCOR on behalf of PNOC-EDC during the Cooperation Period. The Power Plant shall be located on the Site which shall be made available by PNOC-EDC at no cost to the Operator and subject to the provisions of Subsection 4.3.

2.2 ENERGY CONVERSION

PNOC-EDC, at no cost to the Operator, shall supply and deliver all Geothermal Fluid and receive all Geothermal Fluid in conformity to the Geothermal Fluid Specifications needed by the Operator for each Plant to generate the electric capacity and energy required by NAPOCOR and PNOC-EDC for Steamfield Power up to the Nominated Capacity. The Operator shall convert such Geothermal Fluid and, on behalf of PNOC-EDC, deliver all electrical capacity and energy generated by the Power Plant to NAPOCOR less (i) energy required by the Operator for auxiliary purposes; and (ii) the Steamfield Power. PNOC-EDC shall pay the Operator conversion fees as provided in Section 5.4 or Article 8, as the case may be. It is the intention of the Parties, without creating a contractual obligation under this Agreement, that PNOC-EDC shall exercise its best effort to increase the Geothermal Fluid inlet pressure to Plants 1,2 and 3 as per Geothermal Fluid Specifications to allow, to the extent possible, an increase in the Contracted Capacity of the Power Plant.

2.3 OWNERSHIP

- (a) From the Effectivity Date until the Transfer Date, the Operator shall own the Power Plant and all the fixtures, fittings, machinery and equipment on the Site and used in connection with the Power Plant which have been supplied by it or at its cost, and the Operator shall operate and manage the Power Plant for the purpose of converting the Geothermal Fluid delivered by PNOC-EDC in accordance with this Agreement into electric capacity and energy.
- (b) On the Transfer Date, ownership, management and operation of the Power Plant shall be transferred by the Operator to PNOC-EDC in accordance with Article 9 or 13 or 15, as applicable.

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- (c) Ownership of the Site shall remain with PNOC-EDC at all times during the term of this Agreement.

2.4 COMMENCEMENT AND PROSECUTION OF THE PROJECT

The Operator shall develop and construct the Power Plant, with such resources, construction equipment and temporary facilities as, in the judgment of the Operator, are sufficient to complete the Power Plant on or before the corresponding Guaranteed Commercial Operation Date. The capacity of the construction equipment and temporary facilities, sequence of operations, method of operations, and resources employed shall be such, in the judgment of the Operator, as to insure that the Commercial Operation Date of each Plant occurs on or before the relevant Guaranteed Commercial Operation Date.

ARTICLE 3 GENERAL RESPONSIBILITIES OF THE OPERATOR

3.1 CONSTRUCTION PERFORMANCE SECURITY

- (a) To guarantee the faithful performance by the Operator of its obligation to completely construct the Power Plant in accordance with the terms and conditions of this Agreement, within ten (10) days of the Effectivity Date the Operator shall post and deliver the Construction Performance Security in a form acceptable to PNOC-EDC in a sum equivalent to One Hundred Dollars (US\$100) per kilowatt (kW) of total Contracted Capacity for all the Plants or its equivalent in Philippine Pesos or other currencies. Prior to such delivery, the Operator shall ensure that the Bid Security required under the bid documents shall be extended until such time the Construction Performance Security shall have been posted and delivered; provided that, in the event that the Effectivity Date does not occur on or before March 01, 1996, the Parties shall discuss and agree on any further extension of the Bid Security. PNOC-EDC shall have recourse to the Construction Performance Security to satisfy the final judgment in an arbitral proceeding in accordance with Article 21.
- (b) The Construction Performance Security shall be in any of the following forms: (i) cash; (ii) irrevocable letter of credit issued in a form and by a bank acceptable to PNOC-EDC, provided that if the letter of credit is issued by a foreign bank it must be confirmed by an acceptable local bank or offshore banking unit; (iii) a bank draft guarantee issued by an accredited local bank, or if the issuing bank is a foreign bank, such guarantee shall be confirmed by a local bank acceptable to PNOC-EDC; or, (iv) surety bond, callable on demand, from the Government Service Insurance System (GSIS). All foreign banks issuing a letter of credit or bank guarantee shall be required to submit itself to the jurisdiction of Philippine courts.

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- (c) This Construction Performance Security shall be valid and in effect from ten (10) days after the Effectivity Date until the earlier of (i) the Guaranteed Commercial Operation Date plus six (6) months thereafter or (ii) such time it is converted into the Operation Performance Security..
- (d) Effective on the Completion Date, the Operator shall either convert the Construction Performance Security into or post and deliver an Operation Performance Security which shall be in any of the forms provided above for the Construction Performance Security in an amount equivalent to Sixty-Six Dollars (\$66) per kilowatt (kW) of Contracted Capacity, or its equivalent in Philippine pesos or other currencies. The Operation Performance Security shall guarantee the faithful performance by the Operator of its obligations during the Cooperation Period and, in case of abandonment, shall be forfeited in full in favor of PNOC-EDC.
- (e) If any security furnished in connection with this Agreement subsequently becomes unacceptable to PNOC-EDC in its reasonable discretion, or if the issuing company fails to furnish reports as to its financial condition from time to time as requested by PNOC-EDC, the Operator shall promptly furnish an additional security or a replacement security as may be required to protect the interests of PNOC-EDC in the Project.

3.2 RESPONSIBILITY FOR DAMAGE AND LOSSES

- (a) The Operator shall be responsible for and shall promptly repair all damage to property belonging to PNOC-EDC, NAPOCOR, private parties or the Government caused by the negligent acts or omissions of Operator, its employees, agents, representatives, contractors and

subcontractors.

- (b) Except as set forth herein, any and all losses and damages to the Power Plant, due to any cause or causes, whatsoever, that are the responsibility of the Operator, its employees, agents, representatives, contractors and subcontractors during the prosecution of the Agreement shall not relieve the Operator from any of its obligations under this Agreement.
- (c) Except as otherwise provided for in this Agreement and except for causes attributable to PNOC-EDC, PNOC-EDC shall not be responsible for any damage due to any increased difficulty in the performance of the obligations under this Agreement on account of any hindrance or delay due to any cause whatsoever in the progress of the development, construction, operation or maintenance of the Power Plant. Except as otherwise set forth herein or to the extent arising from causes attributable to PNOC-EDC, no adjustment in the prices as set forth in

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Article 8 shall be made on account of any such damage, increased difficulty, hindrance or delay, but said hindrance or delay may entitle the Operator to an extension of time for completing the construction of the Power Plant as herein provided.

3.3 ENVIRONMENT AND CHANGE OF LAWS

- (a) Prior to the Effectivity Date, the Operator and PNOC-EDC shall mutually agree upon which requirements of the Environmental Compliance Certificate issued in respect of the Power Plant are to be performed by the Operator, and which requirements are to be performed by PNOC-EDC. The Operator shall keep the Site in a sanitary condition and in compliance with the environmental requirements and mitigation measures to be performed by the Operator pursuant to such Environmental Compliance Certificate, Authority to Construct, Permit to Operate, and in accordance with the laws of the Republic of the Philippines in effect as of the date hereof.

The costs for compliance with the environmental requirements shall be charged to the account of the Operator except that (i) with respect to H₂S emissions, if any control of such emissions will be required from Operator, then Operator will charge all costs related to the installation of necessary equipment and facilities for such control as well as all additional costs of operation and maintenance, to PNOC-EDC who agrees to pay Operator all such additional costs and PNOC-EDC shall have the right to approve the manner, method and associated proposed costs of compliance with such requirements and (ii) the Operator will comply with any environmental or non-environmental laws, rules and regulations (and official interpretations thereof) affecting the construction, operation or maintenance of the Power Plant or the Operator's costs that are adopted or changed after the date of this Agreement; provided that if such compliance would:

- (i) result in the Plants being unable to operate at the Guaranteed Net Plant Steam Rate in accordance with the Operating Parameters, or otherwise in accordance with the specifications set forth in this Agreement; or
- (ii) result in the interest of the Operator in the Power Plant and/or the Operator's expectation of its economic return (net of tax or other imposition) on its investment being reduced or otherwise adversely affected; or

(iii) result in the scheduled Completion Date being delayed;

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PNOC-EDC shall pay to the Operator the additional capital costs and expenses necessary to comply with such new requirements and PNOC-EDC shall have the right to approve the manner, method and associated proposed costs of compliance with such requirements. With respect to any disagreement or to other impacts resulting therefrom the Parties shall meet and endeavor to agree on amendments to this Agreement and if after sixty (60) days no such approval or agreement has been reached, then the provisions of Article 9 shall apply.

- (b) If it is necessary, in the development, construction, operation or maintenance of the Power Plant, to interrupt or obstruct the natural flow of rivers or streams, the drainage of the surface, or the flow of artificial drains, the Operator shall provide adequate measures to prevent damage to either public or private properties. The Operator shall be liable for all damages caused by its negligence or willful misconduct with respect to such interruption or obstruction.
- (c) Subject to Section 3.3 (a) and except for any liability which may arise from emissions of H₂S prior to the installation of any H₂S abatement system, the Operator shall assume responsibility for any costs and liabilities arising from any adverse environmental damage or health impacts that are caused by the Operator's negligence or willful misconduct in the construction, operation, and maintenance of the Plants and their related facilities.

3.4 ORGANIZATION

- (a) The Operator shall maintain at the Site an efficient and capable organization with an adequate capacity and amount of construction, operating and maintenance equipment and facilities to satisfactorily develop, construct, operate or maintain the Power Plant in a safe, efficient, environmentally sound and professional manner.
- (b) The Operator shall assign to the Site English-speaking foreign personnel. Any interpreters required shall be provided by the Operator at its expense.
- (c) The Operator shall employ an engineer(s) appropriately licensed to practice in the Philippines who shall participate in the supervision of the development, construction, operation or maintenance of the Power Plant.

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ARTICLE 4 CONSTRUCTION OF THE POWER PLANT

4.1 MILESTONE DATES

- (a) The Operator shall in good faith use all reasonable efforts to construct the Power Plant in accordance with the following schedule:

Activity	Date
Target Effectivity Date	March 1, 1996
Ordering of long lead items (turbogenerators)	the later of (i) July 1, 1996 or (ii) 120 days after the Effectivity Date

Start of Commissioning Period of Plants 1, 2, and 3.	May 1, 1997
Start of Commissioning Period of Plant 4	October 1, 1997
Scheduled Completion Date for Plants 1, 2, and 3	September 1, 1997
Scheduled Completion Date for Plant 4	January 1, 1998
Guaranteed Commercial Operation Date for Plants 1, 2 and 3	September 25, 1997
Guaranteed Commercial Operation Date for Plant 4	January 25, 1998

If the Commercial Operation Date of any Power Plant does not occur on or before the relevant Guaranteed Commercial Operation Date, the Operator shall be subject to the penalty provisions set forth in Section 4.11.

- (b) Each of the dates set forth in Section 4.1(a) shall be extended by the duration of any event of Force Majeure or any breach by PNOC-EDC of any of its obligations under this Agreement or any delays as a result of requirements upon the Operator by PNOC-EDC or by any relevant Government authority to install an H2S abatement system. In addition, if the date for ordering the long-lead items is after July 1, 1996 as provided in clause (a) above, each of the dates set

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forth in Section 4.1(a) shall be extended day for day for the period between July 1, 1996 and such date.

4.2 TRANSMISSION LINE, INTERCONNECTION AND GEOTHERMAL FLUID

- (a) PNOC-EDC shall ensure that on or before each of the dates specified in Section 4.1(a), for the Start of Commissioning of each Plant as such dates may be extended pursuant to Section 4.1(b) for reason of Force Majeure, a 230 kV transmission line, including all interconnection facilities up to and including the Point of Interconnection for such Plant on the side of the transmission line (collectively, the "Transmission Line"), is installed and is capable of being connected to the Plants and receiving all power generated by those Plants which are about to be commissioned, plus any Plants already in operation.
- (b) PNOC-EDC shall likewise ensure that on each of the dates specified in Subsection 4.1(a) for the Start of Commissioning Period for each Plant Geothermal Fluid and the acceptance of the down stream Geothermal Fluid from the Plants complying with the Geothermal Fluid Specifications are made available to the Operator.
- (c) The Operator shall construct and maintain all interconnection facilities on the Plants' side of the Point of Interconnection.

4.3 SITE PROVISION

- (a) PNOC-EDC shall make the Site available exclusively to the Operator for the purpose of building and operating the Power Plant, free and clear of liens and encumbrances that could interfere with the Operator's

construction or operation of the Plants and at no cost to the Operator, and the Operator shall have the right to possess, use and enjoy the Site for the period from the Effectivity Date until the Transfer Date. The inability of PNOC-EDC to comply with its obligations under this Section 4.3 shall constitute a Political Force Majeure. Ownership and administration of the Site shall remain with PNOC-EDC throughout the effectivity of this Agreement. PNOC-EDC shall be responsible for, and hold the Operator and its successors and assigns harmless from, all claims by third parties relating to the land provided for the Site, including, without limitation, claims under colour of ownership of any interest in such land, real estate and other taxes or other claims that might give rise to any lien on the land or any improvements to it (other than those claims arising out of the Operator's construction, operation or maintenance of the Power Plant). If PNOC-EDC fails to duly satisfy such claims on a timely basis, the Operator

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may do so (at his sole discretion and upon prior consultation with PNOC-EDC) and PNOC-EDC shall promptly reimburse such expenses.

- (b) The Operator shall not obstruct any existing road or drainage or disturb existing structures and facilities on the land so furnished for construction purposes unless and until given written permission by appropriate authorities. Unreasonable withholding or delay of such permission shall constitute Force Majeure.
- (c) PNOC-EDC shall make available to the Operator, free and clear of liens and encumbrances that could interfere with the Operator's construction or operation of the Plants and at no cost to the Operator, all other lands, easements, and rights-of-way for developing, constructing, operating, or maintaining the Plants (including areas and temporary access for the disposal of spoils) or such other purposes which the Parties agree are necessary in the implementation of this Agreement for the period from the Effectivity Date until the Transfer Date.

4.4 INGRESS AND EGRESS RIGHTS OF OPERATOR

PNOC-EDC shall ensure that all necessary access to and from the Site is made available to the Operator, its employees, contractors, subcontractors and advisers, at no cost to the Operator, for the period from the date of this Agreement until the Transfer Date.

4.5 EQUIPMENT IMPORTATION

- (a) The Operator shall be responsible for the importation and transportation to the Site of all equipment for development and operation of the Power Plant, and construction of the Power Plant. It is the responsibility of the Operator to secure from the Government, its agencies and instrumentalities, the necessary permits, licenses, and other documents for the importation of the Operator-owned construction or maintenance equipment that it may decide to bring into the country for use in connection with this Agreement. PNOC-EDC shall use its best efforts in assisting the Operator to obtain all such licenses and documents.
- (b) PNOC-EDC shall use its best efforts to cause the Government to grant the Operator exemptions from all custom duties or other importation or exportation tax in respect of all items of plant, machinery and ancillary items, including consumables and spare parts, required for the construction, operation, maintenance and repair of the Power Plant, provided however that if such exemptions are not obtained, the provisions of Section 8.6 shall apply.

- (c) Any delays caused by meeting customs procedures for material equipment and supplies or in obtaining necessary permits, licenses, and other documents caused by an event of Force Majeure and to the extent that they affect the Operator's ability to undertake its performance under this Agreement shall extend the project milestone dates set forth in Subsection 4.1(a) equivalent to the period of the delay in obtaining such permits, licenses and other documents. The Operator or PNOC-EDC shall promptly notify the other Party of each such delay, and the Parties shall cooperate to promptly satisfy the relevant authority and remove the cause of the delay. Any delay in excess of sixty (60) days after notification by the Operator to PNOC-EDC shall cause Article 9 to apply. The Operator shall not be subject to delay penalties as a result of such a delay.

4.6 PERMITS

Following the Effectivity Date, the Operator, at no cost to PNOC-EDC, shall be responsible for securing from the Government all requisite authorizations, licenses and permits not previously provided under the provisions of Article 26 for the construction and operation of the Plants, their associated facilities, and related waste management facilities, except the Environmental Compliance Certificate, which shall be obtained by PNOC-EDC. PNOC-EDC shall cooperate with and use its best efforts to assist the Operator in obtaining such authorization, licenses and permits.

Any delays, caused by an event of Force Majeure and to the extent that they materially affect the Operator's ability to undertake its performance under this Agreement, caused in obtaining requisite authorizations, licenses and permits shall extend the Completion Date and other benchmark dates day for day. The Operator or PNOC-EDC shall promptly notify the other Party of each such delay, and the Parties shall cooperate to promptly satisfy the relevant Authority and remove the cause of delay. Any delay in excess of sixty (60) days after notification shall cause Article 9 to apply. The Operator shall not be subject to delay penalties as a result of such a delay.

4.7 DRAWINGS, DOCUMENTS, DATA & INSTRUCTIONS

The Operator shall comply with the following on matters of drawings and other documentary information, and PNOC-EDC rights thereto:

4.7.1 SUBMISSION OF DRAWINGS AND DATA

The Operator shall submit to PNOC-EDC copies of all drawings, plans, calculations, operating and maintenance instructions and, in general, copies of all material documents related to the Power Plant reasonably requested for reference and information. Prior to the start of construction,

within thirty (30) working days following receipt thereof, PNOC-EDC shall describe to the Operator in writing any flaws perceived by PNOC-EDC in the designs. Failure by PNOC-EDC to describe any flaws in such designs within such thirty (30) day period shall be deemed PNOC-EDC's waiver of its right to describe such flaws.

The Operator shall also advise PNOC-EDC of the names of potential suppliers of material components or material services who have been shortlisted by the Operator. Within thirty (30) working days following

receipt of such advice, PNOC-EDC shall advise the Operator of any such potential suppliers to which PNOC-EDC objects, together with the reasons for objection and may request the Operator to exclude such suppliers from the shortlist. The Operator shall comply with such requests by PNOC-EDC as it shall deem reasonable.

Following the start of construction by the Operator on the Site, and in any case not earlier than 120 days after the Effectivity Date, the above-mentioned thirty (30) working days periods shall be reduced to fifteen (15) working days.

4.7.2 MODIFICATION RIGHTS

During the same thirty (30) or fifteen (15) working day period following the receipt of the documents or list of such suppliers under Section 4.7.1, PNOC-EDC shall have the right to require modifications to the design as it deems necessary within the scope of work set forth in Annex B and Annex C for proper and safe operation of the Power Plant as it affects the operation of the PNOC-EDC geothermal fluid collection and disposal system and the NAPOCOR power system. In the event PNOC-EDC requests any Elective Modifications, then the Parties shall negotiate in good faith (i) to adjust the Contract Capacity Price to maintain the Operator's economic return on its investment as if no such Elective Modifications were performed and (ii) adjust the dates set forth in Section 4.1 to reflect any delays in designing such Elective Modifications and any additional time required by the Operator to complete such Elective Modifications; provided that the Operator shall not be required to make such Elective Modifications if such Elective Modifications would likely impair the Operator's ability to perform its obligations hereunder. In the event the Parties are unable to reach agreement on such adjustments within sixty (60) days following PNOC-EDC's request, PNOC-EDC may withdraw such request. Thereafter, if such request is not withdrawn, the Operator shall either comply with such request or terminate this

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Agreement by giving written notice of termination to the PNOC-EDC; provided, however, that if the Operator gives such a written notice of termination to PNOC-EDC, PNOC-EDC shall have five (5) working days following delivery of such notice of termination to again withdraw its request. If such request is withdrawn by PNOC-EDC such written notice of termination will be of no effect. Upon such termination, the provisions of Article 9 shall apply. If, following the process as described in this Subsection 4.7.2, in the Operator's reasonable judgment a delay has been caused to its construction schedule, and such a delay is not due to a flaw in the Operator's drawings, the dates set forth in Subsection 4.1(a) shall be extended and adjusted proportionally to such a delay.

4.7.3 FUTURE MODIFICATION

All changes to the design of the Power Plant desired by the Operator shall be subject to the review and approval of PNOC-EDC and such approval shall not be unreasonably withheld. Except as set forth in Section 4.7.2 and this section, neither Party shall have the right to make or require any changes in the design of the Power Plant without the prior written consent of the other Party.

4.7.4 CONSTRUCTION SCHEDULE

The Operator shall submit to PNOC-EDC a detailed construction schedule of the Power Plant within three (3) months following the Effectivity Date. This schedule shall contain, in particular, dates for the

submission of all drawings, documents and data, acceptance thereof, witnessing of tests and the overall procurement schedule. PNOC-EDC shall have the right to review and approve, which approval shall not be unreasonably withheld, the construction schedule of the Power Plant. Failure to disapprove such schedule within thirty (30) days following receipt of the same shall be deemed PNOC-EDC's approval of the same.

4.7.5 MONITORING RIGHTS

PNOC-EDC shall be entitled at its own cost to monitor the progress and quality of the construction and installation work. For this purpose, the Operator shall:

- (a) submit to PNOC-EDC a monthly progress report in such detail and format as may be reasonably requested by PNOC-EDC;

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- (b) ensure that PNOC-EDC and any experts appointed by PNOC-EDC in connection with the Power Plant are afforded reasonable access to the Site at times to be agreed with PNOC-EDC provided that such access does not materially interfere with the development, construction, operation or maintenance of the Power Plant or expose any person on the Site to any danger; and
- (c) make available for inspection at the Site copies of all plans and designs.

4.7.6 DRAWINGS AND DOCUMENTS TO BE PROVIDED

The Operator shall furnish PNOC-EDC drawings and technical details that are prepared by or on behalf of the Operator such as, but not limited to, the following:

- (a) arrangement plans for the general layout of machinery and equipment;
- (b) general and detailed drawings and specifications for electromechanical works;
- (c) general and detailed drawings and specifications for civil and architectural works; and
- (d) operation and maintenance manuals

in accordance with the construction schedule as submitted and approved in accordance with Section 4.7.4.

Within six (6) months following the Commercial Operation Date of the last Plant, the Operator shall supply PNOC-EDC with three (3) copies of all "as built" plans, drawings, and design calculations related to construction and the performance of the Power Plant as well as quality assurance records, one of which copies shall be reproducible.

4.8 DISCLAIMER

The following disclaimer shall be recognized in this Agreement:

- (a) Any engineering review by PNOC-EDC of the Power Plant is solely for its information. By making such review PNOC-EDC makes no representation as to the engineering soundness of the Power Plant.
- (b) The Operator shall in no way represent to any third party the engineering soundness of the Power Plant as a result of the review made by PNOC-EDC.

- (c) Subject to the other provisions of this Agreement, the Operator is solely responsible for the economic and technical feasibility, operational capability and reliability of the Power Plant.
- (d) PNOC-EDC shall not be liable to the Operator for, and the Operator shall defend, hold harmless, and indemnify PNOC-EDC from, any claim, cost, loss, damage, or liability arising from any contrary representation made by the Operator concerning the effect of PNOC-EDC's engineering review of the Power Plant.

4.9 RESPONSIBILITY FOR UTILITIES

The Operator and PNOC-EDC shall be each responsible for the provision of needed utilities, such as electric service, water, communications and the like, necessary during the construction and operation of the Power Plant according to the requirements of Annex B2.3 and Annex B3 respectively.

4.10 DELAYS

Should the Operator be obstructed or delayed at any time in the progress of the construction work due to any of the following causes:

- (i) Failure of the Operator to obtain the necessary access to the Site, or failure of PNOC-EDC to deliver and accept geothermal fluid meeting the Geothermal Fluid Specifications; or the failure of PNOC-EDC to fulfill any of its other obligations that at Operator's reasonable judgment will cause a delay in the scheduled Completion Date; or the failure of the Operator, for reasons not attributable to the Operator, to obtain the Authorization to Construct and Permit to Operate; or
- (ii) Any delay described in Sections 4.5 and 4.6, or any delay caused by a PNOC-EDC directed modification in accordance with Subsection 4.7.2 other than a modification which is necessitated by a flaw in the Operator's drawings or any delays as a result of requirements upon the Operator by PNOC-EDC or by any relevant Government authority to install an H2S abatement system; or
- (iii) Delays due to Force Majeure conditions:

the Operator shall promptly notify PNOC-EDC of such delay, including details and supporting documents reasonably calculated to describe the problem, steps taken to resolve it and any proposed cooperative solution. Any delay under the terms of this

Section 4.10 shall extend day for day, unless otherwise agreed between the Parties, the Guaranteed Commercial Operation Date and all other related target dates directly related to the delay and within the responsibility of Operator.

4.11 PENALTY DUE TO DELAYS

- (a) In the event the Commercial Operation Date of any individual Plant does not occur on or before the relevant Guaranteed Commercial Operation Date (as the same may be extended pursuant to this Agreement or by mutual agreement), the Operator shall pay PNOC-EDC an amount as defined in Annex 13. If the Operator fails to pay such amount within

five (5) working days after due, PNOC-EDC shall have the right to draw on the Construction Performance Security to the extent of the amount defined in Annex E. In no event shall the aggregate amount of penalties for delay exceed the sum of \$5,700,000.

- (b) In the event that the Commercial Operation Date of any Plant does not occur within one hundred fifty (150) calendar days following the Guaranteed Commercial Operation Date for that Plant (as the same may be extended pursuant to this Agreement or by mutual agreement) then Section 15.4.1 shall apply.

4.12 LIGHTS AND BARRIERS

During construction, the Operator shall put up and maintain at the Site such danger lights and barriers as the Operator deems reasonably necessary to prevent all accidents in consequence of the development or construction of the Power Plant. If work is done at night, the Operator shall maintain from sunset to sunrise during the performance of such work such adequate lighting on or about the Site and on the work area as the Operator deems necessary for the safety of the construction forces and for the proper observance and inspection of the construction and erection activities.

ARTICLE 5 TESTING OF THE FACILITY

5.1 TESTING PROCEDURES

The procedures for the testing of the Power Plant set forth in Annex F shall be followed by the Operator.

5.2 TEST SCHEDULES

- (a) The Operator and PNOC-EDC shall agree on test schedules and schedules of Geothermal Fluid requirements for the tests for the Power Plants. The schedules shall take into consideration the operational requirements of PNOC-

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EDC and NAPOCOR, provided, however, that the Operator shall not be delayed by more than 7 calendar days in his proposed test schedules.

- (b) In so far as Plants 1, 2 and 3 are concerned, the Operator agrees to accept Geothermal fluid for a total period of three (3) months during the commissioning period. Over these three (3) months the Operator, at Operator's request, shall be entitled to two (2) months of Geothermal Fluid supply for plant 3 and two (2) months of Geothermal Fluid supply for Plants 1 and 2.

5.3 NOTICE OF TESTS

The Operator shall notify PNOC-EDC at least fifteen (15) calendar days prior to carrying out any tests on the Power Plant and prior to:

- (a) the initial parallel operation of each of the Operator's Plants; and
- (b) all testing of the Protective Apparatus.

5.4 TESTS BEFORE COMPLETION

- (a) PNOC-EDC reserves the right to witness all tests, including equipment testing at the Operator's or other subcontractor's or equipment supplier's premises during the course of this Agreement. NAPOCOR shall have the right to have a representative present at all tests of the Protective Apparatus.

- (b) The representatives of PNOC-EDC shall have the right to be present during any test activity done by the Operator on the Power Plant. Tests conducted without the presence of PNOC-EDC's representative shall not be valid for the purposes of this Agreement; provided that if the Operator has complied with the notice provisions of Section 5.3 and PNOC-EDC representative fails to be available for such tests at the scheduled time, the Operator may conduct such tests and such tests shall be valid for the purpose of this Agreement and the Operator shall have the right to issue, without need of PNOC-EDC's concurrence, the certificates required by Section 5.4(c).
- (c) Upon completion of any test, the Operator and PNOC-EDC shall jointly issue a certificate that testing has been done on each Plant and that agreed testing procedures shown in Annex F had been followed.
- (d) The Operator shall use best efforts to demonstrate the Power Plant's ability to provide to NAPOCOR on behalf of PNOC-EDC the Contracted Capacity. If, pursuant to the tests performed pursuant to this Article 5, any Plant is unable to demonstrate a capacity equal to its proportional portion of the Contracted

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Capacity, then the Operator shall perform the tests required by this Article 5 at such other capacity as the Operator elects. Upon completion of such tests, the Parties shall certify the Completion Date for the relevant Plant.

- (e) No later than seven (7) calendar days after the Completion Date of each Plant, the Operator shall notify PNOC-EDC of the adjusted Nominated Capacity of the Power Plant for the first year of operation. The total Nominated Capacity of the Power Plant for the first year of operation shall be adjusted upon the Completion Date of each Plant in order to include the proportional portion of the Nominated Capacity related to that completed Plant.
- (f) All costs, excluding Geothermal Fluid, incurred during the testing of the Power Plant shall be borne by the Operator.
- (g) Energy generated during testing shall be delivered to NAPOCOR on behalf of PNOC-EDC and paid for by PNOC-EDC at fifty percent (50%) of the rate actually paid by NAPOCOR to PNOC-EDC. The Operator shall bill PNOC-EDC for such energy in accordance with Section 8.4.
- (h) Notwithstanding anything to the contrary in this Agreement, in the event that, from and after the date set forth in Section 4.1 for the start of commissioning of a Plant, that Plant is capable of being tested, but performance tests required under Section 5.4(d) cannot be performed because of:
 - (i) an Interconnection Failure; or
 - (ii) PNOC-EDC's failure to deliver or accept Geothermal Fluid as specified in the Geothermal Fluid Specifications; or
 - (iii) the Operator's failure to receive all permits, licenses, other governmental approvals and utilities required for operation of the Power Plant, notwithstanding its reasonable efforts to obtain the same, and assuming the Operator has complied with the scope of work set forth in Annex B; or
 - (iv) PNOC-EDC or NAPOCOR's failure to provide any personnel or resource necessary to witness and approve such testing; or

- (v) any dispute between PNOC-EDC and NAPOCOR (under the Power Purchase Agreement or otherwise) which did not arise from any default of the Operator under this Agreement, including the termination or expiration of the Power Purchase Agreement, then, in any such events, the Completion Date for such Plant(s) shall be deemed to have occurred and

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PNOC-EDC shall be obligated to commence payments of the Capacity Payments and the Energy Fee to the Operator on and from the Completion Date provided, however, that Completion Date for such payments shall not occur prior to August 1, 1997. The capacity for purposes of calculating the Capacity Payments payable under this Subsection shall be deemed to be delivery of Nominated Capacity equal to the Contracted Capacity of such Plant(s).

At such time when all events described in subparagraphs (i), (ii), (iii), (iv) and (v), above have been cured and no longer exist regarding the affected Plant, the Operator shall perform the performance tests required under Section 5.4(d) and advise PNOC-EDC of the adjusted Nominated Capacity of the Power Plant and thereafter shall receive Capacity Payments based on the adjusted Nominated Capacity.

In the event that the Operator is unable to pass all of the Plant's performance tests as set forth herein and provided that such tests are conducted within six (6) months from the Completion date of the affected Plant, the Operator will be obligated to refund or credit against future capacity made available and actually delivered to PNOC-EDC that amount of Capacity Payment actually received by the Operator prior to and during such tests which exceeds the amount of Capacity Payment which the Operator would have been paid at the lower capacity rating actually demonstrated in testing the Plant.

In the event there is a difference of opinion about test results before or during the Cooperation Period, which cannot be resolved by the Parties within seven (7) days, the controversy shall be resolved by a reputable engineering firm chosen in advance as provided herein after. The Operator shall propose the engineering firm, acceptable to PNOC-EDC which acceptance shall not be unreasonably withheld, and the Parties will agree on such engineering firm not later than six (6) months prior to the estimated start of the Commissioning Period for the first Plant. The Parties shall equally share any costs associated with this procedure.

5.5 TESTS DURING COOPERATION PERIOD

The net plant capacity and the Net Plant Steam Rate shall be tested every year in the presence of PNOC-EDC personnel following the procedures set forth in Annex F. This test shall be performed at the Operator's election within six (6) months after completion of the annual maintenance on each individual Plant and shall form the basis for determining the Nominated Capacity for the following year under Section 6.13. The Operator shall be entitled to repeat any of the aforesaid tests. If any of the events described in Subsection 5.4(h) affect the results of any such tests, the provisions of Subsection 5.4(h) shall apply for purposes of determining Nominated Capacity for such year.

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6.1 COMPLETION DATE

- (a) Upon the substantial completion of the Power Plant and subject to confirmation by PNOC-EDC (which confirmation shall not be unreasonably withheld), the Operator may certify that the Completion Date of the Power Plant has occurred notwithstanding that the Power Plant is unable to produce the Contracted Capacity adjusted per the Correction Curves or to achieve the Guaranteed Net Plant Steam Rate, but in that event adjustments shall be made to the Capacity Payments in accordance with the penalty provisions of Subsection 8.3.1; provided, however, that such certification may not be made if the Power Plant is unable to produce at least seventy percent (70%) of the Contracted Capacity, after application of the Correction Curves.
- (b) On the Completion Date of the Power Plant, the Operator shall commence the delivery of electric capacity and energy to NAPOCOR on behalf of PNOC-EDC and shall be paid for such delivery in accordance with the provisions of Section 8.3. All other related provisions on the operation of the Power Plant and the tariffs, discounts, bonuses, and penalties on the regular sale of electric capacity and energy shall also take effect on this date.

6.2 POWER RATES FOR INITIAL DELIVERY

In the event that the Completion Date of any Plant falls on a date other than the Commercial Operation Date, PNOC-EDC shall pay the Contract Capacity Price for the Power Plant to the Operator on a prorated basis based on the number of days elapsed from the Completion Date.

6.3 DEDICATION OF FACILITY

The Operator shall operate and dedicate all energy and capacity of the Power Plant (net of Operator's and PNOC-EDC's usage allowed hereunder) to NAPOCOR.

6.4 OPERATING PARAMETERS

The Operator shall operate the Power Plant following the Operating Parameters as stipulated in Annex B(4).

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6.5 DISPATCH PROCEDURE

It is the expectation of the Parties that the Plant(s) will be operated as base-load plant(s). However, the Operator shall Control and operate the Plant(s) consistent with NAPOCOR's dispatch requirements and the Plant(s) shall be so capable.

6.6 ENGINEERING STANDARDS

The Power Plant shall be designed, operated and maintained by the Operator in accordance with prudent industry standards and good engineering practices.

6.7 ENVIRONMENTAL STANDARDS

Subject to the provisions of Section 3.3(a), the Power Plant shall be designed, constructed, operated and maintained by the Operator in accordance with R.A. 6969 and DENR Administrative Orders 14, 34 and 35, and other applicable environmental standards and regulations, and in particular with the requirements of the Environmental Compliance Certificate, the Authority to Construct, and the Permit to Operate issued in respect of the Power Plant. In case of any changes in law or official interpretation of law, Section 3.3 shall apply.

6.8 PROTECTIVE DEVICES

The Operator shall install Protective Apparatus in accordance with general specifications for such equipment and as approved by PNOC-EDC, NAPOCOR and the Operator conforming to the specifications set forth in Annex B and Annex C, to ensure the NAPOCOR Electrical System Integrity. The Power Plant shall be operated by the Operator with all of the Protective Apparatus in service whenever it is connected to or is operated in parallel with the NAPOCOR electric system.

6.9 INTEGRITY LOSS

If, at any time, NAPOCOR reasonably doubts the integrity of any of the Operator's Protective Apparatus and reasonably suspects that such loss of integrity would be hazardous to the NAPOCOR Electric System integrity, the Operator shall demonstrate, to NAPOCOR's and PNOC-EDC's reasonable satisfaction, the correct calibration and operation of the equipment in question. If not so reasonably satisfied, NAPOCOR shall have the right to disconnect the Operator and refuse to receive the energy delivered by the Power Plant and, for the duration of such disconnection, the Power Plant shall be deemed to have suffered an Outage for billing purposes. The inability of the Operator to meet capacity by reason of any demonstration made by the Operator under this

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Section 6.9 shall not be an Outage if the Operator is able to show correct calibration and operation of Protective Apparatus.

6.10 SETTINGS OF PROTECTIVE DEVICES

All settings of all Protective Apparatus shall be subject to the reasonable approval of NAPOCOR. Tests and calibration of this Protective Apparatus shall be at the expense of the Operator.

6.11 SERVICE COMMITMENT

At NAPOCOR's request, the Operator shall make all reasonable efforts on behalf of PNOC-EDC to deliver energy during periods of Emergency.

6.12 MAINTENANCE DURING EMERGENCY

In the event that the Scheduled Maintenance coincides with an Emergency, the Operator shall make all reasonable efforts to reschedule such Scheduled Maintenance.

6.13 ANNUAL CAPACITY NOMINATION

- (a) The Nominated Capacity of the Power Plant shall be specified by the Operator for the second year and each subsequent year of the Cooperation Period no later than thirty (30) calendar days prior to the anniversary of the first Commercial Operation Date of the Power Plant.
- (b) If, for a particular year, the Operator fails to specify a Nominated Capacity, then the lower of the Contracted Capacity, the last Nominated Capacity or the last capacity demonstrated in testing in accordance with Section 5.5 adjusted per Correction Curves shall be the Nominated Capacity for that particular year.

6.14 MAINTENANCE SCHEDULE

The Operator shall submit a written maintenance schedule for the necessary

overhaul, maintenance, inspection and repair of the Power Plant no later than one hundred (100) calendar days prior to the start of each calendar year following the Commercial Operation Date of the Power Plant setting forth the Operator's proposed Scheduled Maintenance for such year provided, however, that each Plant shall not be scheduled for Scheduled Maintenance for more than twenty-one (21) days per year in which a major overhaul of that Plant occurs, and seven (7) days per year in which no major overhaul occurs, and the interval between major overhauls of each Plant shall not be less than a cycle of two years.

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6.15 APPROVAL OF MAINTENANCE SCHEDULE

PNOC-EDC shall notify the Operator, within forty-five (45) calendar days after receipt of each maintenance schedule from the Operator, whether the requested maintenance schedule is approved, which approval shall not be unreasonably withheld. If not approved, the Parties shall promptly and in good faith negotiate an alternative mutually-agreeable maintenance schedule.

6.16 APPROVAL OF OVERHAULS

The Operator shall not schedule major overhauls without the prior approval of PNOC-EDC and such approval shall not be unreasonably withheld or delayed.

6.17 COMPLIANCE WITH APPROVED MAINTENANCE SCHEDULE

The Operator shall perform Scheduled Maintenance on the Power Plant during the periods set forth in the maintenance schedule approved pursuant to Section 6.15, unless such other times are approved by PNOC-EDC, and such approval shall not be unreasonably withheld.

6.18 UNSCHEDULED OUTAGE

The Operator shall immediately notify PNOC-EDC, and NAPOCOR on behalf of PNOC-EDC, of any unscheduled Outage and the estimated duration of such Outage.

6.19 DAILY OPERATING REPORT

For record purposes, the Operator shall keep PNOC-EDC and NAPOCOR's power management center regularly informed as to the daily results of operation and generation capability of the Power Plant, including, without limitation, any Outages.

6.20 OPERATING RECORDS

The Operator shall maintain an operating log for each Plant with records of:

- (a) real and reactive power production,
- (b) changes in operating status,
- (c) Outages,
- (d) Protective Apparatus operations, and

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- (e) any unusual conditions found during inspections.

Changes in the setting of Protective Apparatus shall also be logged. In addition, the Operator shall maintain customary records applicable to the Power Plant, including maintenance and overhaul records, the electrical characteristics of the generator and settings or adjustments of the generator control equipment and Protective Apparatus. At the end of the Cooperation Period, such records shall be turned over to PNOC-EDC at no cost.

6.21 PNOC-EDC ACCESS TO THE POWER PLANT

Upon at least twenty four (24) hours advance notice under normal circumstances, PNOC-EDC shall have rights of access to the Power Plant at mutually agreed upon times for the purpose of monitoring the Operator's operation and maintenance of the Power Plant, subject only to any reasonable restrictions that the Operator may impose for reasons of personnel and equipment safety and to avoid any impairment to the operations or maintenance of the Power Plant. However, in the event of an emergency, no advance notice shall be required provided that PNOC-EDC representative shall be accompanied by the Operator's representative. The Operator shall make the necessary arrangements to allow free access at any time to PNOC-EDC equipment.

ARTICLE 7 GEOTHERMAL FLUIDS

7.1 GEOTHERMAL FLUID SUPPLY

- (a) PNOC-EDC shall supply and accept at no cost to the Operator the total Geothermal Fluid requirements and output of the Power Plant. Such Geothermal Fluid shall conform to the Geothermal Fluid Specifications.
- (b) If neither Party shall have reason to believe that any Geothermal Fluid delivered to or accepted from the Site do not comply with the Geothermal Fluid Specifications, that Party shall promptly notify the other Party. Such notice shall be reasonably detailed and focused on possible solutions to the problem.

7.2 NON-CONDENSIBLE GASES & NON-GEOTHERMAL WASTE

Except as provided for in Sections 3.3 and 11.2, the Operator shall be responsible for disposal of non-condensable gases resulting from the operation of Plant 4 and all non-Geothermal Fluid related waste arising from the Operator's construction, operation or maintenance of the Power Plant. If requested by the Operator, PNOC-EDC shall dispose of such waste at the Operator's cost, such disposal to be in accordance with applicable law. The disposal activities of PNOC-EDC on behalf of Operator shall be subjected to a

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separate Waste Disposal Agreement between PNOC-EDC and the Operator. This disposal shall be in accordance with the requirements of the Environmental Compliance Certificate issued in respect of the Power Plant and attached hereto as Annex L.

7.3 SURPLUS CONDENSATE

The Operator shall deliver to PNOC-EDC and PNOC-EDC shall accept for disposal at no cost to the Operator all surplus condensed geothermal steam, including cooling tower blowdown; provided, however, such surplus condensate complies with the specifications set forth in Annex C.

7.4 OTHER GEOTHERMAL WASTE

Except as set forth in Section 7.2, PNOC-EDC shall be responsible at no

cost to the Operator for the disposal of all waste products related to the Geothermal Fluid and/or steam supplied by PNOC-EDC for the operation or testing of the Power Plant. This disposal shall be in accordance with the requirements of the Environmental Compliance Certificate issued in respect of the Power Plant and attached hereto as Annex L.

7.5 ENERGY MANAGEMENT

The Operator shall use its reasonable efforts to optimize steam and electricity use and shall exercise due diligence in the operation and management of main and auxiliary machinery so as to minimize energy consumption and waste.

ARTICLE 8 DELIVERY OF CAPACITY AND ENERGY

8.1 OBLIGATIONS OF THE PARTIES

- (a) The Operator hereby agrees to convert PNOC-EDC's Geothermal Fluid into electric energy and PNOC-EDC hereby agrees to sell to NAPOCOR, at the Point of interconnection, the Nominated Capacity and energy delivered by the Operator to NAPOCOR on behalf of PNOC-EDC during the Cooperation Period less any Steamfield Power. PNOC-EDC agrees to pay the Operator for the Nominated Capacity and energy delivered by the Operator at the Points of Interconnection for NAPOCOR Power and Steamfield Power.
- (b) During the testing prior to the Completion Date of each Plant, the Operator shall not receive any payments for Contracted Capacity or Nominated Capacity for that Plant but shall receive payments for energy as set forth in Section 5.4(g).
- (c) From and after the Completion Date of each Plant, the Operator shall make available electric capacity of that Plant and shall deliver energy in accordance with

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this Agreement and receive the Capacity Payments and receive or make the Energy Fee described in Section 8.3.2.

8.2 METERING

8.2.1 METER MAINTENANCE AND OWNERSHIP

- (a) PNOC-EDC shall supply, own and maintain as part of the interconnection facilities at the Point of Interconnection and at the point of supply of the Steamfield Power, meters and related equipment reasonably satisfactory to the Operator for the measurement of electricity. Billing under this Agreement shall use the readings of these meters.
- (b) NAPOCOR may also supply, own and maintain as part of the interconnection facilities at the Point of Interconnection, meters and related equipment for the measurement of electric power and energy.
- (c) PNOC-EDC shall supply, own and maintain meters and related equipment reasonably satisfactory to the Operator for the measurement of Geothermal Fluid flow. These meters and equipment shall be located in the Geothermal Fluid piping upstream of the interface point of Geothermal Fluid supply from PNOC-EDC to the Operator. Billing under this Agreement shall use the readings of these meters
- (d) The Operator shall supply, own and maintain equipment for the measurement, calculation and recording of those parameters required for the application of the Correction Curves. The equipment used for

measuring Atmospheric Conditions shall be located close to the air intake of the cooling tower of Plant 4, in accordance with the Cooling Tower Institute (CTI) Standards.

8.2.2 PLANT MONITORING EQUIPMENT

For the purpose of monitoring the Power Plant's operation, the Operator shall make reasonable provisions for the installation of other metering and telemetering devices at the generation side of the step-up transformers at the Point of Interconnection as part of the PNOC-EDC Supervisory Control and Data Acquisition (SCADA) system.

8.2.3 METER SEALS AND INSPECTION

PNOC-EDC's meters shall be sealed and the seals shall be broken only when the meters are to be inspected or tested by PNOC-EDC. The Operator shall be given reasonable notice of such occasions and shall have the right to have a representative present at such tests.

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8.2.4 METER TESTS

- (a) PNOC-EDC's electricity meters, installed in pursuance to this Agreement, shall be tested by PNOC-EDC at its own expense every six months. Other tests may be conducted at any reasonable time upon request by either Party, at the requesting Party's expense (subject to the next sentence). If the Operator makes such request, the Operator shall reimburse said expense to PNOC-EDC within thirty (30) days after presentation of a bill therefore, unless such tests demonstrate that such meters are not 100% accurate plus or minus one percent (1%), in which case PNOC-EDC shall bear the expense for such tests.
- (b) The Operator's equipment for the calculation and recording of theoretical Geothermal Fluid consumption shall be tested by the Operator at its own expense, in the presence of PNOC-EDC, every six months.

8.2.5 METER ACCURACY

Electric metering equipment found to be inaccurate pursuant to Section 8.2.4 or otherwise shall be repaired, adjusted, or replaced by PNOC-EDC such that the accuracy of said equipment shall be within 100% plus or minus one percent (1%). Should the inaccuracy exceed plus or minus one percent (1%), the correct amount of energy delivered during the current and previous Billing Periods shall be estimated by PNOC-EDC subject to agreement by the Parties. Adjustments for meter inaccuracy shall be made only for the current Billing Period and the Billing Period immediately preceding it except when such meter inaccuracy is due to fraud.

8.3. TERMS OF PAYMENT

8.3.1 CAPACITY PAYMENTS

The total Capacity Payments shall be the sum of the Capital Cost Recovery Fee, the Fixed Operating Cost Recovery Fee, and the Service Fee to reflect Return on Investment. The Capacity Payments shall be computed on the basis of the following formulae:

- (a) Capital Cost Recovery Fee (A) to be paid in Dollars.

$$A = [(CCR \times NC)(1 - TOH/Nh)] - [(y \times 0.2)(CCR)(CC - NC)]$$

- (b) Fixed Operating Cost Recovery Fee (B) to be paid in Philippine Peso

and Dollars.

$$B = [(OCR \times NC)(1 - TOH/Nh)] - [(y \times 0.2)(OCR)(CC - NC)]$$

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- (c) Service Fee for Return on Investment (C) stated in Dollars and payable, at the option of PNOC-EDC, either in Dollars or in equivalent Philippine Pesos using the same day telegraphic transfer selling rate for Dollars of the Philippine National Bank at the time of payment. In no case shall the Service Fee be lower than 8% of the sum of the Capital Cost Recovery Fee and the Fixed Operating Cost Recovery Fee.

$$C = \{[(SFR \times NC) (1 - TOH/Nh)] - [(y \times 0.2)(SFR)(CC-NC)]\}$$

where,

A = Capacity Payment to recover capital cost for the Billing Period.

B = Capacity Payment to recover fixed operating cost for the Billing Period.

C = Capacity Payment to reflect return on investment of the Operator for the Billing Period

CCR = \$10.42 per kW per month.

OCR = Ps28.90 per kW per month and \$1.97 per kW per month.

SFR = \$6.42 per kW per month.

CC = Contracted Capacity, in kW.

TOH = Total Outage Hours in the Billing Period.

Nh = Total number of hours in the Billing Period.

NC = Nominated Capacity for the year, in kW.

y = variable, defined as follows:

if $0.95 \times CC$ (less than) NC (less than) $1.05 \times CC$, then $y = 0$

otherwise $y = 1$

8.3.2 ENERGY FEE

Energy Fee (D) shall be computed on the basis of the following formula and be paid in Philippine Pesos. (Energy Fee will be paid by PNOC-EDC

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to the Operator in case D is positive and by the Operator to PNOC-EDC in case D is negative.)

$$D = \sum_{i=1}^4 U_i (V_{gi} - V_{ti}) \times Z_i$$

i=1

where:

D = Energy Fee for the Billing Period.

U_i = Steam Price for Plant as set forth in Annex I.

V_{gi} = Cumulative theoretical steam consumption of Plant i during Relevant Hours for the Billing Period in metric tons computed on the basis of the Guaranteed Net Plant Steam Rate for each hour (SR_g), using the formula:

$$V_{gi} = 0 \quad \sum_{j=1}^n ED_{ij} \times SR_{gij}$$

where:

j = Any Relevant Hours during the Billing Period.

n = Number of Relevant Hours hours in the Billing Period.

ED_{ij} = Energy Delivered during the Billing Period from Plant i in hour j expressed in kilowatt hours (kWh).

Sr_{gij} = Guaranteed Net Plant Steam Rate of Plant i for each hour j adjusted for variations from Geothermal Fluid Specifications, Atmospheric

Conditions and load change using the formula:

Guaranteed Net Plant Steam Rate

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$$Sr_{gij} = \frac{F_{1ij} \times F_{2ij} \times F_{3ij} \times F_{aij} \times F_{gij}}{}$$

where:

F_{1ij} = Steam pressure correction factor per Correction Curves for Plant i in hour j.

F_{2ij} = Partial load correction factor per Correction Curves for Plant i in hour j.

F_{3ij} = Steam flow correction factor per Correction Curves for Plant i in hour j.

F_{aij} = Ambient wet bulb temperature correction factor per Correction Curves for Plant 4 in hour j.

F_{aij} = 1 for Plants 1, 2, and 3.

Fgij = NCG content in steam flow correction factor
per Correction Curves for Plant i in hour j.

Vti = Measured steam consumption of Plant i for the Billing
Period in metric tons minus steam consumed by Plant i
during Non Relevant Hour in metric tons.

Non Relevant Hour = (a) Any hour in which, for Plants 1, 2 and 3
only, the Plant is in partial load
operation mode (75% of that Plant's
portion of the Contracted Capacity or
less, when the load reduction is
achieved by throttling the supply of
steam to one or more of the Generating
Units which are then delivering
electricity) due to dispatch and: (i)
the steam inlet pressure is different
from the Geothermal Fluid Specifications
by 2% or more; or (ii) the steam outlet
pressure is different from the
Geothermal Fluid Specifications by 3% or
more; or

(b) Any hour in which an event described in
sub-paragraph (b) of the definition of
Outage Hour occurs.

Relevant Hour = Any hour other than Non Relevant Hour.

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Zi = Variable for Plant i, defined as follows:

if $0.95 \times V_{gi}$ (less than) V_{ti} (less than) $1.05 \times V_{gi}$
then $Z_i = 0$

otherwise $Z_i = 1$

8.3.3 ESCALATION

In the Billing Periods commencing January 25th and July 25th of each
year (using the indices for the prior months of December and June,
respectively), the amount of :

- (i) Fixed Operating Cost Recovery Fee (OCR); and
- (ii) Service Fee for Return on Investment (SFR)

shall be increased proportionately by the increase in the index
applicable to each component, as specified in Annex K as appropriate,
as from the levels of such indices prevailing in January 1995.

8.4 BILLING PROCEDURES

The Operator shall bill PNOC-EDC for the delivery of electric power and
energy as adjusted on a monthly basis until the termination of this
Agreement.

Operator shall arrange its billing schedule in accordance with the billing
system of PNOC-EDC. The Billing Period shall cover the period from 10:00 AM

on the twenty-fifth (25) day of the current month to 10:00 AM of the twenty-fifth (25th) day of the following month. Any changes in the billing system of PNOC-EDC shall be followed by the Operator in billing PNOC-EDC. The Operator shall send PNOC-EDC its bills within five (5) days reckoned from the last day of the Billing Period. PNOC-EDC shall be required to settle its monthly bills to the Operator within thirty (30) days from receipt of billing to avoid penalties.

8.5 DISPUTES

If PNOC-EDC disputes the amount specified in any invoice it shall so inform the Operator within seven (7) days following receipt of such invoice. If the dispute is not resolved by the due date PNOC-EDC shall pay the undisputed amount on or before such date and the disputed amount shall be resolved as soon as is reasonably practicable following the due date for such invoice.

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8.6 TAXES

- (a) All payments made to the Operator pursuant to this Agreement shall be paid together with all taxes, duties, fees, levies and other assessments to be paid by the Operator in respect of such payments, the Power Plant or this Agreement, including "value added taxes" and all other taxes but excluding national income taxes assessed after the expiration of the tax holiday that would be applicable to the Operator if it were granted pioneer enterprise status under the Omnibus Investments Code of 1987 (whether or not the Operator is granted such pioneer enterprise status) and excluding Philippine withholding taxes imposed on the Operator not in excess of fifteen percent (15%) (which shall be separately stated in all invoices) in dollars in respect of the dollar portion and in pesos in respect of the peso portion and each sum payable shall be increased so as to ensure that after PNOC-EDC has deducted therefrom any and all taxes or charges required to be deducted therefrom by PNOC-EDC there remains a sum equal to the amount that would have been payable to the Operator had there been no requirement to deduct or withhold such taxes or other charges.
- (b) PNOC-EDC shall promptly reimburse the Operator upon demand for all custom duties, national internal revenue taxes, value added taxes and other taxes actually paid by the Operator with respect to the importation of capital equipment, or spare parts related to the Power Plant, provided that the Operator shall avail of the applicable import incentives granted to it by the Board Of Investment.
- (c) PNOC-EDC shall be responsible for the payment of all taxes imposed by the Government on the Operator or the Power Plant during the period of construction and Cooperation Period including without limitation, value added taxes, real estate taxes in respect of the Site and the buildings and other improvements thereon, including the Power Plant, but except as set forth in Sections 8.6(a) and (e) or elsewhere in this Agreement not (i) corporate 4.7 or 14.3 (or any other applicable provisions of this Agreement) make Article 9 applicable or, in the reasonable opinion of PNOC-EDC or the income tax on the Operator, (ii) taxes on dividends or profit remitted from the Philippines by the Operator, and (iii) reasonable construction and permit fees and charges not exceeding \$50,000, and (iv) any and all taxes, fees, documentary stamps and charges, as well as all costs and expenses, incurred and paid by the Operator in connection with or arising from any loan or financing agreement, mortgages and security interests. The Capacity Payments do not include custom duties, national internal revenue taxes, value added taxes and other taxes with respect to the importation of capital equipment or spare parts related to the Power Plant by the Operator.

- (d) PNOC-EDC will be responsible for covering any new or increased taxes due to changes in the Omnibus Investments Code of 1987, the BOI rules and future regulations, or due to new or amended laws, rules and regulations.
- (e) The Operator shall apply for and shall use good-faith efforts to obtain all exemptions from any such taxes available to the Operator.

8.7 PAYMENT PROCEDURES

All payments to be made to the Operator under this Agreement shall be paid in the applicable currency as specified in this Agreement without any deductions for set-off or counterclaims and shall be wire transferred in immediately available same Day funds not later than 11:00 AM on the due date to the account(s) within or outside the Republic of the Philippines as designated by the Operator from time to time by notice given in accordance with Subsection 17.3. Without limiting any other rights of the Operator, any payments not paid by PNOC-EDC to the Operator when due under this Agreement shall bear interest at the rate equal to "one month Libor" for Dollar + 3%, determined and compounded daily, from the date due until the date paid.

ARTICLE 9 BUYOUT

9.1 BUYOUT CONDITIONS

If,

- (a) during the Cooperation Period in the reasonable opinion of PNOC-EDC or the Operator, changes in or adoption of new policies, laws and regulations, including taxes, or any interpretations thereof of the Government adversely affect the operation or maintenance of the Power Plant or the after tax cash flow of the Operator, or
- (b) prior to the Cooperation Period, the provisions of Subsections 3.3(a), 4.5, 4.6, 4.7 or 14.3 (or any other applicable provisions of this Agreement) make this Article 9 applicable or, in the reasonable opinion of PNOC-EDC or the Operator, changes in or adoption of new policies, laws and regulations, including taxes, or any interpretations thereof of the Government adversely affect the construction of the Power Plant or the after tax cash flow of the Operator; or
- (c) PNOC-EDC fails to make any payments when due to the Operator under this Agreement including without limitation the Capacity Payments and the Energy Fees; or

- (d) at any time during the effectivity of this Agreement, PNOC-EDC or NAPOCOR is privatized in whole or in part or reorganized, or the events defined in Article 20 shall occur,

then PNOC-EDC or the Operator as the case may be shall notify the other Party of the occurrence of any of the foregoing events and the Parties shall promptly meet and endeavor to make amendments to the Agreement and agree to such amendments. If, after ninety (90) calendar days or sixty (60) calendar days in case of Section 9.1(c), since the occurrence of such events, no such agreement has been reached, either party may require a buyout of the Operator's Power Plant by PNOC-EDC. If either Party determines that such an impasse has been reached, that Party may deliver

written notice to the other Party requiring a buyout under this Article 9 provided that for purposes of Section 9.1(a) above an adverse effect on the Operator's after-tax cash flow (after taxes) for any taxable year, as confirmed by an independent auditor agreeable to both Parties and provided that in case of Section 9.1(c) above, only the Operator shall have the right to require a buyout. If the Parties cannot promptly reach a definitive, written agreement embodying the terms of a buyout (notably the Buyout Price and payment terms Article 21 shall apply.

9.2 BUYOUT PRICE

The purchase price (Buyout Price), payable in Dollars, of the Power Plant as a result of the buyout shall be

- (a) If the provisions of Sections 9.1 or 15.4.1 apply prior to the Commercial Operation Date of the last Plant, the purchase price payable, in United States dollars, shall be an amount equal to the aggregate of all the costs and expenses (including without limitation accrued interest and other costs incurred in financing the development of the Power Plants) incurred by the Operator in connection with the performance of its obligations under this Agreement as estimated by an independent accountant jointly appointed by the Parties plus an amount equal to ten percent (10%) of such aggregate costs.
- (b) During the Cooperation Period the net present value of the remaining stream of payments for the Capacity Payments less Fixed Operating Cost Recovery fees for the rest of the Cooperation Period on the basis of the last Nominated Capacity, and using an annual discount rate equal to the last published Commercial Interest Reference Rate (CIRR) having the shortest maturity term for United States dollars published by the Organization for Economic Cooperation and Development (OECD) provided however that such discount rate shall not exceed nine point two six percent (9.26%) per annum.

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In calculating aggregate costs in accordance with clause (a), amounts disbursed by lenders shall be prima facie evidence of actual disbursements of costs and interest accrued (whether or not paid) shall be deemed actual disbursements. The actual rates of interest payable to lenders shall be the interest rate attributable to that portion of the Buyout Price.

9.3 PAYMENT TERMS

- (a) Completion of a buyout pursuant to Sections 9.1 or 15.4.1 shall take place on the date that is sixty (60) days following delivery of the notice specified in this Agreement (the "Buyout Date") at which time (i) PNOC-EDC will pay to the Operator the purchase price calculated in accordance with Section 9.2 and payable in United States dollars and return all security held by PNOC-EDC in connection with this Agreement, including any bid securities, the Performance Security, letters of credit and bank guarantees, and (ii) the Operator shall transfer to PNOC-EDC all of the Operator's rights, title and interest in the Power Plant and shall warrant that upon such buyout the Power Plant shall be free from any lien or encumbrance created by the Operator.
- (b) In the event that the provisions of Sections 9.1 or 15.4.1 apply as a result of Section 14.3(c), then there shall be deducted from the sum payable pursuant to Section 9.2 an amount equal to the value, if any, of any insurance proceeds received by the Operator in respect of such event of Force Majeure, but only to the extent that such insurance proceeds were not used by the Operator in an attempt to correct the damage caused by such event of Force Majeure.

9.4 TRANSFER PROVISION

In respect of any transfer of ownership of the Power Plant pursuant to the conditions stated above, the provisions on transfer of ownership in Article 13 hereof shall apply thereto.

ARTICLE 10 REPRESENTATIONS & WARRANTIES OF THE PARTIES

10.1 CORPORATE EXISTENCE

- (a) The Operator represents for itself that it is a corporation duly organized and existing under and by virtue of the laws of the state of Delaware, U.S.A. licensed to do business in the Philippines through its branch office and that it has the corporate power and authority to execute, deliver and carry out the terms and conditions of this Agreement.

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- (b) PNOC-EDC represents that it is a wholly-owned subsidiary of the Philippine National Oil Company, a corporation created and organized under Presidential Decree No. 334, as amended, and that it has the power and authority to execute, deliver and carry out the terms and conditions of this Agreement.

10.2 AUTHORIZATIONS

- (a) The Operator represents and warrants for itself that it has taken all necessary corporate action to enter into this Agreement and to perform its obligations hereunder with the exception that it has not obtained final approval of the terms of this Agreement from its Board of Directors prior to signing the Agreement. The Operator represents that it will use its best efforts to obtain such approval in the shortest possible time following signature.
- (b) PNOC-EDC represents and warrants for itself that it has taken all necessary corporate action to enter into this Agreement and to perform its obligations hereunder.

10.3 WARRANTY AGAINST CORRUPTION

The Operator hereby warrants for itself that it or its representative acting on behalf of it has not given or promised to give any money or gift to any employee or official of PNOC-EDC to influence the decision regarding the awarding of this Agreement, nor has it and/or its representatives acting on behalf of it exerted or utilized any unlawful influence to solicit or secure this Agreement through any agreement to pay a commission, percentage, brokerage or contingent fee. The Operator agrees that breach of this warranty shall be sufficient ground for the Philippine National Oil Company or its affiliate to deduct, at its discretion, such commission, percentage, brokerage or contingent fees from the contract price without prejudice to it or any person's civil or criminal liability under the Anti-Graft Law and other applicable laws.

10.4 NO SOVEREIGN IMMUNITY

PNOC-EDC acknowledges and agrees that this Agreement, the Accession Undertaking and the consent of PNOC-EDC specified in the last sentence of Section 19(a) and the transactions contemplated thereby and hereby constitute commercial activities of PNOC-EDC in respect of which PNOC-EDC is subject to set-off, suit, judgment and execution. PNOC-EDC acknowledges and agrees that it does not have, nor is it entitled to, any immunity, whether characterized as sovereign immunity or otherwise, from any legal proceedings, whether in the United States of America or elsewhere, to enforce or collect upon such agreements (including without limitation

immunity from service of process, immunity from jurisdiction of any court or tribunal, and immunity of any of its property

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from attachment prior to entry of judgment and from attachment in aid of execution, or from execution upon a judgment) in respect of itself or its property.

10.5 GEOTHERMAL SERVICES CONTRACT

PNOC-EDC represents and warrants that it is a party to the Geothermal Services Contract, dated May 14, 1981, between PNOC-EDC and the Republic of the Philippines, which sets forth the rights of the parties thereto to the Site. PNOC-EDC agrees to take any and all actions necessary to ensure that the Operator's right to use the Site (and the interests of any secured parties or the Operator in the Site) are not adversely affected by the rights and obligations of PNOC-EDC under the Geothermal Services Contract, as amended from time to time.

ARTICLE 11 INDEMNIFICATION

11.1 OPERATOR INDEMNIFICATION

- (a) The Operator shall hold free and harmless and defend PNOC-EDC its officers, contractors, and employees from any and all claims, liabilities and suits for losses and damages to properties of third parties arising from the negligence of the Operator in the prosecution of the Agreement, except to the extent caused by the negligence, gross negligence or willful misconduct of PNOC-EDC.
- (b) The Operator shall hold free and harmless and defend PNOC-EDC, its officers, contractors and employees from liabilities, damages or obligations of any nature or kind, including costs and expenses, on account of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article, method or appliance manufactured or used by the Operator in the performance of the Agreement.
- (c) Any fines or other penalties incurred by the Operator or its officers, employees or contractors for non-compliance by the Operator, its officers, its employees, or contractors with the laws, rules, regulations or ordinances of the Republic of the Philippines shall be the exclusive responsibility of the Operator.

11.2 PNOC-EDC INDEMNIFICATION

PNOC-EDC shall hold free and harmless and defend the Operator, its officers, employees and contractors harmless against any claims of any person who directly or indirectly suffers or is injured by the performance by the Operator or its officers, employees or contractors of the obligations under this Agreement, including damage or injury as a result of an interruption of electricity supply or Geothermal Fluid delivery or acceptance

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or any other disruption or surge of electricity supply or Geothermal Fluid delivery or acceptance (including without limitation interruptions or disruptions related to plants operating upstream or downstream from the Power Plant) or emissions of H₂S prior to the installation of any H₂S abatement system in accordance with Section 3.3(a), and the Operator's, its

officers', employees' or contractors' actions or omissions in connection therewith, except to the extent caused by the negligence, gross negligence or willful misconduct of the Operator.

ARTICLE 12 INSURANCE

12.1 APPLICABLE TERMS

The Operator shall, at its own expense, obtain and maintain in force insurances as specified in Sections 12.2 and 12.3. The Operator shall provide to PNOC-EDC evidence of these insurances. In particular, evidence of the insurance specified to be held during the Cooperation Period shall be furnished prior to commencing initial testing of the Power Plant.

12.2 INSURANCE DURING CONSTRUCTION

From the applicable date that the exposure to the subject risk being insured under such coverage arises until the commissioning of the Power Plant, the Operator shall, at own expense, obtain and maintain in force the following insurances:

- (a) All Risks Marine Insurance for the full value of each plant and equipment to be imported into the Philippines;
- (b) All Risks "Builder's Risk Insurance" to cover the full value of the entire works from any and all kinds of damages customarily covered; and, covering at least the Contractor's All Risk (CAR) Insurance for civil works, electro mechanical works and transformer installations.
- (c) "Third Party Liability Insurance" to cover injury to or death of persons including those of PNOC-EDC or physical damage to tangible property including those of PNOC-EDC caused by the works or by the Operator's vehicles, tools and/or equipment or personnel including its subcontractors.

Such insurance shall provide for at least the following recoveries:

- a) Bodily Injury Ps 250,000 per person
 Ps 250,000 per incident

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- b) Property Damage Ps 1,000,000 per property
 Ps 1,000,000 per incident

12.3 INSURANCE DURING COOPERATION PERIOD

From the completion of the Power Plant, the Operator, at its own expense, shall keep the Power Plant insured against accidental damage from all normal risks and to a level normal for prudent operators of facilities similar to the Power Plant. In addition, the Operator shall secure adequate insurance cover for its employees as may be required by law.

The insurance coverages that the Operator shall secure and maintain should at least include an All-Risks Insurance (All Natural Perils including Fire), and Comprehensive General Liability and a Machinery Breakdown Coverage during the last year of the Cooperation Period.

12.4 APPROVAL BY PNOC-EDC

Certified true copies of insurance policy certificates for all the above coverages and official receipts of premium payments on the above shall be filed with PNOC-EDC within fifteen (15) working days from the issuance of the policies or of the receipts of premium payments and shall be subject to

PNOC-EDC's approval as to the enumeration of items covered under Sections 12.2 and 12.3.

12.5 EQUITABLE ADJUSTMENT

PNOC-EDC agrees that it shall not unreasonably withhold its consent to any amendments to this Agreement which are proposed by the Operator in order to make equitable adjustments to this Agreement in the event that as a result of the application of insurance proceeds (including without limitation such application pursuant to a security assignment by the Operator contemplated by the last sentence of Section 19(a)) such proceeds are not made available to the Operator to repair or restore the Power Plant.

ARTICLE 13 TRANSFER OF OWNERSHIP

13.1. TRANSFER OF TITLE

Title to the Power Plant shall automatically vest to PNOC-EDC on the Transfer Date provided that PNOC-EDC has made (i) a payment equivalent to the net present value of the remaining Capacity Payments less Fixed Operating Cost Recovery Fees for Plant 4 for the period commencing on the Transfer Date until the date which is one hundred twenty (120) months from the Commercial Operation Date for Plant 4 on the basis of the last Nominated Capacity of Plant 4, and using an annual discount rate equal to the last

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published Commercial Interest Reference Rate (CIRR) having the shortest maturity term for United States dollars published by the OECD, provided, however, that such discount rate shall not exceed nine point two six percent (9.26%) per annum, and (ii) all other payments required to be made by it pursuant to this Agreement, and returned to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, the Performance Security, letters of credit and bank guarantees. The Operator shall execute such documents as may be necessary to effect the transfer of the title to PNOC-EDC, including, without limitation, assignments of all contract rights, claims and other rights related to the Power Plant that are being assigned by the Operator to PNOC-EDC.

13.2. DOCUMENTATION COSTS

The Parties shall pay their own costs and expenses, including but not limited to documentation, fees and taxes, incurred in connection with the transfer referred to in Section 13.1 hereof. In no event shall the Operator be obligated to pay more than \$50,000 under this Section 13.2.

13.3 TRAINING OF PNOC-EDC STAFF

- (a) During a minimum period of twelve (12) months prior to the Transfer Date, the Operator shall provide training in operation and maintenance of the Power Plant for PNOC-EDC's staff. This training shall be provided in accordance with a program to be agreed between PNOC-EDC and the Operator and shall be provided at no cost to PNOC-EDC.
- (b) PNOC-EDC shall endeavor to offer to the Operator that PNOC-EDC take over the employment of such of the Operator's operating and maintenance staff employed on the Power Plant at the end of the Cooperation Period as PNOC-EDC may, at its sole discretion, consider suitable for employment with PNOC-EDC and under such terms and conditions of employment as PNOC-EDC shall consider acceptable.

13.4 CONDITION OF POWER PLANT ON TRANSFER

- (a) Within a period of six (6) months prior to the Transfer Date, the Operator shall undertake performance and efficiency testing of the Power Plant as specified in Annex F to demonstrate the condition of the Power Plant at the Transfer Date.
- (b) Notwithstanding any testing performed pursuant to Section 13.4(a), the Power Plant and all other equipment transferred pursuant to this Agreement shall be transferred on an "as is" basis and any warranties which would otherwise be

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implied by statute or otherwise, including, without limitation, warranties as to its fitness for the purpose, the absence of patent or inherent defects, description or otherwise of whatsoever nature will be excluded; provided, however, that upon transfer the Operator shall warrant that, on the Transfer Date, the Power Plant will be free from all liens and encumbrances created by the Operator. After the Transfer Date, the Operator shall be under no liability whatsoever to PNOC-EDC the respect of the operation or otherwise of the Power Plant by PNOC-EDC or a person designated by PNOC-EDC and PNOC-EDC shall indemnify and keep indemnified the Operator against any liability to any person or damage to any property arising from the use or operation of the Power Plant after the Transfer Date, provided, however, that the Operator shall subrogate or assign to PNOC-EDC any and all rights and benefits which it is able to subrogate or assign of any unexpired warranties in respect of the building, plant and equipment of the Power Plant under applicable laws or otherwise.

ARTICLE 14 FORCE MAJEURE

14.1 FORCE MAJEURE

- (a) Force Majeure" means any event or circumstance beyond the reasonable control of a Party which affects the performance by such Party of its obligations hereunder including but not limited to any war, declared or not, or hostilities, or belligerence, blockade, revolution, insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization, export or import restrictions by any governmental authorities, closing of harbors, docks, canals, or other assistances to or adjuncts of shipping or navigation of or within any place, rationing or allocation, whether imposed by law, decree or regulation by, or with the compliance of industry at the insistence of any governmental authority, or fire, unusual flood, earthquake, volcanic activity, storm, typhoons, lightning, tide (other than normal tides), tsunamis, perils of the sea, accidents of navigation or breakdown or injury of vessels, accidents to harbors, docks, canals, or other assistances to or adjuncts of shipping or navigation, epidemic, quarantine, strikes or combination of workmen, lockouts or other labor disturbances, or any other event, matter or thing, wherever occurring, which shall not be within the reasonable control of the Party affected thereby.
- (b) "Political FM" means any event of Force Majeure to the extent such event satisfies the following requirements: war, declared or not, or hostilities occurring in or involving the Republic of the Philippines, or belligerence, blockade, revolution, insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization by or involving and occurring in the Republic of the Philippines, export or import restrictions by any governmental authorities,

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regional or municipal authorities of or within the Republic of the Philippines, closing of harbors, docks, canals, or other assistances to or adjuncts of shipping or navigation of or within the Republic of the Philippines, rationing or allocation, whether imposed by law, decree or regulation by, or with the compliance of industry at the insistence of any governmental authority of or within the Republic of the Philippines, or any other event, matter or thing, wherever occurring, which shall be within the reasonable control of PNOC-EDC or the Government.

14.2 EFFECT OF FORCE MAJEURE

- (a) Neither Party shall be responsible nor liable for nor deemed in breach or default hereof or give rise to any claim by any Party against any other Party (including without limitation any claims to pay damages or penalties for delays) because of their respective failure or omission to perform or delay in the performance of their respective obligations hereunder due to Force Majeure provided that:
 - (i) The non-performing Party gives the other Party within forty-eight (48) hours or as soon thereafter as reasonably practicable a written notice describing the particulars of the occurrence;
 - (ii) The suspension of performance and the extension of scheduled and guaranteed dates are of no greater scope and of no longer duration than is required by the Force Majeure;
 - (iii) The affected Party uses reasonable efforts to remedy its inability to perform; and
 - (iv) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party written notice to that effect.
- (b) Notwithstanding anything to the contrary in Section 14.2(a), PNOC-EDC shall not be excused from any of its obligations under this Agreement including its obligation to make the Capacity Payments, the Energy Fee and any other payments to the Operator under this Agreement by the occurrence of any Political FM, an Interconnection Failure or any condition or event that affects the ability of PNOC-EDC to deliver or accept Geothermal Fluid from any Plant as provided under this Agreement, including any dispute between PNOC-EDC and NAPOCOR (under the Power Purchase Agreement or otherwise) which did not arise from any default of the Operator under this Agreement, including termination or expiration of the Power Purchase Agreement.

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- (c) Notwithstanding Section 8.3.1, and subject to Sections 14.2(b) and 14.3(c), PNOC-EDC shall be relieved of its obligations to make Capacity Payments in respect of any Power Plant which is unable to deliver energy due to a Force Majeure affecting that Power Plant for the duration of such Force Majeure; provided, however, that in such an event the Cooperation Period shall be extended by the same number of days as the duration of such Force Majeure.

14.3 REMEDIES

- (a) Except as otherwise provided, in no event shall any condition of Force Majeure extend this Agreement beyond its stated term.
- (b) The Parties shall consult with each other and take all reasonable

steps to minimize the losses of or delays incurred by either Party resulting from Force Majeure.

- (c) If any one or more conditions of Force Majeure delay a Party's performance for a time period that is: (i) if before the Completion Date, greater than ninety (90) days in the aggregate in any twelve (12) consecutive months, or (ii) if after the Completion Date, greater than (x) ninety (90) consecutive days, or (y) one hundred twenty (120) days in the aggregate during any twelve (12) consecutive months where the interval between the occurrence of any two (2) consecutive events of Force Majeure conditions is not more than six (6) months, either Party may, after such period, either (a) suspend this Agreement by giving written notice of suspension to the other Party or (b) upon thirty (30) days written notice, terminate this Agreement and the provisions of Article 9 shall apply. Except that in case of such delay as a result of conditions of Force Majeure after the Completion Date, the parties agree that during the required thirty (30) day notice period as provided for under this Subsection 14.3(c) (ii) (b), each party has the right to initiate a consultation between the Parties, to take place during such thirty (30) day notice period, in order to try and agree on conditions for eventual waiving of the recourse to the provisions of Article 9 and provided that if an agreement can not be reached during same thirty (30) day notice period, the provisions of Article 9 shall apply at the end of such 30 day notice period. (The period set forth above for termination shall satisfy the ninety (90) day period specified in the second sentence of Section 9.1.

ARTICLE 15 SUSPENSION, TERMINATION AND ABANDONMENT

15.1 TERMINATION PRIOR TO EFFECTIVITY DATE

- (a) Each Party shall use good-faith efforts to cause the conditions set forth in Article 26 to be satisfied as promptly as practicable after the date of this Agreement and

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each Party will exercise reasonable discretion in electing to terminate this Agreement pursuant to this Section 15.1.

- (b) If the Effectivity Date has not occurred by March 1, 1996, or within such longer period as the Parties may agree to, due to a failure of the conditions set forth in Section 26.1 to have been satisfied prior to such date, if such conditions have not been waived in writing by PNOC-EDC, the Parties shall consult with each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either Party shall have the right to terminate this Agreement by giving written notice to the other Party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, the Operator shall reimburse PNOC-EDC for all costs and expenses incurred by PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination, and thereafter, neither Party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.
- (c) If the Effectivity Date has not occurred by March 1, 1996, or within such longer period as the Parties may agree to, due to a failure of

the conditions set forth in Section 26.2 to have been satisfied prior to such date, if such conditions have not been waived in writing by the Operator, the Parties shall consult with each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either Party shall have the right to terminate this Agreement by giving written notice to the other Party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, PNOC-EDC shall reimburse the Operator for all costs and expenses incurred by the Operator as of the date of and in connection with this Agreement, and thereafter, neither Party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

- (d) If the Effectivity Date has not occurred by March 1, 1996, or within such longer period as the Parties may agree to, due to a failure of the conditions set forth in

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Section 26.3 to have been satisfied prior to such date, if such conditions have not been waived in writing by both Parties, the Parties shall consult with each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, each Party shall bear its own costs and expenses. In the event, however, of the failure of the condition in Section 26.3 (a) (ii) other than for reasons due to adverse economic or political conditions in the Philippines, and the Parties do not waive the fulfillment of this condition, either Party may terminate this Agreement by giving written notice to the other Party, and the Operator shall reimburse PNOC-EDC for all costs and expenses incurred by PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination. Neither Party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

- (e) Costs and expenses referred to in this Section 15.1 shall not include any consequential or special damages (including without limitation lost profits, lost revenues, increased operating costs or loss of revenues from the Power Plant), whether such liability arises in contract, warranty, tort (including negligence) or otherwise.
- (f) The amount of costs and expenses to be reimbursed by either Party to the other Party under this Section 15.1 shall be estimated by an independent accountant jointly appointed by the Parties and the costs associated with such estimation shall be paid by the Party making the reimbursement.

15.2 TERMINATION FOR DEFAULT AND SUSPENSION OF DELIVERY

- (a) PNOC-EDC may temporarily suspend receipt of electricity from the Operator for:
 - (i) Tampering with meters by the Operator; or

- (ii) A condition on the Operator's side of the Point of Interconnection, dangerous to life or property.

Such condition shall be subject to confirmation by an independent third party expert satisfactory to both Parties. If so confirmed, PNOC-EDC shall be excused payment of capacity and energy charges for the duration

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of such suspension and such suspension shall cease on rectification of the initiating condition.

- (b) Subject to the Operator's cure rights set forth in paragraph (c) below, upon the material breach by the Operator of any of its obligations hereunder, PNOC-EDC may, as its sole remedy, terminate this Agreement. Upon such termination, (i) if termination occurs prior to the Commercial Operation Date, the entire proceeds of the Construction Performance Security shall be forfeited in favor of PNOC-EDC and the Operator shall transfer, at no cost, all of the Operator's right, title and interest in the Power Plants to PNOC-EDC and (ii) if termination occurs after the Commercial Operation Date of the Power Plant, the Operator shall transfer, at no cost all of the Operator's right, title and interest in the Power Plants to PNOC-EDC. Upon such termination and forfeiture and/or transfer, as the case may be, the Operator shall have no further liability hereunder.
- (c) No such termination shall be made by PNOC-EDC without thirty (30) days (or longer pursuant to this paragraph) prior written notice to the Operator. Such notice shall be delivered, personally or by registered mail, stating in particular the provision of this Agreement which has been violated. If the Operator fails to correct any default within the thirty (30) day period from its receipt of the notice, or such period exceeding thirty (30) days as reasonably necessary to accomplish such cure provided the Operator has commenced curing such default within such thirty (30) day period and continues to diligently proceed to cure such default until cured, PNOC-EDC may terminate this Agreement; provided, however, that any dispute by the Operator in good faith as to the correctness of any bill from PNOC-EDC shall not be a cause to terminate this Agreement. Any suspension of the deliveries of electricity to NAPOCOR on behalf of PNOC-EDC or termination of this Agreement upon any authorized grounds shall in no way relieve the Operator of its liability to compensate PNOC-EDC for any amounts owed by the Operator to PNOC-EDC under this Agreement less any amounts owed by PNOC-EDC to Operator under this Agreement.

15.3 SUSPENSION OF PAYMENT

Subject to the provisions of Section 14, payments under this Agreement, upon written request of the Operator, and for a period reasonably required to replace or repair the Power Plant, may be suspended if the Operator is temporarily unable to produce the electric capacity or energy contracted for due to physical destruction of or damage to the Power Plant.

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15.4 ABANDONMENT

15.4.1 ABANDONMENT DURING CONSTRUCTION

The construction of any or all of the Plants shall be deemed abandoned to the extent set forth below under any of the following circumstances:

- (a) If the Operator, through a written notice to PNOC-EDC, terminates construction of the Plants other than by reason of Force Majeure or for reasons not attributable to the Operator with the intent that such termination be permanent;
- (b) If the Operator fails (other than by reason of Force Majeure or for reasons not attributable to the Operator) to place a confirmed order for the long lead items in turbo-generators) within one hundred twenty (120) days period following the Effectivity Date;
- (c) If the Operator fails (other than by reason of Force Majeure or for reasons not attributable to the Operator) to resume work (i) within one hundred twenty (120) calendar days following receipt of insurance proceeds relating to, and in amounts sufficient to cover loss or damage arising from, a Force Majeure situation affecting one or more of the Plants provided, however, that in case of release to the Operator of partial insurance proceeds, the Operator shall resume work to the extent of the amounts so collected, or (ii) in case no material damage to such Plants has occurred, within one hundred twenty (120) calendar days following the termination or cessation of such Force Majeure situation, provided that a notice of such termination or cessation was given by PNOC-EDC to the Operator; or
- (d) Subject to the provisions of Section 14 and except for reasons not attributable to the Operator, if the Commercial Operation Date of any Plant does not occur within one hundred fifty (150) calendar days following the relevant Guaranteed Commercial Operations Date (as the same may be adjusted in accordance with this Agreement or by mutual agreement).

If construction of one or more Plants is deemed abandoned as set forth above, PNOC-EDC may terminate this Agreement by giving the Operator not less than fifteen (15) days prior written notice of its intention to so terminate this Agreement. If the Operator has not commenced work under clause (b) or (c), as the case may be, of this Section 15.4.1 before the expiration of such fifteen (15) day period, this Agreement shall immediately and automatically terminate. Upon such termination, the Operator shall forfeit the portion of the Construction Performance Security relating to such abandoned Plants to PNOC-EDC and transfer, upon payment by PNOC-EDC of a purchase price calculated pursuant to Section 9.2 for the Plants not so abandoned, all of the Operator's right, title

and interest in the Power Plant to PNOC-EDC. Upon such termination, forfeiture and transfer, the Operator shall have no further liability hereunder.

15.4.2 ABANDONMENT DURING COOPERATION PERIOD

The Power Plant shall be deemed abandoned during the Cooperation Period under the following circumstances:

- (a) If the Operator, through a written notice to PNOC-EDC terminates operation of the Power Plant with the intent that the termination be permanent except for (i) Force Majeure or (ii) reasons not attributable to the Operator;
- (b) If the Operator fails to deliver energy to NAPOCOR on behalf of PNOC-EDC for a period of one hundred twenty (120) consecutive calendar days other than as a result of an Outage, without written notice of temporary suspension, except for (i) Force Majeure or (ii) reasons not attributable to the Operator; or

- (c) Subject to the provisions of Section 14 and except for reasons not attributable to the Operator, if within one hundred twenty (120) calendar days following receipt of insurance proceeds relating to, and in an amount sufficient to cover loss or damage arising from, a Force Majeure situation, the Operator fails to resume reconstruction of the damaged Plants provided, however, that in case of release to the Operator of partial insurance proceeds, the Operator shall resume work to the extent of the amounts so collected, or, in case no material damage to the Plants has occurred; within one hundred twenty (120) days following the termination or cessation of a Force Majeure situation, the Operator fails to resume delivery of energy to NAPOCOR on behalf of PNOC-EDC, provided that a notice of such termination or cessation shall have been given by PNOC-EDC to the Operator.

If the Plants are deemed abandoned during the Cooperation Period as set forth above, PNOC-EDC may terminate this Agreement by giving the Operator not less than fifteen (15) days prior written notice of its intention to so terminate this Agreement. If the Operator has not commenced work under clause (b) or (c), as the case may be, of this Section 15.4.2 before the expiration of such fifteen (15) day period, this Agreement shall immediately and automatically terminate. Upon such termination, the Operator shall transfer, at no cost to PNOC-EDC, all of the Operator's right, title and interest in the Power Plant to PNOC-EDC. Upon such termination and transfer, the Operator shall have no further liability hereunder.

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ARTICLE 16 SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture among the Parties. Each Party shall be liable individually and severally for its own obligations under this Agreement.

ARTICLE 17 COMMUNICATIONS AND NOTICES

17.1 COORDINATION MEETINGS

- (a) Coordination meetings between the Operator, PNOC-EDC and NAPOCOR personnel shall be conducted for purposes of clarifying problems that may arise during the prosecution of the construction work and throughout the Cooperation Period.
- (b) The site of such meetings shall be mutually agreed upon by all Parties. All expenses to be incurred by any Party shall be at such Party's own account.

17.2 COMMUNICATIONS AMONG PARTIES

All orders and formal communications shall be made in writing.

17.3 NOTICES

Any notice or communication required to be in writing hereunder shall be given by: registered mail, telex, telefax, courier or personal delivery. Such notice or communication shall be sent to the respective Parties at the address listed below. Any notice given by registered mail shall be considered sent upon posting and the same shall be considered received upon its acknowledgment.

In the case of Operator to:

Mr. Nessim Forte
Resident Manager
Ormat Inc. Manila Branch
Solid Bank Building, 8th Floor
777 Paseo de Roxas
Makati City 1200
Metro Manila
The Philippines
Telefax No. (632) 812-5638

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with a copy to:

Ormat Inc.
Attn: Ms. Y. Bronicki President (or such other officer of Operator as may be authorized by her in writing and notified to PNOC-EDC)
980 Greg Street
Sparks, NV 89431-6039
U.S.A.
Telefax No. (702) 356.9039

In the case of PNOC-EDC to:

Mr. Nazario C. Vasquez
President (or such other officer of PNOC-EDC as may be authorized by him in writing and notified to the Operator)
PNOC-Energy Development Corporation
Merritt Road
Fort Bonifacio
Makati City
Metro Manila
The Philippines
Telex No. 22666 EDC PH
Telefax No. (632)815-2747

Either Party may, by written notice to the other, change the representative or the address to which such notices and communications are to be sent.

ARTICLE 18 NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

ARTICLE 19 ASSIGNMENT

- (a) Except as set forth in paragraphs (b) or (c) below, the Operator shall not assign or transfer any or all of its rights and obligations under this Agreement without the written consent of PNOC-EDC. Any such assignment or

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transfer made without such written consent shall be null and void. Consent for such assignment or transfer shall not be unreasonably withheld, provided that, in the opinion of PNOC-EDC, the assignee or transferee possesses all the legal, financial and technical qualifications required to operate and maintain the Power Plant.

- (b) Notwithstanding the foregoing, the Operator may assign or create a security interest over its rights and interests in this Agreement for the purpose of financing the design, construction, ownership and operation of the Power Plant. PNOC-EDC agrees to execute such consents to or acknowledgements of such assignments as the Operator or its lenders reasonably require and under such terms and conditions acceptable to PNOC-EDC. In addition, PNOC-EDC agrees to reasonably cooperate with the Operator's proposed lenders and agrees to amend this Agreement as reasonably required by such lenders provided such amendments do not materially increase PNOC-EDC's obligations or materially decrease PNOC-EDC's rights hereunder.
- (c) All obligations under this Agreement which the Operator agrees to be responsible for hereunder shall be assumed by NEWCO which shall undertake to perform the Operator's obligations to perform such work and in consideration of which shall be paid all fees payable to the Operator under this Agreement. NEWCO, in carrying out such work and receiving the fees payable to the Operator under this Agreement, shall act on its own behalf and for its own benefit, and not as an agent or representative of the Operator. For such purpose, PNOC-EDC, the Operator and NEWCO shall execute and deliver the Accession Undertaking, upon the effectiveness of which NEWCO shall become a party hereto without the need of any further action on the part of the Operator and the rights and obligations of PNOC-EDC and the Operator under this Agreement shall be transferred and amended in accordance with the terms of the Accession Undertaking, as fully as if NEWCO had executed this Agreement as amended by the terms of the Accession Undertaking.
- (d) Without limiting the generality of Subsection 19(b), PNOC-EDC shall in the consent of PNOC-EDC specified in the Subsection 19(b) acknowledge and agree that (i) it has been informed of and consents to the execution, delivery and performance of the assignment and security agreements between the Operator and the lenders, and the terms thereof including any provisions relating to the assignment and application of the proceeds of insurance policies described in the Agreement and (ii) to give the lenders notice of any default under or breach by the Operator of any provision of this Agreement or the Accession Undertaking and of any abandonment under Article 15 of this Agreement and agree to not terminate this Agreement or the Accession Undertaking on the basis of such breach, default or abandonment without providing the lenders designated in such consent with at least ninety (90) days within which to cure such breach, default or abandonment,

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which period will commence on the later of (x) the lenders' receipt of the aforesaid notice and (y) expiration of the period provided in this Agreement for the cure of such breach, default or abandonment by the Operator.

ARTICLE 20 PRIVATIZATION ASSURANCES

In the event that either of the common stock or other equity interests in PNOC-EDC, or NAPOCOR, or any other portion of their assets or business activities are sold or otherwise transferred or announced to be sold or otherwise transferred, or any merger or other corporate reorganization (or a series of any of the above):

- (i) results in a real or purported assignment of rights or assumption of obligation under this Agreement; or
- (ii) substantially and adversely changes the net assets, projected

profits, projected net cash flow from operations, or otherwise would prompt a reasonable person to conclude that the ability of the relevant entity to duly perform its obligations hereunder on a timely basis had been materially and adversely affected;

then the Operator shall have the right to request reasonable assurances from PNOC-EDC, NAPOCOR and the Government that the Operator's rights and net economic returns under this Agreement are preserved and that PNOC-EDC's ability to fully and satisfactorily comply with its obligations under this Agreement is not impaired. If no mutually agreed, written resolution of the issues is reached within ninety (90) days, then the provisions of Article 9 shall apply. Without limiting PNOC-EDC's obligation to make such buyout if the ability of PNOC-EDC to fund any resulting buyout is in question, PNOC-EDC shall exercise any rights it may have to cause NAPOCOR or other third-party to assume PNOC-EDC's rights and obligations under this Agreement, paying the proceeds directly to the Operator.

ARTICLE 21 DISPUTE RESOLUTION; JURISDICTION

- (a) As much as possible, all disputes shall be settled amicably between the Parties. The Parties each hereby elect binding arbitration as their sole and exclusive remedy for any claim arising under this Agreement or in any way related to the Project.
- (b) The Parties agree that in the event that there is any dispute or difference between them arising out of this Agreement or in the interpretation of any of the provisions hereof, they shall endeavor to meet together in an effort to resolve such dispute by discussion between them. But failing such resolution, the Chief executives of

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PNOC-EDC and the Operator shall meet to resolve such dispute or difference, and the joint decision of such Chief Executives shall be binding upon the parties hereto. In the event that a settlement of any such dispute or difference is not reached pursuant to this subclause, then arbitration under the next following subclause shall apply.

- (c) Where any dispute is not resolved as provided for in the preceding subclause, then the Parties shall enter into binding arbitration procedures under the rules of conciliation and arbitration of the International Chamber of Commerce. Such arbitration shall take place in Paris, France before a tribunal of three arbitrators, one to be chosen by each of the Operator and PNOC-EDC, and the third to be chosen by the two first selected. The arbitration proceedings shall be conducted in the English language.
- (d) To the extent that in any jurisdiction of (i) PNOC-EDC may claim for itself or its assets or revenues immunity from suit, execution, attachment or other legal process or (ii) there may be attributed to PNOC-EDC or its assets or revenues such immunity (whether or not claimed), PNOC-EDC agrees not to claim and unconditionally and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction. PNOC-EDC consents generally in respect of the enforcement of any judgment against it in any such proceedings in any jurisdiction to the giving of any relief or the issue of any process in connection with such proceedings (including, without limitation, the making, enforcement or execution against any property of PNOC-EDC).

ARTICLE 22 ENTIRE AGREEMENT AND SEPARABILITY

This Agreement constitutes the entire agreement between the Parties hereto

and supersedes all prior negotiations and agreements, whether written or oral. If any part or parts of this Agreement shall be declared invalid by competent courts, the other parts hereof shall not thereby be affected or impaired.

ARTICLE 23 GOVERNING LAW

This Agreement shall be governed and construed in accordance with Philippine Law.

ARTICLE 24 LIMITATION LIABILITY

Except for the penalty provisions in respect of Capacity Payments and Energy Fee, any claim under the Bid Security, the Construction Performance security and the Operation Performance Security pursuant to this Agreement and the penalty described in Annex E, the Operator and its contractors and subcontractors shall not be liable for any

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consequential or special damages (including without limitation lost profits, lost revenue, increased operating costs or loss revenues from the Power Plant), whether such liability arises in contract, warranty, tort (including negligence) or otherwise. Further, except as expressly set forth in this Agreement, the Operator make no warranties or guarantees, express or implied, with regard to the Power Plant and PNOC-EDC hereby waives any and all implied warranties imposed under applicable Law.

ARTICLE 25 DURATION OF THE AGREEMENT

25.1 TERM

Except as set forth in Section 15.1, this Agreement shall be effective from the Effectivity Date up to the Transfer Date or Termination Date, whichever comes first.

25.2 SURVIVABILITY

Notwithstanding anything to the contrary contained in this Agreement, (i) the rights and obligations of the Parties set out in Articles 9, 11, 13, 15, 21, and 24, shall survive the termination of this Agreement, and (ii) the rights and obligations set out in Section 8.3 shall survive the termination of this Agreement until all amounts to be paid by PNOC-EDC and/or the Operator pursuant to this Agreement have been paid.

ARTICLE 26 EFFECTIVITY

26.1 PNOC-EDC CONDITIONS ON THE OPERATOR

It shall be a condition precedent to the effectivity of this Agreement that the following are submitted by or on behalf of the Operator to PNOC-EDC (except for such documents the submission of which is waived by PNOC-EDC).

- (a) a copy of the license to do business in the Philippines issued to the Operator by the Securities and Exchange Commission, as certified by an authorized officer of the Operator in a manner satisfactory to PNOC-EDC.
- (b) a copy of the certificate of registration of NEWCO with the Board of Investments, as certified by an authorized officer of the Operator in a manner satisfactory to PNOC-EDC.
- (c) a copy of the Articles of Incorporation of NEWCO as registered with the Securities and Exchange Commission, certified by the corporate

26.2 OPERATOR CONDITIONS ON PNOC-EDC

It shall be a condition precedent to the effectivity of this Agreement that the following are submitted by or on behalf of PNOC-EDC to the Operator (except for such documents the submission of which is waived by the Operator):

- (a) copies of the Articles of Incorporation and By-Laws of PNOC-EDC, and of resolutions of its Board of Directors authorizing the execution, delivery and performance by PNOC-EDC of this Agreement and the Accession Undertaking, each certified by the corporate secretary of PNOC-EDC in a manner satisfactory to the Operator;
- (b) a certificate of the corporate secretary of PNOC-EDC confirming that all necessary corporate and other approvals and action have been duly obtained and taken for the execution, delivery and performance by PNOC-EDC of this Agreement and the Accession Undertaking;
- (c) a true copy of the Power Purchase Agreement executed between PNOC-EDC and NAPOCOR, less such sections that PNOC-EDC deems to be of a confidential nature and do not relate or pertain to the rights of the Operator under this Agreement;
- (d) copies of resolutions of the Board of Directors of each of PNOC-EDC and NAPOCOR authorizing the execution, delivery and performance by each of PNOC-EDC and NAPOCOR of the Power Purchase Agreement;
- (e) confirmation that PNOC-EDC has ownership of or the right to use the Site and that the Operator has the right to use the Site from the Effectivity Date to the Transfer Date;
- (f) copies of such consents, licenses, permits, approvals and registration by or with the Government may be necessary to ensure the validity and enforceability of this Agreement and to permit PNOC-EDC to perform its obligations of this Agreement, including
 - (i) a Performance Undertaking executed on behalf of the Republic of the Philippines by the Secretary or any of the Undersecretaries of Finance named in the President of the Republic of the Philippines' Full Powers Authorization, to guarantee the performance by PNOC-EDC of its obligations under this Agreement, such Performance Undertaking to be substantially in the form of Annex K and acceptable to the Operator;

- (ii) an opinion by the Department of Justice confirming the validity, enforceability and binding effect of the Performance Undertaking;
- (iii) Registration of this Agreement and the Power Plant project with the Bangko Sentral ng Pilipinas ("Central Bank");
- (iv) the Environmental Compliance Certificate issued by the Department of Environment and Natural Resources for the Leyte project covering the Power Plant;
- (v) registration of PNOC-EDC as a Block Power Production Facility under Executive Order No. 215;

- (vi) an opinion by the National Electrification Administration and the Energy Regulatory Board confirming that the operation by the Operator of the Power Plant will not constitute a public utility so as to require a franchise, certificate of public convenience and other similar license;
- (vii) National Economic Development Authority certification that the project is a high priority economic project for power development which is financed by or through foreign funds;
- (viii) an endorsement by the City or Regional Development Council for the City or Region of the Power Plant project and endorsement of the Power Plant project by the relevant local government unit.

26.3 OTHER CONDITIONS

It shall be a condition precedent to the effectivity of this Agreement that the following is obtained or delivered by:

(a) The Operator:

- (i) Board of Investments registration of NEWCO as a pioneer enterprise, approval for the incentives set forth in Annex J and endorsement to by the Department of Justice for foreign nationals to be employed in supervisory, technical and advisory positions in the Power Plant.
- (ii) confirmation by the Operator of the availability of financing or funding, at terms and conditions acceptable to the Operator, such as written commitments or letters of intent, in accordance with the practice of each lender and of insurance for the Operator's equity investments.

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- (iii) Central Bank approval for the Operator to establish offshore dollar accounts for the purpose of receiving payments under this Agreement and for any foreign currency loans to be made by financial institutions for the purpose of repaying any bridge loans extended to the Operator and for meeting the capital requirements of the Power Plant project.

(b) by PNOC-EDC:

- (i) NEDA Board/Investment Coordinating Committee approval of this Agreement.

26.4 FULFILLMENT OR WAIVER

- (a) Upon the fulfillment or waiver of each individual condition precedent enumerated in Sections 26.1, 26.2 and 26.3, each of PNOC-EDC and the Operator shall certify in writing within seven (7) days the fulfillment or waiver of such a condition precedent.
- (b) Upon the fulfillment or waiver of all the conditions precedent enumerated in Sections 26.1, 26.2, and 26.3, each of PNOC-EDC and the Operator shall certify in writing that all the conditions enumerated in Section 26.1 (in the case of PNOC-EDC) and Sections 26.2 and 26.3 (in the case of the Operator) have been fulfilled or waived.
- (c) In the event that the BOI denies NEWCO/Operator's registration as a pioneer enterprise, including its availment of tax incentives under the Omnibus Investments Code of 1987, for causes not attributable to the Operator, and the Parties agree to waive such condition under

Section 26.3, PNOC-EDC shall pay all national income taxes of the Operator for a period of six (6) years from the Commercial Operation Date.

IN WITNESS WHEREOF, the parties hereto have set their hands this 4th day of August, 1995 at Makati, Metro Manila, Philippines.

ORMAT INC.
(Operator)

/s/ Jacob Menahem

By: JACOB MENAHEM
Its: Vice President

PNOC-Energy Development Corporation
(PNOC-EDC)

/s/ Nazario C. Vasquez

By: NAZARIO C. VASQUEZ
Its: President

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Signed in the Presence of

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ACKNOWLEDGMENT

Republic of the Philippines

BEFORE ME this 4th day of August 1995, in Makati, M.M., Philippines personally appeared NAZARIO C. VASQUEZ with Res. Cert. No. 9598088 issued on March 8, 1995 at Mandaluyong, M.M.; and JACOB MENAHEM WITH Passport No. 404937 issued on 28.9.93 at Belgigue representing their respective companies; known to me to be the same persons who executed the foregoing agreement and they acknowledged to me that the same is their free corporate act and deed.

This instrument, consisting of 314 pages, including all annexes and page on which this acknowledgment is written has been signed above their respective names on page 66 by the parties and their witnesses and initialed on the left hand margin of the other pages.

IN WITNESS WHEREOF, I have hereunto set my hand, the day, year and place above written.

NOTARY PUBLIC

My commission ends on Dec. 31, 199_

Doc. No.
Page No.
Book No.
Series of 1995

Jose Jesus G. Laurel
Notary Public
until Dec. 31, 1995

Exhibit 10.3.37

FIRST AMENDMENT TO LEYTE OPTIMIZATION PROJECT BOT AGREEMENT

THIS FIRST AMENDMENT to LEYTE OPTIMIZATION PROJECT BOT AGREEMENT (this "Amendment") is made as of February 29, 1996, between PNOC-ENERGY DEVELOPMENT CORPORATION, a wholly owned subsidiary of the Philippine National Oil Company, organized and existing under Philippine law ("PNOC-EDC") and ORMAT LEYTE CO. LTD. a Philippine limited partnership ("Operator").

A. PNOC-EDC and ORMAT INC. a Delaware Corporation executed that certain Leyte Optimization Project BOT Agreement dated August 4, 1995 which has been assigned to the Operator (the "Original Agreement"), concerning the development and operation of a 49 MW (net) geothermal power production facilities in Leyte Province, the Philippines. All capitalized terms not defined herein shall have the meanings given them in the Original Agreement.

B. PNOC-EDC and Operator each acknowledge that some but not all of the conditions to "Effectivity" of the Original Agreement set forth in Sections 26.1, 26.2 and 26.3 of the Original Agreement have been fulfilled.

C. PNOC-EDC and Operator recognize that additional time is needed in order to fulfill the remaining conditions to Effectivity set forth in Sections 26.1, 26.2 and 26.3 of the Original Agreement.

D. Section 15.1 of the Original Agreement provides, inter alia, that if by the Effectivity Date of March 1, 1996, one or more of the conditions set forth in Sections 26.1, 26.2 and 26.3 have not been fulfilled or waived by PNOC-EDC or the Operator, as the case may be, the parties shall consult in good faith with a view to achieving Effectivity. Furthermore, Section 3.1(a) states that if the Effectivity Date does not occur on or before March 01, 1996, the parties shall discuss and agree on any further extension of the Bid Security.

E. PNOC-EDC and Operator wish to amend the Original Agreement and the Bid Security as more fully set forth in this Amendment.

NOW THEREFORE, the parties hereto, intending to be legally bound, and to bind their successors and assigns, agree as follows:

1. Amendment of Section 3.1(a) of the Original Agreement.

Section 3.1(a) of the Original Agreement is hereby amended to read in its entirety as follows:

(a) To guarantee the faithful performance by the Operator of its obligation to completely construct the Power Plant in accordance with the terms and conditions of this Agreement, within ten (10) days of the Effectivity Date the Operator shall post and deliver the Construction Performance Security in a form

acceptable to PNOC-EDC in a sum equivalent to One Hundred Dollars (US \$100) per kilowatt (kW) of total Contracted Capacity for all the Plants or its equivalent in Philippine Pesos or other currencies. Prior to such delivery, the Operator shall ensure that the Bid Security required under the bid documents shall be extended until such time the Construction Performance Security shall have been posted and delivered; provided that, in the event that the Effectivity Date does not occur on or before April 10, 1996, the parties shall discuss and agree on any further extension of the Bid Security. PNOC-EDC shall have recourse to the Construction Performance Security to satisfy the final judgment in an arbitral proceeding in accordance with Article 21.

2. Amendment of Section 4.1(a) of the Original Agreement

Section 4.1(a) of the Original Agreement is hereby amended to read in its entirety as follows:

(a) The Operator shall in good faith use all reasonable efforts to construct the Power Plant in accordance with the following schedule:

Activity	Date
Target Effectivity Date	April 10, 1996
Ordering of long lead items (turbogenerators)	the latter of (i) July 1, 1996 or (ii) 120 days after the Effectivity Date
Start of Commissioning Period of Plants 1, 2 and 3	May 1, 1997
Start of Commissioning Period of Plant 4	October 1, 1997
Scheduled Completion Date for Plants 1, 2 and 3	September 1, 1997
Scheduled Completion Date for Plant 4	January 1, 1998
Guaranteed Commercial Operation Date for Plants 1, 2 and 3	September 25, 1997

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Guaranteed Commercial Operation Date for Plant 4	January 25, 1998

If the Commercial Operation Date of any Power Plant does not occur on or before the relevant Guaranteed Commercial Operation Date, the Operator shall be subject to the penalty provisions set forth in Section 4.11. The Operator, however, may request for an extension of the relevant milestone dates.

3. Amendment of Section 15.1(b) of the Original Agreement

Section 15.1(b) of the Original Agreement is hereby amended to read in its entirety as follows:

(b) If the Effectivity Date has not occurred by April 10, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.1 to have been satisfied prior to such date, if such conditions have not been waived in writing by PNOC-EDC, the parties shall consult with each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall have the

right to terminate this Agreement by giving written notice to the other party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, the Operator shall reimburse PNOC-EDC for all costs and expenses incurred by PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination, and thereafter, neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

4. Amendment of Section 15.1(c) of the Original Agreement

Section 15.1(c) of the Original Agreement is hereby amended to read in its entirety as follows:

(c) If the Effectivity Date has not occurred by April 10, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.2 to have been satisfied prior to such date, if such conditions have not been waived in writing by the Operator, the parties shall consult each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall have the

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right to terminate this Agreement by giving written notice to the other party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, PNOC-EDC shall reimburse the Operator for all costs and expenses incurred by the Operator as of the date of and in connection with this Agreement, and thereafter, neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

5. Amendment of Section 15.1(d) of the Original Agreement

(d) If the Effectivity Date has not occurred by April 10, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.3 to have been satisfied prior to such date, if such conditions have not been waived in writing by both parties, the parties shall consult each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall bear its own costs and expenses. In the event, however, of the failure of the condition in Section 26.3(a)(ii) other than for reasons due to adverse economic or political conditions in the Philippines, and the parties do not waive the fulfillment of this condition, either party may terminate this Agreement by giving written notice to the other party, and the Operator shall reimburse PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination. Neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

6. General Ratification. Except as expressly amended hereby, all the terms and provisions of the Original Agreement are hereby ratified and confirmed and remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this First Amendment to Leyte Optimization Project BOT Agreement as of the date first above written.

PNOC-ENERGY DEVELOPMENT CORPORATION,
a wholly-owned subsidiary of the
Philippine National Oil Company

By:

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/s/ Nazario C. Vasquez

Name: Nazario C. Vasquez

Title: President

ORMAT LEYTE CO. LTD.
a Philippine limited partnership

By: /s/ Nessim Forte

Name: Nessim Forte

Title: Authorized Representative

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Exhibit 10.3.38

SECOND AMENDMENT TO LEYTE
OPTIMIZATION PROJECT BOT AGREEMENT

THIS SECOND AMENDMENT to LEYTE OPTIMIZATION PROJECT BOT AGREEMENT (this "Amendment") is made as of April 1, 1996, between PNOC-ENERGY DEVELOPMENT CORPORATION, a wholly owned subsidiary of the Philippine National Oil Company, organized and existing under Philippine law ("PNOC-EDC") and ORMAT LEYTE CO. LTD. a Philippine limited partnership ("Operator").

A. PNOC-EDC and ORMAT LEYTE CO. LTD., a Philippine Partnership executed that certain Leyte Optimization Project BOT Agreement dated August 4, 1995 which has been assigned to the Operator (the "Original Agreement"), concerning the development and operation of a 49 MW (net) geothermal power production facilities in Leyte Province, the Philippines. All capitalized terms not defined herein shall have the meanings given them in the Original Agreement.

B. PNOC-EDC and Operator each acknowledge that some but not all of the conditions to "Effectivity" of the Original Agreement set forth in Sections 26.1, 26.2 and 26.3 of the Original Agreement have been fulfilled.

C. PNOC-EDC and Operator recognize that additional time is needed in order to fulfill the remaining conditions to Effectivity set forth in Sections 26.1, 26.2 and 26.3 of the Original Agreement.

D. Section 15.1 of the Original Agreement and its First Amendment provides, inter alia, that if by the Effectivity Date of April 10, 1996, one or more of the conditions set forth in Sections 26.1, 26.2 and 26.3 have not been fulfilled or waived by PNOC-EDC or the Operator, as the case may be, the parties shall consult in good faith with a view to achieving Effectivity. Furthermore, Section 3.1(a) states that if the Effectivity Date does not occur on or before April 10, 1996, the parties shall discuss and agree on any further extension of the Bid Security.

E. PNOC-EDC and Operator wish to amend the Original Agreement and the Bid Security as more fully set forth in this Amendment.

NOW THEREFORE, the parties hereto, intending to be legally bound, and to bind their successors and assigns, agree as follows:

1. Amendment of Section 3.1(a) of the Original Agreement. Section 3.1(a) of the Original Agreement is hereby amended to read in its entirety as follows:

(a) To guarantee the faithful performance by the Operator of its obligation to completely construct the Power Plant in accordance with the terms and conditions of this Agreement, within ten (10) days of the Effectivity Date the Operator shall post and deliver the Construction Performance Security in a form acceptable to PNOC-EDC in a sum equivalent to One Hundred Dollars (US \$100) per kilowatt (kW) of total Contracted Capacity for all the Plants or its equivalent in Philippine Pesos or other currencies. Prior to such delivery, the Operator shall ensure that the Bid Security required under the bid documents shall be extended until such time the Construction Performance Security shall have been posted and delivered; provided that, in the event that the Effectivity Date does not occur on or before April 22, 1996, the parties shall discuss and agree on any further extension of the Bid Security. PNOC-EDC shall have recourse to the Construction Performance Security to satisfy the final judgment in an arbitral proceeding in accordance with Article 21.

2. Amendment of Section 4.1(a) of the Original Agreement Section 4.1(a) of the Original Agreement is hereby amended to read in its entirety as follows:

(a) The Operator shall in good faith use all reasonable efforts to construct the Power Plant in accordance with the following schedule:

Activity	Date
Target Effectivity Date	April 22, 1996
Ordering of long lead items (turbogenerators)	the later of (i) July 1, 1996 or (ii) 120 days after the Effectivity Date
Start of Commissioning Period of Plants 1, 2 and 3	May 1, 1997
Start of Commissioning Period of Plant 4	October 1, 1997
Scheduled Completion Date for Plants 1, 2 and 3	September 1, 1997
Scheduled Completion Date for Plant 4	January 1, 1998
Guaranteed Commercial Operation Date for Plants 1, 2 and 3	September 25, 1997

If the Commercial Operation Date of any Power Plant does not occur on or before the relevant Guaranteed Commercial Operation Date, the Operator shall be subject to the penalty provisions set forth in Section 4.11. The Operator, however, may request for an extension of the relevant milestone dates.

3. Amendment of Section 15.1(b) of the Original Agreement Section 15.1(b) of the Original Agreement is hereby amended to read in its entirety as follows:

(b) If the Effectivity Date has not occurred by April 22, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.1 to have been satisfied prior to such date, if such conditions have not been waived in writing by PNOC-EDC, the parties shall consult with each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall have the right to terminate this Agreement by giving written notice to the other party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, the Operator shall reimburse PNOC-EDC for all costs and expenses incurred by PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination, and thereafter, neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

4. Amendment of Section 15.1(c) of the Original Agreement Section 15.1(c) of the Original Agreement is hereby amended to read in its entirety as follows:

(c) If the Effectivity Date has not occurred by April 22, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.2 to have been satisfied prior to such date, if such conditions have not been waived in writing by the Operator, the parties shall consult each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall have the right to terminate this Agreement by giving written notice to the other party. Upon such termination, PNOC-EDC shall return to the Operator all security held by PNOC-EDC in connection with this Agreement, including any bid securities, letters of credit and bank guarantees, PNOC-EDC shall reimburse the Operator for all costs and expenses incurred by the Operator as of the date of and in connection with this Agreement, and

thereafter, neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

5. Amendment of Section 15.1(d) of the Original Agreement Section 15.1 (d) of the Original Agreement is hereby amended to read in its entirety as follows:

(d) If the Effectivity Date has not occurred by April 22, 1996, or within such longer period as the parties may agree to, due to a failure of the conditions set forth in Section 26.3 to have been satisfied prior to such date, if such conditions have not been waived in writing by both parties, the parties shall consult each other in good faith with the view to achieving the Effectivity Date. If a mutually acceptable arrangement is not reached and implemented within fifteen (15) days thereafter, either party shall bear its own costs and expenses. In the event, however, of the failure of the condition in Section 26.3(a)(ii) other than for reasons due to adverse economic or political conditions in the Philippines, and the parties do not waive the fulfillment of this condition, either party may terminate this Agreement by giving written notice to the other party, and the Operator shall reimburse PNOC-EDC as of the date of and in connection with this Agreement except those of PNOC-EDC related to the preparation of the request for proposals and the bid evaluation until such termination. Neither party shall have any further liability to the other and this Agreement shall immediately and automatically become null and void. Notwithstanding anything to the contrary in this Agreement, this provision shall become effective upon execution of this Agreement and shall remain effective until the Effectivity Date.

6. General Ratification. Except as expressly amended hereby, all the terms and provisions of the Original Agreement are hereby ratified and confirmed and remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Second Amendment to Leyte Optimization Project BOT Agreement as of the date first above written.

PNOC-ENERGY DEVELOPMENT CORPORATION,
a wholly-owned subsidiary of the
Philippine National Oil Company

By: /s/ Nazario C. Vasquez

Name: Nazario C. Vasquez
Title: President

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ORMAT LEYTE CO. LTD.
a Philippine limited partnership

By: /s/ Nessim Forte

Name: Nessim Forte
Title: Authorized Representative

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EFFECTIVITY CERTIFICATE

Reference is made to (i) the Leyte Optimization Project - BOT Agreement dated August 4, 1995 (the "BOT Agreement") between PNOC Energy Development Corporation ("PNOC EDC") and Ormat, Inc., and (ii) the Accession Undertaking dated as of February 15, 1996 between PNOC EDC, Ormat, Inc. and Ormat Leyte Co. Ltd. (the "Operator"). All capitalized terms used but not defined herein have the respective meanings assigned to such terms in the BOT Agreement.

1. PNOC EDC, does hereby certify, that each of the conditions set forth in Section 26.1 (PNOC EDC Conditions on Operator) and Section 26.3(a) [Other Conditions] of the BOT Agreement have been satisfied by the

Operator or waived by PNOC EDC.

2. The Operator does hereby certify, that each of the conditions set forth in Section 26.2 (Operator Conditions on PNOC EDC) and Section 26.3(b) [Other Conditions] of the BOT Agreement have been satisfied by PNOC-EDC or waived by the Operator.
3. The BOT Agreement is hereby declared effective in accordance with its terms and the Effectivity Date is hereby declared to be April 30, 1996.
4. Notwithstanding the above Effectivity Date, the milestones and commitments of the Operator referred to under Section 4.1 of the BOT Agreement remain unchanged.

IN WITNESS WHEREOF, PNOC EDC and Ormat Leyte Co. Ltd have signed this certificate as of this 30th day of April, 1996.

PNOC Energy Development Corporation

By: /s/ Raul S. Manglapus

Name: Raul S. Manglapus
Title: Chairman

Ormat Leyte Co. Ltd.

By: Orleyte Company
Its: General Partner

By: /s/ Nessim J. Forte

Name: Nessim J. Forte
Title: Authorized Representative

Exhibit 10.4.1

Ormesa
BLM Geothermal Resources Lease
CA 966

Form 3200-21
(May 1974)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number: CA 966
USGS - KGRA Determination:
EAST MESA KGRA

GEOTHERMAL RESOURCES LEASE
[X] Competitive [] Noncompetitive

In consideration of the terms and conditions contained herein, and the grant

made hereby, this lease is entered into by the UNITED STATES OF AMERICA (hereinafter called the "Lessor"), acting through the Bureau of Land Management (hereinafter called the "Bureau") of the Department of the Interior (hereinafter called the "Department"), and REPUBLIC GEOTHERMAL INC. and CITY OF BURBANK, each as to an undivided 1/2 interest (hereinafter called the "Lessee").

This Lease is made pursuant to the Geothermal Steam Act of 1970 (84 Stat. 1566; 30 U.S.C. 1001--1025) (hereinafter called "the Act") to be effective on August 1, 1974 (hereinafter called the "effective date"). It is subject to all the provisions of the Act and to all the terms, conditions, and requirements of (a) all regulations promulgated by the Secretary of the Interior (hereinafter called "the Secretary") in existence upon the effective date, specifically including, but not limited to, 43 CFR Parts 3000 and 3200 and 30 CFR Parts 270 and 271, (b) all geothermal resources operational orders (hereinafter called "GRO orders") issued pursuant thereto, all of which are incorporated herein and by reference made a part hereof, and (c) any regulations hereafter issued by the Secretary (except those inconsistent with any specific provisions of this lease other than regulations incorporated herein by reference) all of which shall, be upon their effective date, incorporated herein and, by reference, made a part hereof.

Sec. 1. GRANT - The Lesser hereby grants and leases to the Lessee the exclusive right and privilege to drill for, extract, produce, remove, utilize, sell, and dispose of geothermal steam and associated geothermal resources, (hereinafter called "geothermal resources"), in or under the following described lands situated within the County of IMPERIAL, State of California.

-----			-----		
National Resource Lands			Acquired Lands		
T.	; R.	Meridian	T.	; R.	Meridian

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EAST MESA KGRA
T. 15 S., R. 16 E., SB Mer.
 Sec. 23, E1/2SE1/4;
 Sec. 24, S1/2;
 Sec. 25, All;
 Sec. 26, E1/2NE1/4.

T. 15 S., R. 17 E., SB Mer.
 Sec. 19, S1/2;
 Sec. 20, SW1/4;
 Sec. 29, W1/2;
 Sec. 30, All.

Total Area		2549.09	Total Area	

Containing 2549.09 acres (hereinafter called the "leased area" or "leased lands"), together with:

- (a) The nonexclusive right to conduct within the leased area geological and geophysical exploration in accordance with applicable regulations; and
- (b) The right to construct or erect and to use, operate, and maintain within the leased area, together with ingress and egress thereupon all wells, pumps, pipes, pipelines, buildings, plants, sumps, brine pits, reservoirs, tanks, waterworks, pumping stations, roads, electric power generating plants, transmission lines, industrial facilities, electric, telegraph or telephone

lines, and such other works and structures and to use so much of the surface of the land as may be necessary or reasonably convenient for the production, utilization, and processing of geothermal resources or to the full enjoyment of the rights granted by this lease, subject to compliance with applicable laws and regulations; Provided that, although the use of the leased area for an electric power generating plant or transmission facilities or a commercial or industrial facility is authorized hereunder, the location of such facilities and the terms of occupancy therefor shall be under separate instruments issued under any applicable laws and regulations; and

(c) The nonexclusive right to drill potable water wells in accordance with state water laws within the leased area and to use the water produced therefrom for operations on the leased lands free of cost, provided that such drilling and development

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are conducted in accordance with procedures approved by the Supervisor of the Geological Survey (hereinafter called "Supervisor"); and

(d) The right to convert this lease to a mineral lease under the Mineral Leasing Act of February 25, 1920, as amended, and supplemented (30 U.S.C. 181--287) or under the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351--359), whichever is appropriate, if the leasehold is primarily valuable for the production of one or more valuable by-products which are leasable under those statutes, and the lease is incapable of commercial production or utilization of geothermal steam: Provided that, an application is made therefor prior to the expiration of the lease extension by reason of by-product production as hereinafter provided, and subject to all the terms and conditions of said appropriate Acts. The Lessee is also granted the right to locate mineral deposits under the mining laws (30 U.S.C. 21-54), which would constitute by-products if commercial production or utilization of geothermal steam continued, but such a location to be valid must be completed within ninety (90) days after the termination of this lease. Any conversion of this lease to a mineral lease or a mining claim is contingent on the availability of such lands for this purpose at the time of the conversion. If the lands are withdrawn or acquired to aid of a function of any Federal Department or agency, the mineral lease or mining claim shall be subject to such additional terms and conditions as may be prescribed by such Department or agency for the purpose of making operations thereon consistent with the purposes for which these lands are administered; and

(e) The right without the payment of royalties hereunder, to reinject into the leased lands geothermal resources and condensates to the extent that such resources and condensates are not utilized, but their reinjection is necessary for operations under this lease in the recovering or processing of geothermal resources. If the Lessee, pursuant to any approved plan, disposes of the unusable brine and produced waste products into underlying formations, he may do so without the payment of royalties.

Sec. 2. TERM

(a) This lease shall be for a primary term of ten (10) years from the effective date and so long thereafter as geothermal steam is produced or utilized in commercial quantities but shall in no event continue for more than forty (40) years after the end of the primary term. However, if at the end of that forty-year period geothermal steam is being produced or utilized in commercial quantities, and the leased lands are not needed for other purposes, the Lessee shall have a preferential right to a renewal of this lease for a second forty-year term in accordance with such terms and conditions as the Lessor deems appropriate.

(b) If actual drilling operations are commenced on the leased lands or under an approved plan or agreement on behalf of the leased lands prior to the

end of the

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primary term, and are being diligently prosecuted at the end of the primary term, this lease shall be extended for five (5) years and so long thereafter, but not more than thirty-five (35) years, as geothermal steam is produced or utilized in commercial quantities. If at the end of such extended term geothermal steam is being produced or utilized in commercial quantities, the Lessee shall have a preferential right to a renewal for a second term as in (a) above.

(c) If the Lessor determines at any time after the primary term that this lease is incapable of commercial production and utilization of geothermal steam, but one or more valuable by-products are or can be produced in commercial quantities, this lease shall be extended for so long as such by-products are produced in commercial quantities but not for more than five (5) years from the date of such determination.

Sec. 3. RENTALS AND ROYALTIES

(a) Annual Rental - For each lease year prior to the commencement of production of geothermal resources in commercial quantities on the leased lands, the Lessee shall pay the Lessor on or before the anniversary date of the lease a rental of \$2.00 for each acre or fraction thereof.

(b) Escalating Rental - Beginning with the sixth lease year and for each year thereafter until the lease year beginning on or after the commencement of production of geothermal resources in commercial quantities, the Lessee shall pay on or before the anniversary date of the lease an escalated rental in an amount per acre or fraction thereof equal to the rental per acre for the preceding year and an additional sum of one (1) dollar per acre or fraction thereof. If the lease is extended beyond ten (10) years for reasons other than the commencement of production of geothermal resources in commercial quantities, the rental for the eleventh year and for each lease year thereafter until the lease year beginning on or after the commencement of such production will be the amount of rental for the tenth lease year. If any expenditures are made in any lease year for diligent exploration on the leased lands in excess of the minimum required expenditures for that year, the excess may be credited against any rentals in excess of \$6.00 per acre or fraction thereof due the Lessor for that or any future year.

(c) Royalty - On or before the last day of the calendar month after the month of commencement of production in commercial quantities of geothermal resources and thereafter on a monthly basis, the Lessee shall pay to the Lessor:

(1) A royalty of 10 percent on the amount or value of steam, or any other form of heat or other associated energy produced, processed, removed, sold, or utilized from this lease or reasonably susceptible to sale or utilization by the Lessee.

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(2) A royalty of 5 percent of the value of any by-product derived from production under this lease, produced, processed, removed, sold, or utilized from this lease or reasonably susceptible of sale or utilization by the Lessee, except that as to any by-product which is a mineral named in Sec. 1 of the Mineral Leasing Act of February 25, 1920, as amended, (30 U.S.C. 181), the rate of royalty for such mineral shall be the same as that provided in that statute and the maximum rate of royalty for such mineral shall not exceed the maximum royalty applicable under that statute.

(3) A royalty of 5 percent of the value of commercially demineralized water which has been produced from the leased lands, and has been sold or utilized by the Lessee or is reasonably susceptible of sale or utilization by the Lessee. In no event shall the Lessee pay to the Lessor, for the lease year beginning on or after the commencement of production in commercial quantities on the leased lands or any subsequent lease year, a royalty of less than two (2) dollars per acre or fraction thereof. If royalty paid on production during the lease year has not satisfied this requirement, the Lessee shall pay the difference on or before the expiration date of the lease year for which it is paid.

(d) Waiver and Suspension of Rental and Royalties - Rentals or royalties may be waived, suspended, or reduced pursuant to the applicable regulations on the entire leasehold or any portion thereof in the interest of conservation or for the purpose of encouraging the greatest ultimate recovery of geothermal resources if the Lessor determines that it is necessary to do so to promote such development, or because the lease cannot be successfully operated under the terms fixed herein.

(e) Undivided Fractional Interests - Where the interest of the Lessor in the geothermal resources underlying any tract or tracts described in Sec. 1 is an undivided fractional interest, the rentals and royalties payable on account of each such tract shall be in the same proportion to the rentals and royalties provided in this lease as the individual fractional interest of the Lessor in the geothermal resources underlying such tract is to the full fee interest.

(f) Readjustments - Rentals and royalties hereunder may be readjusted in accordance with the Act and regulations to rates not in excess of the rates provided therein, and at not less than twenty (20) year intervals beginning thirty-five (35) years after the date geothermal steam is produced from the lease as determined by the Supervisor.

Sec. 4. PAYMENTS - It is expressly understood that the Secretary may establish the values and minimum values of geothermal resources to compute royalties in accordance with the applicable regulations. Unless otherwise directed by the Secretary, all payments to the Lessor will be made as required by the regulations. If there is no well on the leased

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lands capable of producing geothermal resources in commercial quantities, the failure to pay rental on or before the anniversary date shall cause the lease to terminate by operation of law except as provided by Sec. 3244.2 of the regulations. If the time for payment falls on a day on which the proper office to receive payment is closed, payment shall be deemed to be made on time if made on the next official working day.

Sec. 5. BONDS - The Lessee shall file with the Authorized Officer of the Bureau (hereinafter called the "Authorized Officer") shall maintain at all times the bonds required under the regulations to be furnished as a condition to the issuance of this lease or prior to entry on the leased lands in the amounts established by the Lessor and to furnish such additional bonds or security as may be required by the Lessor upon entry on the lands or after operations or production have begun.

Sec. 6. WELLS

(a) The Lessee shall drill and produce all wells necessary to protect the leased land from drainage by operations on lands not the property of the Lessor, or other lands of the Lessor leased at a lower royalty rate, or on lands as to which royalties and rentals are paid into different funds from those into which royalties under this lease are paid. However, in lieu of any part of such drilling and production, with the consent of the Supervisor, the Lessee may compensate the Lessor in full each month for the estimated loss of royalty

through drainage in the amount determined by said Supervisor.

(b) At the Lessee's election, and with the approval of the Supervisor, the Lessee shall drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized by applicable law.

(c) After due notice in writing, the Lessee shall diligently drill and produce such wells as the Supervisor shall require so that the leased lands may be properly and timely developed and for the production of geothermal steam and its by-products, including commercially demineralized water for beneficial uses in accordance with applicable state laws. However, the Supervisor may waive or modify the requirements of this subparagraph (c) in the interest of conservation of natural resources or for economic feasibility or other reasons satisfactory to him. If the products or by-products of geothermal production from wells drilled on this lease are susceptible of producing commercially demineralized water for beneficial uses, and a program therefor is not initiated with due diligence, the Lessor may at its option elect to take such products or by-products and the Lessee shall deliver all or any portion thereof to the Lessor at any point in the Lessee's geothermal gathering or disposal system without cost to the Lessee, if the Lessee's activities, under the lease, would not be impaired and such delivery would otherwise be consistent with field and operational requirements. The retention of this

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option by the Lessor shall in no way relieve the Lessee from the duty of producing commercially demineralized water where required to do so by the Lessor, except when the option is being exercised and then only with respect to wells where it is being exercised, or limit the Lessor's right to take any action under Sec. 25 to enforce that requirement.

Sec. 7. INSPECTION - The Lessee shall keep open at all reasonable times for the inspection of any duly authorized representative of the Lessor the leased lands and all wells, improvements, machinery, and fixtures thereon and all production reports, maps, records, books, and accounts relative to operations under the lease, and well logs, surveys, or investigations of the leased lands.

Sec. 8. CONDUCT OF OPERATIONS - The Lessee shall conduct all operations under this lease in a workmanlike manner and in accordance with all applicable statutes, regulations, and GRO orders, and all other appropriate directives of the Lessor to prevent bodily injury, danger to life or health, or property damage, and to avoid the waste of resources, and shall comply with all requirements which are set forth in 43 CFR Group 3200, including, but not limited to, Sub-part 3204, or which may be prescribed by the Lessor pursuant to the regulations, and with the special stipulations which are attached to the lease, all of which are specifically incorporated into this lease. A breach of any term of this lease, including the stipulations attached hereto, will be subject to all the provisions of this lease with respect to remedies in case of default. Where any stipulation is inconsistent with a regular provision of this lease, the stipulation shall govern.

Sec. 9. INDEMNIFICATION

(a) The Lessee shall be liable to the Lessor for any damage suffered by the Lessor in any way arising from or connected with the Lessee's activities and operations conducted pursuant to this lease, except where damage is caused by employees of the Lessor acting within the scope of their authority.

(b) The Lessee shall indemnify and hold harmless the Lessor from all claims arising from or connected with the Lessee's activities and operations under this lease.

(c) In any case where liability without fault is imposed on the Lessee

pursuant to this section, and the damages involved were caused by the action of a third party, the rules of subrogation shall apply in accordance with the law of the jurisdiction where the damage occurred.

Sec. 10. CONTRACTS FOR SALE OR DISPOSAL OF PRODUCTS - The Lessee shall file with the Supervisor not later than thirty (30) days after the effective date thereof any

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contract, or evidence of other arrangement for the sale or disposal of geothermal resources.

Sec. 11. ASSIGNMENT OF LEASE OR INTEREST THEREIN - Within ninety (90) days from the date of execution thereof, the Lessee shall file for approval by the Authorized Officer any instruments of transfer made of this lease or of any interest therein, including assignments of record title and working or other interests.

Sec. 12. REPORTS AND OTHER INFORMATION - At such times and in such form as the Lessor may prescribe, the Lessee shall comply with all reporting requirements of the geothermal resources leasing, operating, and unit regulations and shall submit quarterly reports containing the data which it has collected through the monitoring of air, land, and water quality and all other data pertaining to the effect on the environment by operations under the lease. The Lessee shall also comply with such other reporting requirements as may be imposed by the Authorized Officer or the Supervisor. The Lessor may release to the general public any reports, maps, or other information submitted by the Lessee except geologic and geophysical interpretations, maps, or data subject to 30 CFR 270.79 or unless the Lessee shall designate that information as proprietary and the Supervisor or the Authorized Officer shall approve that designation.

Sec. 13. DILIGENT EXPLORATION - In the manner required by the regulations, the Lessee shall diligently explore the leased lands for geothermal resources until there is production in commercial quantities applicable to this lease. After the fifth year of the primary term the Lessee shall make at least the minimum expenditures required to qualify the operations on the leased lands as diligent exploration under the regulations.

Sec. 14. PROTECTION OF THE ENVIRONMENT (LAND, AIR AND WATER) AND IMPROVEMENTS - The Lessee shall take all mitigating actions required by the Lessor to prevent: (a) soil erosion or damage to crops or other vegetative cover on Federal or non-Federal lands in the vicinity; (b) the pollution of land, air, or water; (c) land subsidence, seismic activity, or noise emissions; (d) damage to aesthetic and recreational values; (e) damage to fish or wildlife or their habitats; (f) damage to or removal of improvements owned by the United States or other parties; or (g) damage to or destruction or loss of fossils, historic or prehistoric ruins, or artifacts. Prior to the termination of bond liability or at any other time when required and to the extent deemed necessary by the Lessor, the Lessee shall reclaim all surface disturbances as required, remove or cover all debris or solid waste, and, so far as possible, repair the offsite and onsite damage caused by his activity or activities incidental thereto, and return access roads or trails and the leased lands to an acceptable condition including the removal of structures, if required. The Supervisor or the Authorized Officer shall prescribe the steps to be taken by Lessee to protect the surface and the environment and for the restoration of the leased lands and other lands affected by operations on the leased lands and

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improvements thereon, whether or not the improvements are owned by the United States. Timber or mineral materials may be obtained only on terms and conditions

imposed by the Authorized Officer.

Sec. 15. WASTE - The Lessee shall use all reasonable precautions to prevent waste of natural resources and energy, including geothermal resources, or of any minerals, and to prevent the communication of water or brine zones with any oil, gas, fresh water, or other gas or water bearing formations or zones which would threaten destruction or damage to such deposits. The Lessee shall monitor noise, air, and water quality conditions in accordance with any orders of the Supervisor.

Sec. 16. MEASUREMENTS - The Lessee shall gauge or otherwise measure all production, sales, or utilization of geothermal resources and shall record the same accurately in records as required by the Supervisor. Reports on production, sales, or utilization of geothermal resources shall be submitted in accordance with the terms of this lease and the regulations.

Sec. 17. RESERVATIONS TO LESSOR - All rights in the leased area not granted to the Lessee by this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing such reserved rights include:

(a) Disposal - The right to sell or otherwise dispose of the surface of the leased lands or any resource in the leased lands under existing laws, or laws hereafter enacted, subject to the rights of the Lessee under this lease;

(b) Rights-of-way - The right to authorize geological and geophysical explorations on the leased lands which do not interfere with or endanger actual operations under this lease, and the right to grant such easements or rights-of-way for joint or several use upon, through or in the leased area for steam lines and other public or private purposes which do not interfere with or endanger actual operations or facilities constructed under this lease;

(c) Mineral Rights - The ownership of and the right to extract oil, hydrocarbon gas, and helium from all geothermal steam and associated geothermal resources produced from the leased lands;

(d) Casing - The right to acquire the well and casing at the fair market value of the casing where the Lessee finds only potable water, and such water is not required in lease operations; and

(e) Measurements - The right to measure geothermal resources and to sample any production thereof.

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Sec. 18. ANTIQUITIES AND OBJECTS OF HISTORIC VALUE - The Lessee shall immediately bring to the attention of the Authorized Officer any antiquities or other objects of historic or scientific interest, including but not limited to historic or prehistoric ruins, fossils, or artifacts discovered as a result of operations under this lease, and shall leave such discoveries intact. Failure to comply with any of the terms and conditions imposed by the Authorized Officer with regard to the preservation of antiquities may constitute a violation of the Antiquities Act (16 U.S.C. 431-433). Prior to operations, the Lessee shall furnish to the Authorized Officer a certified statement that either no archaeological values exist or that they may exist on the leased lands to the best of the of the Lessee's knowledge and belief and that they might be impaired by geothermal operations. If the Lessee furnishes a statement that archaeological values may exist where the land is to be disturbed or occupied, the Lessee will engage a qualified archaeologist, acceptable to the Authorized Officer, to survey and salvage, in advance of any operations, such archaeological values on the lands involved. The responsibility for the cost for the certificate, survey, and salvage will be borne by the Lessee, and such salvaged property shall remain the property of the Lessor or the surface owner.

Sec. 19. DIRECTIONAL DRILLING - A directional well drilled under the leased area

from a surface location on nearby land not covered by the lease shall be deemed to have the same affect for all purposes of this lease as a well drilled from a surface location on the leased area. In such circumstances, drilling shall be considered to have been commenced on the nearby land for the purposes of this lease, and production of geothermal resources from the leased area through any directional well located on nearby land, or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this section shall be construed as granting to the Lessee any right in any land outside the leased area.

Sec. 20. OVERRIDING ROYALTIES - The Lessee shall not create overriding royalties of less than one-quarter (1/4) of one percent of the value of output nor in excess of 50 percent of the rate of royalty due to the Lessor specified in Sec. 3 of this lease except as otherwise authorized by the regulations. The Lessee expressly agrees that the creation of any overriding royalty which does not provide for a prorated reduction of all overriding royalties so that the aggregate rate of royalties does not exceed the maximum rate permissible under this section, or the failure to suspend an overriding royalty during any period when the royalties due to the Lessor have been suspended pursuant to the terms of this lease, shall constitute a violation of the lease terms.

Sec. 21. READJUSTMENT OF TERMS AND CONDITIONS - The terms and conditions of this lease other than those related to rentals and royalties may be readjusted in accordance with the Act at not less than ten-year intervals beginning ten (10) years

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after the date geothermal steam is produced from the leased premises as determined by the Supervisor.

Sec. 22. COOPERATIVE OR UNIT PLAN - The Lessee agrees that it will on its own, or at the request of the Lessor where it is determined to be necessary for the conservation of the resource or to prevent the waste of the resource, subscribe to and operate under any reasonable cooperative or unit plan for the development and operation of the, area, field, or pool, or part thereof embracing the lands subject to this lease as the Secretary may determine to be practicable and necessary or advisable in the interest of conservation. In the event the leased lands are included within a unit, the terms of this lease shall be deemed to be modified to conform to such unit agreement. Where any provision of a cooperative or unit plan of development which has been approved by the Secretary, and which by its terms affects the leased area or any part thereof, is inconsistent with a provision of this lease, the provisions of such cooperative or unit plan shall govern.

Sec. 23. RELINQUISHMENT OF LEASE - The Lessee may relinquish this entire lease or any officially designated subdivision of the leased area in accordance with the regulations by filing in the proper BLM office a written relinquishment, in triplicate, which shall be effective as of the date of filing. No relinquishment of this lease or any portion of the leased area shall relieve the Lessee or its surety from any liability for breach of any obligation of this lease, including the obligation to make payment of all accrued rentals and royalties and to place all wells in the leased lands to be relinquished in condition for suspension or abandonment, and to protect or restore substantially the surface or subsurface resources in a manner satisfactory to the Lessor.

Sec. 24. REMOVAL OF PROPERTY ON TERMINATION OR EXPIRATION OF LEASE

(a) Upon the termination or expiration of this lease in whole or in part, or the relinquishment of the lease in whole or in part, as herein provided, the Lessee shall within a period of ninety (90) days (or such longer period as the Supervisor may authorize because of adverse climatic conditions) thereafter remove from the leased lands, no longer subject to the lease all structures,

machinery, equipment, tools, and materials in accordance with applicable regulations and orders of the Supervisor. However, the Lessee shall, for a period of not more than six (6) months, continue to maintain any such property needed in the relinquished area, as determined by the Supervisor, for producing wells or for drilling or producing geothermal resources on other leases.

(b) Any structures, machinery, equipment, tools, appliances, and materials, subject to removal by the Lessee, as provided above, which are allowed to remain on the leased lands shall become the property of the Lessor on expiration of the 90-day period or any extension of that period which may be granted by the Supervisor. If the Supervisor

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directs the Lessee to remove such property, the Lessee shall do so at its own expense, or if it fails to do so within a reasonable period, the Lessor may do so at the Lessee's expense.

Sec. 25. REMEDIES IN CASE OF DEFAULT

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, or the terms and stipulations of this lease, or of the regulations issued under the Act, or of any order issued pursuant to those regulations, and that default shall continue for a period of thirty (30) days after service of notice by the Lessor, the Lessor may (1) suspend operations until the requested action is taken to correct the noncompliance, or (2) cancel the lease in accordance with Sec. 12 of the Act (30 U.S.C. 1011). However, the 30-day notice provision applicable to this lease under Sec. 12 of the Act shall also apply as a prerequisite to the institution of any legal proceedings by the Lessor to cancel this lease while it is in a producing status. Nothing in this subsection shall be construed to apply to, or require any notice with respect to any legal action instituted by the Lessor other than an action to cancel the lease pursuant to Sec. 12 of the Act.

(b) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or the regulations, or of any GRO Orders, or other orders, and immediate action is required, the Lessor without waiting for action by the Lessee may enter on the leased lands and take such measures as it may deem necessary to correct the failure, including a suspension of operations or production, all at the expense of the Lessee.

(c) A waiver of any particular violation of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, shall not prevent the cancellation of this lease or the exercise of any other remedy or remedies under paragraphs (a) and (b) of this section by reason of any other such violation, or for the same violation occurring at any other time.

(d) Nothing herein shall limit or effect the Lessee's right to a hearing and appeal as provided in Sec. 12 of the Act and in the regulations promulgated thereunder.

(e) Upon cancellation, the Lessee shall remove all property in accordance with Sec. 24 hereof, and shall restore the leased lands in a manner acceptable to the Lessor or as may be otherwise required by the Lessor.

Sec. 26. HEIRS AND SUCCESSORS IN INTEREST - Each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

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Sec. 27. UNLAWFUL INTEREST - No Member of, or Delegate to Congress, or Resident Commissioner, after his election or appointment, either before or after he has qualified, and during his continuance in office, and no officer, agent, or employee of the Department shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 3741 of the Revised Statutes (41 U.S.C. Sec. 22), as amended, and Sections 431, 432, and 433 of Title 18 of the United States Code, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease so far as the same may be applicable.

Sec. 28. MONOPOLY AND FAIR PRICES - The Lessor reserves full power and authority to protect the public interest by promulgating and enforcing all orders necessary to insure the sale of the production from the leased lands at reasonable prices, to prevent monopoly, and to safeguard the public interest.

Sec. 29. EQUAL OPPORTUNITY CLAUSE - The Lessee agrees that, during the performance of this contract:

(1) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this Equal Opportunity clause.

(2) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The Lessee will send to each labor union or representative of workers with which Lessee has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Lessor, advising the labor union or workers' representative of the Lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

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(4) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Lessee will furnish all Information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this lease or with any of said rules, regulations, or orders, this lease may be canceled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Federal Government contracts or leases in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions as may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee will include the provisions of Paragraphs (1) through (7) of this Section (29) in every contract, subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor Issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965. as amended, so that such provisions will be binding upon each contractor, subcontractor, or subcontract, or purchase order as the Secretary may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the Lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor, or vendor as a result of such direction by the Secretary, the Lessee may request the Lessor to enter into such litigation to protect the interests of the Lessor.

Sec. 30. CERTIFICATION OF NONSEGREGATED FACILITIES - By entering into this lease, the Lessee certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause of this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, or restaurants or other eating areas, time clocks, or locker rooms, and other storage or dressing rooms, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive, or are in fact segregated on the basis of race, color, religion, or national origin because of habit, local

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custom, or otherwise. Lessee further agrees that (except where it has obtained identical certifications from proposed contractors and subcontractors for specific time periods) it will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following certification to such proposed contractors and subcontractors (except where the proposed contractor or subcontractor has submitted identical certifications for specific time periods); it will notify prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

Sec. 31. SPECIAL STIPULATIONS - (stipulations, if any, are attached hereto and made a part hereof)

Attachment "A"

ATTEST:

/s/ Evelyn L. Haley

Evelyn L. Haley, City Clerk

In witness whereof the parties have executed his lease.

Lessee:

REPUBLIC GEOTHERMAL, INC.

BY:

/s/ Timothy M. Evans

Timothy M. Evans

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CITY OF BURBANK, A MUNICIPAL CORP.

BY: /s/ Joseph N. Baker

Joseph N. Baker, City Manager

July 1, 1974
[SEAL]

THE UNITED STATES OF AMERICA, Lessor:

BY: /s/ Indecipherable

Chief, Branch of Lands and Minerals Operations,
Division of Technical Services
Sacramento, California 95825

July 10, 1975

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Exhibit 10.4.2

Ormesa

BLM License for Electric Power Plant Site

CA 24678

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
STATE OFFICE
E-2845 Federal Office Building
2800 Cottage Way
Sacramento, California 95825

Serial No. CACA 24678

LICENSE FOR ELECTRIC POWER PLANT SITE

UTILIZING GEOTHERMAL RESOURCES

This license, entered into on September 18, 1989, by the United States of America, the Licenser, through the Bureau of Land Management (BLM), and Ormesa Geothermal, the Licensee, is hereby issued under the Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025) and is subject to all applicable Federal, State, and local laws and regulations including Title 43 CFR Group 3200.

SECTION 1. RIGHTS UNDER LICENSE

This license confers the right to construct, operate, and maintain a 10 MW electric generating plant and related facilities or appurtenant structures in accordance with the terms and conditions of this license, the approved plan of utilization, and the applicable regulations, on those certain lands situated in the County of Imperial, State of California,

described below excepting that prior to commencing any surface disturbance activities allowed under this license, a permit to construct a utilization facility shall be obtained from the authorized officer as required by 43 CFR 3250.6-1(b):

Geothermal Power Plant Site Land Description

That portion of the Southeast one quarter of Section 6, Township 16 South, Range 17 East, San Bernardino Meridian, County of Imperial; State of California, being more particularly described as follows:

Beginning at Southeast corner of said Section 6:

Thence along the East line of said Southeast one quarter Section 6 North 00(0)06' 54" West 712.00 feet to a point;

Thence leaving said East line North 89(0) 59' 18" West 33.00 feet to a point, said point being the true point of beginning;

Thence continuing North 89(0)59' 18" West 890.80 feet to an angle point;

Thence North 00(0)00' 00" East 552.75 feet to an angle point;

Thence South 89(0)49' 44" East 382.80 feet to an angle point;

Thence North 00(0)01' 00" West 86.96 feet to an angle point;

Thence North 89(degree)55' 13" East 289.76 feet to an angle point;

Thence South 00(degree)04' 47" East 66.00 feet to an angle point;

Thence North 89(degree)55' 13" East 125.00 feet to the beginning of a tangent 92.08 foot radius curve concave Southwesterly;

Thence Easterly and Southeasterly along said curve through a central angle of 89(0) 57' 53" an arc distance of 144.58 feet to a point, said point being 33.00 feet Westerly of the East line of of said Southeast one quarter of Section 6.

Thence along a line parallel with and 33.00 feet Westerly of said East line South 00(0) 06' 54" East 481.44 feet to the true point of beginning.

Containing 11.93 acres, more or less.

This license is for a primary term of 30 years, with a preferential right of renewal of such license under such terms and conditions as the Licensor may deem appropriate, provided that the license may be terminated as provided in Section 7 hereof.

SECTION 2. OPERATIONS

- A. License shall comply with the regulations of the Secretary of the Interior as set forth in 43 CFR Part 3250.
- B. Licensee shall comply with the provisions of the operating regulations in 43 CFR Part 3260 and all orders issued pursuant thereto. Copies of the operating regulations may be obtained from the Authorized Officer.
- C. Prior to commencement of any activities relating to plant operations, the Licensee shall file with the Authorized Officer a copy of any utility commission license or other Federal, State, or local license or permit incident to the operation of the facilities authorized herein.
- D. Licensee shall allow inspection of the premises and operations by duly authorized representatives of the Department of the Interior or other Federal agency administering the lands and shall provide for the ingress or egress of government officers, and for users of the lands under authority of the United States.
- E. Licensee hereby agrees to hold harmless and indemnify the United States, its officers, agents, employees, successors, or assigns from and against all claims,

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demands, costs, losses, causes of action, damages, or liability of whatsoever kind or nature arising out of or resulting from the utilization of the property by the Licensee hereunder. The United States shall not be liable for any damages or injuries to persons or property in, or about, said premises from any cause other than the negligent acts or omissions of its officers, agents, or employees.

SECTION 3. RENTALS

The Licensee shall pay to the Licensor a rental of \$1200.00 on or before the date of issuance of the license and on each anniversary thereafter. Said rental shall be reassessed at the discretion of the Authorized Officer at not less than ten-year intervals beginning with the tenth year of the term of this license.

SECTION 4. BOND

The Licensee shall file with the Authorized Officer and shall maintain at all times the bond required under the regulations to be furnished as a condition to the issuance of this license in the amount established by the Licensor and to furnish such additional bond or security as may be required by the Licensor upon entry on the lands or after operations have begun.

SECTION 5. EQUAL OPPORTUNITY CLAUSE

This license is subject to the provisions of Executive Order No. 11246 of September 24, 1965, as amended, which sets forth the nondiscrimination clauses. A copy of this Order may be obtained from the Authorized Officer.

6. ASSIGNMENTS AND TRANSFERS

- A. This license shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Any proposed transfer in whole or in part of any right, title, or interest in the licensed plant or facility or this license must be filed with the Authorized Officer. The application for transfer must be accompanied by the same showing of qualifications of the transferee as is required of the applicant, and must be supported by a stipulation that the assignee will comply with and must be bound by all the terms and conditions of this license. No transfer will be valid unless and until it is approved in writing by the Authorized Officer.
- B. An application for approval of an assignment or transfer shall be accompanied by a nonrefundable fee as specified by the regulations at 43 CFR 3250.8(b).

SECTION 7. TERMINATION AND RELINQUISHMENT

- A. The Licensee may surrender this license by filing a written relinquishment, in triplicate, with the Authorized Officer. The relinquishment shall include a statement as to whether the land covered by the license has been disturbed and, if so, whether it has been restored as prescribed by the terms and conditions of the license. The relinquishment will not be accepted until the requirements for reclamation of the land have been met.
- B. The license may be cancelled upon written order of the Authorized Officer for violation of the terms and conditions hereof, or of any of the regulations or

orders applicable hereto, subject to notice and a right of appeal as provided in the regulations.

- C. Following relinquishment, expiration, or cancellation, the Licensee shall within one year following the termination of the license remove all structures, machinery, and other equipment from the above described lands, and restore the land in accordance with Section 7(D) of this license. Additional time may be granted by the Authorized Officer upon a showing of good cause by the Licensee. The bond required by this license shall not be released until the reclamation process has been completed to the satisfaction of the Authorized Officer.
- D. Prior to the termination of bond liability and to the extent deemed necessary by the Licenser, the Licensee shall reclaim all surface disturbances as required, remove or cover all debris or solid waste, and, so far as possible, repair the offsite and onsite damage caused by its activity or activities incidental thereto, and return access roads or trails and the licensed lands to an acceptable condition, including the removal of structures, if required. The Authorized Officer shall prescribe the steps to be taken by the Licensee to protect the surface and the environment and for the restoration of the licensed lands and other lands affected by operations on; the licensed lands and improvements thereon, whether or not the improvements are owned by the United States.

SECTION 8. UNLAWFUL INTEREST

No Member of, or Delegate to, Congress or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFE 7.3(a)(1), shall be admitted to any share or part in this license or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. Sec. 22) and Sections 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this license so far as the same may be applicable.

SECTION 9. CERTIFICATION OF NONSEGREGATED FACILITIES

By entering into this license, the Licensee certifies that Licensee does not and will not maintain or provide for Licensee's employees any segregated facilities at any of Licensee's establishments, and that Licensee does not and will not permit Licensee's employees to perform their services at any location, under Licensee's control, where segregated facilities are maintained. The Licensee agrees that a breach of this certification is a violation of the Equal Opportunity Clause of this license. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact

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segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Licensee further agrees that (except where Licensee has obtained identical certification from proposed contractors and subcontractors for specific time periods) Licensee will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that Licensee will retain such certifications in Licensee's files; and that Licensee will forward the following notice to such proposed contractors and subcontractors (except where the proposed contractor or subcontractor has submitted identical certifications for specific time periods); Licensee will notify prospective contractors and subcontractors of the requirement for certification of nonsegregated facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967, Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, of the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e. quarterly, semi-annually, or annually).

SECTION 10. STIPULATIONS

Affixed hereto as Exhibit "A"

8

THE UNITED STATES OF AMERICA

By /s/ Fred O'Ferrall

Chief, Leasable Minerals Section

Date SEP 18 1989

WITNESS TO SIGNATURE OF LICENSEE

Ormesa Geothermal

By Ormat Geothermal, Inc.

/s/ Barbara L. Bressler

Managing Partner

By /s/ Indecipherable

(Signature)

Vice President

(Title)

Date September 13, 1989

If this license is executed by a corporation, it must bear the corporate seal.

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Exhibit 10.4.3

CONFIDENTIAL

RECORDATION REQUESTED:
AFTER RECORDATION, RETURN TO:
RETURN BY: MAIL () PICKUP ()

STATE OF HAWAII

DEPARTMENT OF LAND AND NATURAL RESOURCES

GEOHERMAL RESOURCES MINING LEASE NO. R-2

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
GEOTHERMAL RESOURCES MINING LEASE

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STATE OF HAWAII

DEPARTMENT OF LAND AND NATURAL - RESOURCES

GEOHERMAL RESOURCES MINING LEASE NO. R-2

THIS INDENTURE OF LEASE, made this 20th day of February, 1981, pursuant to Chapter 182, Hawaii Revised Statutes, and the rules and regulations promulgated thereunder, by and between the STATE OF HAWAII, by its Board of Land and Natural Resources, hereinafter called the "Lessor", and KAPOHO LAND PARTNERSHIP, a Hawaii Limited Partnership, whose business and post office address is P.O. Box 374, Hilo, Hawaii 96720 respectively, hereinafter called the "Lessee",

W I T N E S S E T H :
- - - - -

1. LEASE

Subject to the provisions of paragraph 23 entitled "No Warranty of Title", Lessor, in consideration of the royalties, rental, and other monetary considerations, agreements and stipulations herein contained, does hereby lease unto the Lessee the right to develop geothermal resources and geothermal by-products in and under that certain parcel of land, hereinafter designated as the "leased lands", described in Exhibit "A" containing approximately 815.7997 acres situated at Kapoho, Puna, Hawaii, as shown on the map marked Exhibit "B", which exhibits are attached and made a part hereof.

The Lessee shall have the sole and exclusive right to drill for, produce and take geothermal resources from the leased lands and occupy and use so much of the surface of the leased lands as may be reasonably required pursuant to the provisions of section 182-3 of the Hawaii Revised Statutes and section 6.1 of the regulations. Lessee agrees to comply with these provisions and to save and hold the Lessor harmless with respect to the claims made under said

statute and regulations by the owners and occupiers of the surface of the leased lands. This Lease does include the right to reinject beneath the leased lands geothermal fluids subject to the prior written approval of the Lessor and upon such terms and conditions as the Lessor considers to be in the public interest and include any other right as may be necessary to produce the geothermal resources. This Lease does not confer upon the Lessee the privilege or right to store hydrocarbon gas beneath the leased lands; nor does this Lease confer upon the Lessee any other privilege or right not expressly given herein.

This Lease is entered into with the agreement that its purposes are and its administration shall be consistent with the principle of multiple use of public lands and resources; this Lease shall allow co-existence of other permits or leases of the same lands for deposits of other minerals under applicable laws, and the existence of this Lease shall not preclude other uses of the leased lands. However, operations under such other permits or leases or other such uses shall not unreasonably interfere with or endanger operations under this Lease, nor shall operations under this Lease unreasonably interfere with or endanger operations under any permit, lease, or other entitlement for use issued or held pursuant to the provisions of any other law. Nor shall this Lease be construed as superseding the authority which the head of any State department or agency has with respect to the management, protection, and utilization of the State lands and resources under his jurisdiction. The State may prescribe in its rules and regulations those conditions it deems necessary for the protection of resources.

2. RESERVATION TO LESSOR

All rights in the leased lands not granted to the Lessee by this Lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing such reserved rights include:

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A. Disposal - If the State owns the surface of the land, the right to sell or otherwise dispose of the surface of the leased lands owned by the State or to sell or dispose of any other resource in the leased lands under existing laws, or laws hereafter enacted subject to the rights of the Lessee under this Lease. Nothing provided herein shall be construed to authorize or provide for the sale or disposition of the surface of reserved or other privately owned lands.

B. Rights-of-way - The right to authorize geological and geophysical explorations on the leased lands which do not interfere with or endanger present operations or reasonable prospective operations under this Lease, and if the State owns the surface of the land the right to grant such easements or rights-of-way for joint or several use upon, through or in the leased lands for steam lines and other public or private purposes which do not interfere with or endanger present operations or reasonable prospective operations or facilities constructed under this Lease. Nothing provided herein shall be construed as a grant or the right to grant an easement or right-of-way upon reserved or other privately owned lands.

C. Certain Mineral Rights - The right to extract at its sole cost and expense and own oil, hydrocarbon gas, and helium from all geothermal steam and associated geothermal resources produced from the leased lands; provided, however that such extraction and ownership rights shall be exercised by Lessor in such manner as will not unduly interfere with the rights of Lessee under this Lease.

D. Casing - If the State owns the surface of the land, the right to acquire the well and casing when the Lessee finds only potable water, and such water is not required in lease operations; and

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E. Measurements - The right to measure geothermal resources and to sample any production thereof.

3. TERM

A. Primary Term, Extended Term, Maximum Term

This Lease shall be for a term of ten (10) years from and after the effective date of this Lease pursuant to Rule 3.11 of the Regulations, (hereinafter referred to as the "primary term"), and for so long thereafter as geothermal resources are produced or utilized in commercial quantities, provided that the maximum term of this Lease shall not exceed sixty-five (65) years; provided, however, that if the primary term or the maximum term for geothermal leases should be extended by statute, retroactively, such extended terms shall be applicable to this Lease, or should said terms be extended generally by statute, such extended terms may be made applicable to this Lease upon such other terms and conditions as the Board may determine. Production or utilization of geothermal resources in commercial quantities shall be deemed to include the completion of one or more wells capable of producing geothermal resources for delivery to or utilization by a facility or facilities not yet installed but scheduled for installation not later than fifteen (15) years from the date of commencement of the primary term of this Lease.

B. Extension of Lease Beyond Primary Term by Drilling Operations

If at the expiration of the primary term hereof geothermal resources in commercial quantities are not being produced from the leased lands, but the Lessee is actively engaged in drilling operations designed to drill below the depth of 1,000 feet, or, to a production zone at a lesser depth in a diligent manner, this Lease shall be continued for so long thereafter as such operations are continued with no cessation thereof for more than 180 days, but not to exceed a period of five (5) years, and if such drilling operations are successful, as long thereafter

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as geothermal resources are being produced or utilized in commercial quantities except for the sixty-five (65) year limit provided above.

C. Shut-in Production

If the Lessee has voluntarily shut-in production for lack of a market, but is proceeding diligently to acquire a contract to sell or to utilize the production or is progressing with installations needed for production, this Lease shall continue in force upon payment of rentals for the duration of the primary term or for five (5) years after shut-in, whichever is longer. The Chairman shall continue to review this Lease every five (5) years until production in commercial quantities occurs or this Lease is terminated by Lessor for Lessee's lack of due diligence or is surrendered by the Lessee. When production and sale or utilization of geothermal resources in commercial quantities has been established, the term of this Lease shall continue as provided in Paragraph A of this paragraph 3.

D. Drilling or Reworking Operations After Cessation of Production

If production of geothermal resources should cease by reason of a deadline in the productive capacity of existing wells after expiration of the primary term, or before the end of the primary term if production has commenced, this Lease shall continue so long as Lessee actively and continuously engages in drilling or reworking operations which shall be commenced within One Hundred Eighty (180) days after cessation of production. Continuous drilling or reworking operations shall be deemed to have occurred where not more than One Hundred Eighty (180) days elapse between cessation of operations on one well and commencement of operations on the same or another well. If such operations are continued and if they are successful, this Lease shall continue as long thereafter as geothermal resources are being produced in commercial quantities, except for the sixty-five (65) year limit provided above.

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4. RENTALS

A. Amount and Time of Payment

The first year's annual rent shall be paid pursuant to Rule 3.12. Thereafter, Lessee shall pay to Lessor at the Department, in advance each year on or before the anniversary date hereof, the annual rental of EIGHT HUNDRED AND SIXTEEN DOLLARS (\$816.00)

B. Credits Against Royalties

The annual rental due and paid for each year shall be credited against any production royalties due and accrued during the same year. Annual rentals paid for a given year shall not be credited against production royalties due in future years.

5. ROYALTIES

A. For Period of Initial Thirty-five Years

For the primary ten (10) year term and during the first twenty-five (25) years thereafter Lessee shall pay to Lessor the following royalties on production measured and computed in accordance with the regulations:

1. Geothermal Resources (Excluding Geothermal By-products)
A royalty of ten (10%) percent of the gross proceeds received by the Lessee from the sale or use of geothermal resources produced from the leased lands and measured at the wellhead without any deduction for treating, processing and transportation cost, notwithstanding Rule 3.13b. of Regulation 8.
2. Geothermal By-Products
Five (5%) percent of the gross proceeds received by the Lessee from the sale of any such by-product produced under this Lease, including demineralized or desalted water, after deducting the treating, processing and transportation costs incurred.

In the event that geothermal resources hereunder is not sold to a third party but is used or furnished to a plant owned or controlled by the Lessee, the gross proceeds of such production for the purposes of computing royalties hereunder shall be that which is reasonably

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equal to the gross proceeds being paid to other geothermal producers for geothermal resources of like quality under similar conditions without deducting any treating, processing and transportation costs incurred, notwithstanding Rule 3.13b. of Regulation 8.

No payment of royalty will be required on water if it is used in plant operation for cooling or generation of electric energy or is reinjected into the sub-surface. No royalty shall be paid for geothermal by-products used or consumed by Lessee in his production operations.

Gross proceeds shall not be deemed to include excise, production, severance or sales taxes or other taxes imposed on the Lessee by reason of the production, severance or sale of geothermal resources or geothermal by-products.

B. Readjustment After Thirty-five Years

Royalty rates on geothermal resources and geothermal by-products shall be readjusted, subject to the limitations specified in the regulations and in accordance with the procedures prescribed therein at the expiration of the

thirty-fifth (35th) and fiftieth (50th) years of the Lease; provided, however, that such readjustment shall be only as to the royalty rate and not as to the basis for determining payment to the Lessor.

If the royalty rates for any ensuing period have not been determined prior to the expiration of the preceding period, the Lessee shall continue to pay the royalty rates effective for the previous period, but the Lessee shall, within thirty (30) days after the new royalty rates have been so determined, pay the deficiency, if any.

C. Deadline for Royalty Payments

The Lessee shall make payments of royalties to the Lessor within thirty (30) days after the end of each calendar month following such production and accompany such payment with a certified true and correct written statement by the Lessee, showing the amount of geothermal resource and geothermal by-product produced, sold, used and/or otherwise disposed

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of and the basis for computation and determination of royalties. The Lessee shall furnish such other data as may be necessary to enable the Lessor to audit and verify all royalties due and payable to the Lessor.

D. Royalties-Production (absolute open flow potential)

If the Lessee supplies steam to any electrical generating facility from wells on both the leased lands and other lands and there is producible from all such wells in aggregate a quantity of steam greater than the maximum quantity utilizable by said electrical generating facility, Lessee agrees to produce and sell or use steam from the leased lands in a proportion no less than the proportion that the absolute open flow potential (the absolute open flow potential as used herein is the rate of flow in pounds of steam per hour that would be produced by a well if the only pressure against the face of the producing formation in the well bore were atmospheric pressure) of the wells on the leased lands bears to the total absolute open flow potential of all such wells from which Lessee supplies steam to such electrical generating facility. For purposes of this section it shall be deemed that the Lessee supplies steam from a well to an electrical generating facility when such well is capable of producing geothermal resources in commercial quantities to such facility. The absolute open flow potential of all such wells whether on the leased lands or other lands shall be determined by the Lessor and shall be based upon tests performed by the Lessee as prescribed by the Lessor. In this regard, Lessee shall, upon completion of each of such wells, and prior to the placing of such wells on commercial production, perform, and deliver to the Lessor the results of, the following tests:

1. Pressure Test - Pressure-buildup tests to determine static reservoir pressure and well bore conditions. If pressure-buildup tests are based on shut-in wellhead data, then static well bore temperature surveys must also be conducted:

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2. Isochronal Flow Tests - Isochronal flow tests or two rate flow tests to establish a back pressure curve and the absolute open flow potential;

3. Other Tests-Static Reservoir Pressure - Other tests as deemed to be necessary by the Lessor.

After commencement of commercial production from each of such wells, Lessee shall annually, or more frequently if requested by the Lessor, determine static reservoir pressure and complete any other

tests as specified by the Lessor.

E. Geothermal By-Products Testing

The Lessee shall furnish the Chairman the results of periodic tests showing the content of by-products in the produced geothermal resources. Such tests shall be taken as specified by the Chairman and by the method of testing approved by him, except that tests not consistent with industry practice shall be conducted at the expense of the Lessor.

F. Interest and Penalties

1. Interest - It is agreed by the parties hereto that any royalties, rentals, or other monetary considerations arising under the provisions of this Lease and not paid when due as provided in this Lease, shall bear interest from the day on which such royalties, rentals, or other monetary consideration were due at the rate of 12% per annum or such higher rates as may be permitted by law until such royalties, rentals, or other monetary considerations shall be paid to the Lessor.

2. Penalty - It is agreed by the parties hereto that any royalties, rentals or other monetary considerations arising under the provisions of this Lease and not paid when due as provided in this Lease, shall be subject to a five (5%) percent penalty on the amount of any such royalties, rentals, percentage of net profits, or other monetary considerations arising under the provisions of this Lease.

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3. Definition of Royalties, etc. - It is agreed by the parties hereto that, for the purpose of this section, "royalties, rentals or other monetary considerations arising under the provisions of this Lease and not paid when due" includes but is not limited to any amounts determined by the Lessor to have been due to the Lessor if, in the judgment of the Lessor, an audit by the Lessor of the accounting statement required by paragraph 28 below shows that inaccurate, unreasonable or inapplicable information contained or utilized in the statement resulted in the computation and payment to the Lessor of less royalties, rentals, or other monetary considerations than actually were due to the Lessor.

6. REQUIREMENT TO COMMENCE MINING OPERATIONS

Lessee shall commence mining operations upon the leased lands within three years from the effective date of this Lease, excluding any research period which has been granted; provided, that so long as the Lessee is actively and on a substantial scale engaged in mining operations on at least one geothermal resources mining lease, the covenant to commence mining operations shall be suspended as to all other leases held by the Lessee, covering lands on the same island.

7. TAXES

A. Real Property Taxes

Lessee shall pay any real property taxes levied on that portion of the surface of the leased lands utilized by Lessee, according to the value allocated thereto by Lessor or other appropriate State or County agency based on the use of the surface of the portion of the land by Lessee and the use of the remainder of the land by others entitled thereto. Lessee shall also pay any real property taxes levied on the structures and improvements placed thereon and utilized by Lessee; provided that all subsurface rights and any geothermal resources underlying the leased lands under this Lease shall be deemed to have only nominal value for real property tax

assessment purposes until such time, if any, as specifically authorized by law. If Lessor has exercised its rights under paragraph 2 herein, said taxes shall be prorated according to Lessee's interests.

B. Other Taxes

Royalties paid hereunder shall be in lieu of any severance or other similar tax on the extracting, producing, winning, beneficiating, handling, storage, treating or transporting of geothermal resources or any product into which the same may be processed in the State of Hawaii; nevertheless, if any such tax should be assessed, then such tax shall be deducted from any royalties otherwise due hereunder. As to any and all other taxes of any nature assessed upon geothermal resources or geothermal by-products therefrom or assessed on account of the production or sale of geothermal resources or geothermal by-products from the leased land, Lessor and Lessee each shall bear such tax in proportion to its respective fractional share of the value of such production.

8. UTILITY SERVICE

Lessee shall be responsible for all charges, duties and rates of every description, including water, electricity, sewer, gas, refuse collection or any other charges, arising out of or in connection with Lessee's operations hereunder.

9. SANITATION

Lessee shall keep its operations and improvements in a strictly clean, sanitary and orderly condition.

10. WASTE: USE OF PREMISES

a. Lessee shall not commit, suffer or permit to be committed any waste, nuisance, strip mining or unlawful use of the leased lands or any part thereof.

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b. Negligence - Breach - Non-Compliance - Lessee shall use all reasonable precautions to prevent waste of, damage to, or loss of natural resources including but not limited to gasses, hydrocarbons and geothermal resources, or reservoir energy on or in the leased lands, and shall be liable to the Lessor for any such waste, damage or loss to the extent that such waste, damage, or loss is caused by (1) the negligence of Lessee, its employees, servants, agents or contractors; (2) the breach of any provision of this Lease by Lessee, its employees, servants, agents or contractors, or non-compliance with applicable federal, state or county statutes or rules and regulations; provided, however, that nothing herein shall diminish any other rights or remedies which the Lessor may have in connection with any such negligence, breach or non-compliance. With respect to any other such waste damage or loss, Lessee agrees to indemnify, save the Lessor harmless and, at the option of the Lessor, defend the Lessor from any and all losses, damages, claims, demands or actions caused by, arising out of, or connected with the operations of the Lessee hereunder as more specifically provided under paragraph 16 hereof. Lessee shall not be obligated to defend the Lessor's title to geothermal resources.

11. COMPLIANCE WITH LAWS

Lessee shall comply with all valid requirements of all municipal, state and federal authorities and observe all municipal, state and federal laws and regulations pertaining to the leased lands and Lessee's operations hereunder, now in force or which may hereafter be in force, including, but not limited to, all water and air pollution control laws, and those relating to the

environment; provided, however, no revision or repeal of the regulations as defined in paragraph 34 subsequent to the effective date hereof shall change the rental, royalty rate, term, or otherwise substantially change the economic terms under this Lease; provided, further, however, that the State of Hawaii, acting in its governmental capacity, may by such regulations or amendments thereto made at any time regulate the drilling, location, spacing, testing, completion, production,

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operation, maintenance and abandonment of a well or wells or similar activity as well as the construction, operation and maintenance of any power plant or other facilities in the exercise of its police powers to protect the public health, welfare and safety as provided in the regulations.

Lessee shall have the right to contest or review, by legal procedures or in such other manner as Lessee may deem suitable, at its own expense, any order, regulation, direction, rule, law, ordinance, or requirement, and if able, may have the same cancelled, removed, revoked, or modified. Such proceeding shall be conducted promptly and shall include, if Lessee so decides, appropriate appeals. Whenever the requirements become final after a contest, Lessee shall diligently comply with the same. Lessee also agrees that in its employment practices hereunder it shall not discriminate against any person because of race, color, religion, sex, ancestry or national origin.

12. INSPECTION OF PREMISES AND RECORDS

Lessor, or persons authorized by the Lessor, shall have the right, at all reasonable times, to go upon the leased lands for the purpose of inspecting the same, for the purpose of maintaining or repairing said premises, for the purpose of placing upon the leased lands any usual or ordinary signs, for fire or police purposes, to protect the premises from any cause whatever, or for purposes of examining and inspecting at all times the operations of Lessee with respect to wells, improvements, machinery, and fixtures used in connection therewith, all without any rebate of charges and without any liability on the part of the Lessor for any loss of occupation or quiet enjoyment of the premises thereby occasioned.

Lessor or its agents may at reasonable times inspect the books and records of Lessee with respect to matters pertaining to the payment of royalties to Lessor. Complete information shall be made available to Lessor. In addition, qualified representatives and/or consultants designated by Lessor may examine the reports specified in this Lease and all other

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pertinent data and information regarding wells on the leased lands and production therefrom. In the event of surrender of all or a part of the leased lands Lessee shall furnish Lessor all data with respect to such surrendered lands including interpretations of such data for use in future lease negotiations with third parties. Lessee agrees on written request to furnish copies of such information to Lessor's qualified representatives or consultants.

13. GEOTHERMAL OPERATIONS

Lessee shall carry on all work hereunder with due regard for the preservation of the property covered by this Lease and with due regard to the safety and environmental impact of its operations and in accordance with the following terms and conditions:

A. Removal of Derrick. Lessee shall remove the derrick and other equipment and facilities within sixty (60) days after Lessee has ceased making use thereof in its operations.

B. Operating Sites. All permanent operating sites shall be landscaped or fenced so as to screen them from public view to the maximum extent possible, as required in the discretion of the Department of Land and Natural Resources. Such landscaping or fencing shall be approved in advance by the Lessor and kept in good condition.

C. Site Selection. Prior to commencing a particular operation on the surface of the leased lands, Lessee will consult with the occupier and submit the details concerning the proposed operation, such as the location or route of any drill site, facility site, installation site, surface area, road, pond, pipeline, power line, or transmission line, as the case may be, to the occupier by certified mail for the occupier's approval. If the occupier does not approve such proposal, occupier will submit within thirty (30) days an alternate written proposal. If occupier does not submit an alternate proposal, Lessee may proceed with its operation as originally proposed, subject to the provisions of paragraph 23. If the occupier and Lessee cannot agree, the matter will be submitted to arbitration.

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D. Drilling Operations. All drilling and production operations shall be conducted in such manner as to eliminate as far as practicable dust, noise, vibration, or noxious odors. The operating site shall be kept neat, clean and safe. Drilling dust shall be controlled to prevent widespread deposition of dust. Detrimental material deposited on trees and vegetation shall be removed. Lessee will take such steps as may be required to prevent damage to crops. The determination as to what is detrimental will be made by the Lessor.

No well shall be drilled within five hundred (500) feet of any residence or building on the leased lands without first obtaining the occupier's written consent.

In any well drilled by Lessee hereunder sufficient casing shall be set and cemented so as to seal off surface and subsurface waters, any of which would be harmful to agricultural or other operations.

E. Water Quality - Waste Disposal. Lessee shall file with the Lessor a report of any proposed waste discharge.

Wastes shall be discharged in accordance with requirements and prohibitions prescribed by the Lessor. The Lessor and any other state agency having jurisdiction over the affected lands shall also approve the place and manner of such waste disposal.

F. Fish and Game Notice - Interference. Lessee shall communicate with the Division of Fish and Game prior to any operations which may adversely affect fish and wildlife resources. Lessee shall conduct its operations in a manner which will not interfere with the right of the public to fish upon and from the public lands of the State and in the waters thereof or will not preclude the right of the public to use of public lands and waters.

G. Damage to Terrain. Any operations disturbing the soil surface, including road building and construction and movement of heavy equipment in support of or relating to specific

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geothermal exploration or development activities shall be conducted in such manner as will not result in unreasonable damage to trees and plant cover, soil erosion, or in degradation of waters of the State, including fish and aquatic life habitat. Lessee will conduct its operations in a manner that will not unreasonably interfere with the enjoyment of the leased lands by the occupier or persons residing on or near the leased lands.

H. Pollution. Pollution of the ocean and tidelands, rivers, or other bodies of water, and all impairment of and interference with bathing, fishing, or navigation in the waters of the ocean or any bay or inlet thereof is prohibited, and no brine, minerals, or any refuse of any kind from any well or works shall be permitted to be deposited on or pass into waters of the ocean, any bay or inlet thereof, rivers, lakes or other bodies of water, without specific written State authorization.

No Leased Substances which may be produced from any well drilled upon the leased lands shall be blown, flowed, or allowed to escape into the open air or on the ground in such a manner as to create a nuisance, which shall specifically include but not be limited to noise, air or other pollution, and other activities which disturb the occupier's or his Tenant's use of the leased lands. Subject to the foregoing, Lessee may bleed Leased Substances to the atmosphere so long as such operations are lawfully and prudently conducted in accordance with good geothermal drilling and production practices and are not otherwise violative of the provisions of this Lease.

I. Filled Lands. No permanent filled lands, piers, platforms, or other fixed or floating structures in, on, or over any tide and submerged lands covered by this Lease or otherwise available to Lessee shall be permitted to be constructed, used, maintained, or operated without obtaining any and all permits required under applicable State and Federal law, rules and

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regulations, and complying with all valid ordinances of cities and counties applicable to Lessee's operations, and without securing the written permission of the Lessor specifically authorizing the activity.

J. Road Maintenance. Lessee will take such steps at Lessee's own expense as are necessary to insure that its roads, well sites, plant sites and other operation areas will be kept as dust free as is practicable so that dust will not decrease the market value of adjacent growing crops or interfere with the occupier's or his tenant's uses.

Lessee will use existing roads where such are available for its operations. All roads, bridges and culverts used by Lessee will be maintained by it and roads surfaced or treated in a manner that will prevent dust from interfering with agricultural or residential use of the leased lands. Lessee shall be responsible for the maintenance of and repair of damages caused to roads used by Lessee on or serving the leased lands. The occupier and Lessor and their agents, tenants and licensees shall have the full use of roads constructed by Lessee but shall be responsible for the repair of any unusual damage caused to such roads by their use. In constructing roads, Lessee shall install necessary culverts or bridges so as not to interfere with the irrigation or drainage of the leased lands.

K. Timber Damaged. In the absence of any agreement to the contrary, timber damaged, destroyed, or used on the leased lands shall be compensated for at market value to the surface owner. Borrow pit material shall not be obtained from the leased lands without permission and payment of market value to the surface owner.

L. Improvements - Protection from Damage. Improvements, structures, telephone lines, trails, ditches, pipelines, water developments, fences, crops and other property of

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the State or surface owners, other lessees or permittees shall be protected from damage and repaired or replaced by Lessee when damaged by Lessee.

M. Damages - Payment. In the event any buildings or personal

property or crops shall be damaged or destroyed because of Lessee's operations on the leased lands, then Lessee shall be liable for all damages occasioned thereby. Lessee in its operations on the leased lands shall at all times have due and proper regard for the rights and convenience, and the health, welfare and safety of the occupier and of all tenants and persons lawfully occupying the leased lands. In the event that Lessee's operations result in any condition, including but not limited to water table or deposition of chemicals, or harmful substances, which adversely affects the continued production of crops or then beneficial uses and purposes of the land, occupier at his option may require Lessee to reimburse the occupier, his tenants and persons lawfully occupying the leased lands as to the affected acreage in accordance with subparagraphs N 1 and 2 of this paragraph 13.

N. Damages to Surface or Condition of Land. Lessee shall pay the surface owner for the surface of each acre of land or fraction thereof utilized, taken or used or rendered substantially unusable by the Lessee in its operations, pursuant to the terms of this Lease, for farming or stock raising operations or other uses or purposes for which the land is then being used or for which the surface owner had made other plans, which shall include, but not be limited to, the lands occupied by drill sites, facility sites, roadways constructed by Lessee, ponds, pipelines, utility lines, power and transmission lines, production facilities, and other facilities and structures, together with other uses of the surface, save and except certain plants and buildings provided for in subparagraph O below, in accordance with one of the following methods to be elected by surface owner.

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1. Lessee shall pay the surface owner annually from the date of acquisition a rental equivalent to the fair rental value which is being paid each year for like property.

2. Lessee shall pay surface owner severance damages if any to the surrounding land and purchase the surface acreage required by Lessee for its fair market value with right of surface reverter in the surface owner when no longer utilized by Lessee in its operations.

O. Power Plants. In the event Lessee, or a public utility, pursuant to Lessee's operations hereunder, desires to construct any plant or building site and is required to have fee title for such purpose, then Lessee shall pay occupier the fair market value for the surface of such plant or building site and the severance damages, if any, to the parcel from which such plant or building site is taken.

P. Agreement with Surface Owner. In the event that the Lessor does not own the surface of the leased lands and if the geothermal developer who is responsible for developing the resources on the leased lands enters into a lease with the surface owner, then the provisions of such lease from the surface owner shall supercede the foregoing paragraphs 13.K. through 13.O and 14 relating to surface use, and such paragraphs shall thereafter have no force and effect where it is inconsistent with the lease with the surface owner.

Q. Drilling Mud. Drilling mud shall be ponded in a safe manner and place, and where required by the Lessor, posted with danger signs, and fenced to protect persons, domestic animals, and wildlife. Upon completion of drilling, the mud shall be disposed of, or after drying in place, covered with a protective layer of soil.

Lessee agrees to fence all sump holes and excavations and all other improvements, works, or structures which might interfere with or be detrimental to the activities

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of the occupier or other adjacent or nearby users of the land, and to build sumps and to take all reasonable measures to prevent pollution of surface or subsurface waters on or in the leased lands. Upon abandonment of any well on the leased lands, or on the termination of this Lease, or upon quitclaim or reverter of any leased land by Lessee, then as to such leased land Lessee shall level and fill all sump holes and excavations shall remove all debris, and shall leave those areas of the leased lands used by Lessee in a clean and sanitary condition suitable for farming or in the condition it was at the inception of this Lease if its use was other than farming, and shall pay the occupier for all damages to occupier's buildings, structures, or other property caused by Lessee.

R. Facility Sites. Areas cleared and graded for drilling and production facility sites shall be kept to a reasonable number and size, and be subject to Lessor's approval.

Unless economic and technological considerations will not permit, wells will be drilled directionally in order to minimize the number of drill sites required. Well sites and facility sites will be shaped and located to the extent practicable to interfere as little as possible with the occupier's operations including the spacing, location and operation of the occupier's improvements, planned and contemplated uses, grading, utility and drainage systems, and roads, and to prevent undue interference or danger to the occupier's or his tenant's farming and other operations. Where economically and technologically feasible, wells shall be drilled directionally from a single well site. Drill sites may also be located on unused portions of the leased lands. The drill sites will not ordinarily exceed five (5) acres in size but will vary in accordance with the number of wells drilled from such site and the amount of production equipment placed thereon. Plant or facility sites will be limited in size to approximately ten (10) acres per site.

S. Construction of Terms. The above are in addition to, and not to be construed as limitations upon, all other

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rules, regulations, restrictions, mitigation measures and all other measures designed to restrict, limit, modify or minimize the environmental impact of operations carried out pursuant to this Lease as set forth in this Lease.

T. Spacing, Production, Etc. The Lessor may determine the spacing of wells and the rate of development and production of such wells to prevent the waste of geothermal resources and to promote the maximum economic recovery from, and the conservation of reservoir energy in, each zone or separate underground source of geothermal resources. Such determination shall be based on recognized engineering standards and shall be consistent with prevailing economic and market conditions.

U. Drilling - Notice - Plan - Lessee, before commencing the drilling of a well, shall notify the Lessor of its intention to drill, and such notice shall contain the location and elevation above sea level of derrick, proposed depth, bottom hole location, casing program, proposed completion program and the size and shape of drilling site, excavation and grading planned, and location of existing and proposed access roads. Where the surface of the leased lands is under the jurisdiction of a State agency other than the Department of Land and Natural Resources, Lessee shall provide at the same time such information listed above as is pertinent to that agency.

V. Drilling, etc. - Circulating Medium - All drilling, redrilling, perforating, or work-over operations within the leased lands shall be done with an accepted circulating medium.

W. Generating Plants - Approval - No generating plants, buildings, structures, production equipment, metering systems, pipelines or roads for the production, sale or use of geothermal resources (hereinafter referred to as "geothermal facilities") shall be installed or constructed except on prior

Lessor's approval and the approval of any other governmental agency having jurisdiction over such installation or construction. Any contract entered into by Lessee

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with a Public Utility or any other person or entity for the installation or construction of geothermal facilities shall contain provisions requiring the Public Utility, or other person or entity to obtain the approval of the Lessor and other governmental agencies before installation or construction of geothermal facilities.

14. LIENS

Lessee will not commit or suffer any act or neglect whereby the estate of the Lessor or the surface owner or occupier of the leased lands shall become subject to any attachment, lieu, charge or encumbrance whatsoever, and shall indemnify and hold harmless the Lessor, surface owner and occupier, against all such attachments, liens, charges and encumbrances and all expenses resulting from any such act or neglect on the part of the Lessee.

Lessee will, before commencing construction of any improvements or any drilling operations or laying any pipe lines or doing any other work on or within the leased lands, deposit with Lessor, surface owner and occupier of such lands a bond or certificate thereof naming Lessor, said surface owner and occupier as obligees in a penal sum of not less than one hundred per cent (100%) of the cost of such construction, drilling or pipe line work and in form and with surety satisfactory to Lessor, the surface owner and occupier guaranteeing the completion of such work free and clear of all mechanics' and materialmen liens.

15. ASSIGNMENT OR SUBLEASE

Lessee shall have the right to transfer this lease to any person qualified under the applicable law and regulations by assignment, sublease, or other transfer, of any nature including the creation of security interests in Lessee's interest in this Lease and Lessee's rights hereunder, in whole or in part, and as to all or a part of the leased lands, subject to the approval of the Lessor, which approval will not unreasonably be withheld. Upon approval, Lessor may release

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the transferor from any liabilities or duties except for any liability or duty which arose prior to such approval.

16. INDEMNITY

The Lessee agrees to hold harmless and indemnify the State of Hawaii and its divisions, departments, agencies, officers, agents and employees, together with the owner or lessee of the surface of the leased lands, if any, from any and all liabilities and claims for damages and/or suits for or by reason of death or injury to any person or damage to property of any kind whatsoever, whether the person or property of Lessee, his agents, employees, contractors, or invitees, or third persons, from any cause or causes whatsoever caused by any occupancy, use, operation or any other activity on the leased lands or its approaches, carried on by the Lessee, his agents, employees, contractors, or invitees, in connection therewith; and the Lessee agrees to indemnify and save harmless the State of Hawaii, the Board, the Chairman, the Department, owner or lessee of the surface if there be one, and their officers, agents, and employees from all liabilities, charges, expenses (including counsel fees) and costs on account of or by reason of any such death or injury, damage, liabilities, claims, suits or losses.

The foregoing indemnity specified in this Lease and in the regulations is not intended to nor shall it be construed to require the Lessee to defend the Lessor's title to geothermal resources and in case of litigation involving the titles of the Lessee and the Lessor, Lessee and the Lessor will join in defending their respective interests, each bearing the cost of its own defense.

17. LIABILITY INSURANCE

Prior to entry upon the leased lands the Lessee or transferee shall obtain, at its own cost and expense, and maintain in force during the entire term of this Lease, a policy or policies of comprehensive general public liability and property damage insurance from any

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company licensed to do business in the State of Hawaii covering liability for injuries to persons, wrongful death, and damages to property caused by any occupancy, use, operations or any other activity on leased lands carried on by Lessee or transferee, its agents or contractors in connection therewith, in the following minimum amounts:

- a. Comprehensive General Bodily Injury Liability - \$300,000.00 each occurrence, \$1,000,000.00 aggregate.
- b. Comprehensive General Property Damage \$50,000.00 each occurrence, \$100,000.00 aggregate.

Liability coverage for injury or damage to persons or property caused by explosion, collapse and underground hazards are to be included prior to initiation of operations to drill a well for geothermal discovery, evaluation or production. Lessee shall evidence such additional coverage to the Chairman prior to initiation of drilling operations. If the land surface and improvements thereon covered by this Lease are owned or leased by a person other than the State of Hawaii, the owner and lessee, if any, of the surface and improvements shall be a named insured. The State of Hawaii, the Hawaii State Board of Land and Natural Resources, the Chairman of the Board of Land and Natural Resources, and the Department of Land and Natural Resources, shall also be named insureds.

No cancellation provision in any insurance policy shall release the Lessee of the duty to furnish insurance during the term of this Lease. A signed and complete certificate of insurance, containing the special endorsement prescribed in the regulations and indicating the coverage required by this paragraph, shall be submitted to the Chairman prior to entry upon the leased lands. At least thirty (30) days prior to the expiration of any such policy, a signed and

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complete certificate of insurance, indicating the coverage required by this paragraph, showing that such insurance coverage has been renewed or extended, shall be filed with the Chairman.

18. BOND REQUIREMENTS

The Lessee and every assignee, sublessee or transferee hereof shall file with the Board, a bond in the amount of \$10,000.00 in a form approved by the Board and made payable to the State of Hawaii, conditioned upon faithful performance of all requirements of Chapter 182, Hawaii Revised Statutes, the regulations thereunder and of this Lease, and also conditioned upon full payment by the Lessee of all damages suffered by the occupiers of the leased lands for which Lessee is legally liable. If the Lessee holds more than one (1) geothermal resources mining lease from the State of Hawaii, it may file with the Board, in

lieu of separate bonds for each lease, a blanket bond in the amount of \$50,000.00.

19. REVOCATION

This Lease may be revoked by the Board if the Lessee fails to pay rentals and/or royalties when due or fails to comply with any of the other terms of this Lease, law, or regulations, or if the Lessee wholly ceases all mining operations for a period of one year without the written consent of the Board for reasons other than force majeure or the production of less than commercial quantities of geothermal resources or by-products. However, before revocation of this Lease for defaults other than the failure to pay rents and/or royalties when due, the Board shall give the Lessee written notice of the claimed default and an opportunity to be heard within thirty(30) days of such notice. The Lessee shall be allowed sixty (60) days to correct such default or, if the default is one that cannot be corrected within sixty (60) days, to commence in good faith and thereafter proceed diligently to correct such default, following written notice of a determination after hearing by the Board that such default exists. Failure to comply with the foregoing shall be deemed sufficient cause for revocation. Defaults arising because of failure to

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pay rents and/or royalties when due must be cured within sixty (60) days of a written notice of default; otherwise this Lease may be revoked. In the alternative the Lessee may surrender this Lease as hereinafter provided.

Upon the revocation of this Lease, Lessor shall have the right to retain the improvements or require the Lessee to remove the same and restore the leased lands to a similar condition prior to any development or improvements, to the extent reasonably possible and, upon failure by the Lessee to do so, the Lessor may recover the cost thereof, in addition to imposing any penalties as provided by law or regulations.

20. SURRENDER

If Lessee has complied fully with all the terms, covenants and conditions of this Lease and the Regulations, Lessee may surrender, at any time and from time to time, this Lease in its entirety or with respect to any portion of the land described in this Lease. For the purposes hereof, if there are no deficiencies with respect to the land to be surrendered pertaining to public health, safety, conservation of resources and preservation of the environment, Lessee will be deemed to have complied fully with all of the terms, covenants and conditions of this Lease and the Regulations if Lessee shall have paid all rents and royalties due hereunder and an additional two years' rent for all of the leased lands or, in the event of a partial surrender, two years' rent prorated by reference to that portion of land described in this Lease which is to be surrendered. No deficiencies shall be deemed to exist unless, within sixty (60) days after delivery of the document of surrender, the Lessor has notified the Lessee in writing of any deficiency claimed to exist. If there are no deficiencies as aforesaid, such surrender shall be effective as of the delivery to Lessor of the document of surrender executed by Lessee describing this Lease or that portion of the leased lands which is to be surrendered. If there are claimed deficiencies with respect to the land to be surrendered pertaining to public health, safety, conservation of resources and

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preservation of the environment at the time of delivery of the document, such surrender shall not become fully effective until such time as such deficiencies have been corrected or determined not to exist. However, provided that if Lessee corrects such deficiencies within sixty (60) days of notification thereof, or if the deficiencies cannot be corrected within sixty (60) days, commences in good faith and thereafter proceeds diligently to correct

such deficiencies, then, in such case, although the surrender shall not be fully effective upon delivery of the document of surrender, the Lessee shall be relieved of any other or further obligations and liability as to this Lease or as to that portion of the leased lands which has been submitted for surrender, whether such liabilities or duties arise out of this Lease or the Regulations, including, without limiting the generality of the foregoing, all obligations to pay rent, to commence mining operations or to be diligent in exploration or development of geothermal resources. During the notification and correction periods above described, this Lease shall not be subject to revocation by the Lessor except for a failure by the Lessee after notification to correct such deficiencies within the time period and in the manner hereinabove described or a breach of the terms of this Lease as to any of the remaining leased lands or rights retained by the Lessee; provided, however, that should Lessee contest the validity of any claimed deficiency, the Lessee's obligations to correct shall be suspended pending appeal to and determination by a court of final jurisdiction. Except as aforesaid, nothing herein contained shall constitute a waiver of any liability or duty the Lessee may have with respect to the land or Lease surrendered as a result of any activity conducted on the leased land or under this Lease prior to such surrender. Upon the surrender of this Lease as to all or any portion of the land covered thereby, or upon any other termination of this Lease except by revocation, the Lessee shall be entitled to all equipment, buildings, and plants placed in and on the leased lands and the Lessor may require the Lessee to remove the same and restore

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the premises to a similar condition prior to any development or improvements, to the extent reasonably possible. This Lease may also be surrendered if as a result of a final determination by a court of competent jurisdiction, the Lessee is found to have acquired no rights in or to the minerals on reserved lands, nor the right to exploit the same, pursuant to this Lease, and, in such event, the Lessor shall pay over to the person entitled thereto the rentals, royalties and payment paid to the Lessor pursuant to this Lease.

21. ACCEPTANCE OF RENT AND ROYALTIES NOT A WAIVER

The acceptance of rent or royalties by the Lessor shall not be deemed a waiver of any breach by the Lessee of any term, covenant or condition of this Lease, nor of the Lessor's right to give notice of default and to institute proceedings to cancel this Lease in the manner set out in paragraph 19, and the failure of the Lessor to insist upon strict performance of any such term, covenant or condition, or to exercise any option conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of any such term, covenant, condition or option.

22. EXTENSION OF TIME OF PERFORMANCE

That notwithstanding any provision contained herein to the contrary wherever applicable, the Lessor may for good cause, as determined by the Board, allow additional time beyond the time or times specified herein to the Lessee, in which to comply, observe and perform any of the terms, conditions, and covenants contained herein.

23. NO WARRANTY OF TITLE

The Lessor does not warrant title to the leased lands or the geothermal resources and geothermal by-products which may be discovered thereon; this Lease is issued only under such title as the State of Hawaii may have as of the effective date of this Lease or may thereafter acquire. If the interest owned by the State in the leased lands includes less than the entire

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interest in the geothermal resources and geothermal by-products, for which

royalty is payable, as determined by the courts or otherwise, then the bonus, if any, rentals, royalties and other monetary considerations paid or provided for herein shall be paid to the Lessor only in the proportion which its interest bears to said whole for which royalty is payable, and the Lessor shall be liable to such persons for any prior payments made and adjudged by the courts or otherwise; provided, however, that the Lessor shall not be liable for any damages sustained by the Lessee.

This Lease is issued subject to all existing valid rights at the date hereof and such rights shall not be affected by the issuing of this Lease. In the event the leased lands have been sold by the State, subject to mineral reservation, Lessee agrees to follow such conditions and limitations prescribed by law providing for the State, and persons authorized by the State to drill for, produce and take geothermal resources, and occupy and use so much of the surface of the leased lands as may be required for all purposes reasonably connected therewith. Without limiting the effects of the foregoing, where Lessee is not the surface owner, Lessee agrees that before entering, occupying, or using any of the surface of the leased lands, for any or all purposes authorized by this Lease, Lessee will first secure the written consent or waiver of the owner of the surface of the leased lands or occupier; second, make payment of the damages to crops or other tangible improvements to the owner thereof; or third, in lieu of either of the foregoing provisions, execute a good and sufficient bond or undertaking, payable to and in an amount specified by the Lessor for the use and benefit of the surface owner or occupier of such land, to secure payment of such damages to the crops or tangible improvements of the surface owner or occupier of said land as may be determined and fixed in an action brought upon the bond or undertaking in a court of competent jurisdiction against the principal and sureties

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thereon, such bond or undertaking to be in the form and in accordance with the rules and regulations. In the event that the State owns only the mineral resources, this Lease is issued subject to any and all right, title and interest of the purchaser, title holder or owner of the surface of the leased lands, and any successor in interest to any such purchaser, title holder or owner of the leased lands, any other provision in this Lease to the contrary notwithstanding.

24. COMMINGLED PRODUCTION - PLANS - APPROVALS - ACCURACY

Subject to testing the absolute open flow potential of wells, whether on the leased lands or other lands, as set forth in paragraph 5D hereof, geothermal resources from any two or more wells, regardless of whether such wells are located on the leased lands, may be commingled when the metering system used to measure geothermal resources has been approved by the Lessor. Prior to the installation of the metering system, Lessee shall submit for approval a schematic drawing of the proposed system and specifications of the major equipment components. The Lessor will determine if acceptable standards of accuracy for measuring geothermal resources have been obtained, and may approve commingling of geothermal resources. The metering equipment shall be maintained and operated in such a manner as will meet acceptable standards of accuracy. Use of the equipment shall be discontinued at any time upon determination by the State that standards of measurement accuracy or quality are not being maintained, with such commingling stopped until measurement accuracy has been obtained. In the event that the quality and composition of the geothermal resources to be commingled are substantially different, it shall not be approved by the Lessor until acceptable standards and methods of payments are established. If less than the total flow is to be utilized in a plant or facility, then the reduction in flow for each well shall be in the proportion which the total open flow of each contributing well bears to the total open flows of all contributing wells.

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25. SUSPENSION OF OPERATIONS

In the event of any disaster or pollution, or likelihood of either, having or capable of having a detrimental effect on public health, safety, welfare, or the environment caused in any manner or resulting from operations under this Lease, the Lessee shall suspend any testing, drilling and production operations, except those which are corrective, or mitigative, and immediately and promptly notify the Chairman. Such drilling and production operations shall not be resumed until adequate corrective measures have been taken and authorization for resumption of operations has been made by the Chairman.

26. DILIGENT OPERATIONS REQUIRED

The Lessee shall be diligent in the exploration and development of the geothermal resources on the leased lands. Failure to perform diligent operations may subject this Lease to revocation by the Board. Diligent operations mean exploratory or development operations on the leased lands including without limitation geothermal surveys, heat flow measurements, core drilling, or the drilling of a well for discovery, evaluation, or production of geothermal resources.

The provisions hereof shall be construed and applied with reference and in relation to geological and engineering determinations and economic and market conditions with respect to geothermal resources in the area or field in which the leased lands is situated. In the event Lessor believes, based on reasonable cause, that Lessee has failed to perform diligently, Lessee may request a hearing and determination, in accordance with paragraph 19 hereof, of the particulars in which Lessee has failed to conduct diligent operations, and if after such hearing Lessee is found not to be diligent in its operations, then if Lessee does not, within ninety (90) days thereafter, commence and in good faith continue remedying such finding of lack of diligence, Lessor may revoke this Lease as herein provided.

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27. PRODUCTION OF BY-PRODUCTS

Lessee shall have no obligation to save or process any geothermal by-products unless such saving or processing, independent of revenues or value received from the production of other geothermal resources, including other geothermal by-products, is economically feasible.

28. RECORDS AND REPORTS

(a) Accounting Data. No later than the twenty-fifth (25th) day of every calendar month following the effective date of this Lease, Lessee shall submit a detailed accounting statement for lease operations specifying all charges paid and credits received under this Lease, including but not limited to information showing the amount of gross revenue derived from all geothermal resources produced, shipped, used or sold and the amount of royalty due. The Lessee shall, at the option of the Lessor, provide more detailed statements and explanatory materials to aid the Lessor in interpreting and evaluating Lessee's accounting statement. All such statements are subject to audit and revision by the Lessor and Lessee agrees that the Lessor may inspect all Lessee's books, records and accounts relating to operations under this Lease, including but not limited to the development, production, sale, use or shipment of geothermal resources at all reasonable times. Any statutory or other rights that Lessee may have to object to such inspection by the Lessor are hereby waived.

(b) Exploration Data. Lessee agrees to supply to the Lessor within thirty (30) days of the completion thereof, or the completion of any recorded portion thereof, all physical and factual exploration results, logs, surveys and any other data in any form resulting from operations under this Lease or from any surveys, tests, or experiments conducted on the leased lands by Lessee or

any person or entity acting with the consent of Lessee or with information or data provided by Lessee. Lessee agrees to supply to the Lessor within thirty (30) days of the completion thereof, or the completion of any recorded portion thereof, the results of all

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geological, geophysical or chemical tests, experiments, reports and studies, including but not limited to reservoir studies and tests, experiments, reports or studies relating to reinjection or reservoir depletion irrespective of whether the result of such tests, experiments, reports or studies contain sensitive or proprietary or confidential information or trade secrets. Lessee further agrees that any statutory or other rights or objections it may have to prevent disclosure of any such tests, experiments, reports or studies referred to in this paragraph by the Lessor are hereby waived. Notwithstanding any provisions hereof, however, all data and documents supplied by Lessee pursuant to this section shall be deemed to have been "obtained in confidence" and may be disclosed to other persons only with the written consent of Lessee or upon a determination by the Lessor that such disclosure is in the public interest or as otherwise provided by law or regulation.

(c) Waiver by Lessee. Lessee hereby waives any and all rights and objections it may have to prevent an examination of the books and records at reasonable times of any individual, association, or corporation which has transported for, or received from Lessee, any geothermal resources produced from the leased lands. Further, Lessee waives any and all rights and objections it may have to prevent an examination and inspection of the books and records, at reasonable times, of any such individual, association or corporation with respect to such individual's, association's, or corporation's, or to Lessee's operations, wells, improvements, machinery and fixtures used on or in connection with the leased lands.

Lessee does hereby waive any statutory or other right or objection to prevent disclosure to the Lessor or a duly authorized employee or representative of the Lessor of any information, reports, data, or studies of any kind, filed by Lessee with any public agency, federal, state or local, relating to the leased lands, the geothermal resources thereunder, or any operations

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carried out in connection with this Lease irrespective of whether such information, reports, data, or studies of any kind contain sensitive or proprietary or confidential information or trade secrets. Any and all such information, reports, data, or studies of any kind filed by Lessee with any public agency, federal, state or local, including all information filed with the Lessor pursuant to any paragraph of this Lease, shall be available at all times for the use of the Lessor or its duly authorized representatives for any purpose. Notwithstanding any provisions hereof, however, any information, reports, data or studies obtained by the Lessor from any public agency and which are not public records shall be deemed to have been "obtained in confidence" and may be disclosed to other persons only with the written consent of Lessee or upon a determination by the Lessor that such disclosure is in the public interest.

29. FORCE MAJEURE

If the Lessee is rendered unable to wholly or in part by force majeure to carry out its obligations under this Lease, Lessee shall give to Lessor prompt written notice of the force majeure. Thereupon, any obligations of the Lessee to perform so far as they are affected by the force majeure shall be suspended during the continuance of the force majeure and the primary term or any continuation period shall be extended for a period equal to the period of suspended performance caused by the force majeure. Lessee shall use all possible

diligence to remove or correct the force majeure, but this shall not require the settlement of strikes, lockouts or other labor difficulties. In no event shall any extension affect the sixty-five (65) year maximum term of this Lease.

30. UNIT OR COOPERATIVE PLANS

The Lessee may, with the written consent of the Board, utilize the leased lands or portions thereof under a unit, cooperative or other plan of development or operation with other

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State, Federal or privately owned lands for the drilling and production of one or more wells in accordance with Rule No. 3.15 of the Regulations.

31. NOTICES

Pursuant to Rule 8.2 of the Regulations, Lessor may give any notice or deliver any document hereunder to Lessee by mailing the same by registered mail addressed to Lessee at P.O. Box 374, Hilo, Hawaii 96720 or by delivering the same in person to any officer of Lessee. Lessee may give any notice or deliver any document hereunder to Lessor by mailing the same by registered mail addressed to Lessor at P.O. Box 621, Honolulu, Hawaii 96709 or by delivering the same to Lessor in person. For the purposes of this paragraph, either party may change its address by written notice to the other. In case of any notice or document delivered by registered mail, the same shall be deemed delivered when deposited in any United States Post Office, property addressed as herein provided, with postage fully prepaid.

32. RESTORATION OF PREMISES

Upon the revocation, surrender or expiration of this Lease, the Lessor or surface owner may require the Lessee to restore the leased lands to their original condition insofar as it is reasonable to do so within ninety (90) days thereof, except for such roads, excavations, alterations or other improvements which may be designated for retention by the surface owner, the Lessor or its agency having jurisdiction over said lands. When determined by the Lessor, surface owner or such State agency, cleared sites and roadways shall be replanted with grass, shrubs, or trees by the Lessee.

33. HEADINGS

The paragraph headings throughout this Lease are for the convenience of the Lessor and the Lessee and are not intended to construe the intent or meaning of any of the provisions thereof.

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34. REFERENCE

Unless specifically indicated otherwise, the regulations referred to in and governing this Lease shall be Regulation No. 8 relating to Regulations on Leasing of Geothermal Resources and Drilling for Geothermal Resources in Hawaii approved and adopted by the Board on March 10, 1978, and all terms used herein shall be given the meaning as set out in Rule 1.5 of said Regulation 8.

35. INSOLVENCY

In the event the Lessee at any time during the term hereof is insolvent under any of the provisions of the Federal Bankruptcy Act, or makes a voluntary assignment of his assets for the benefit of creditors, or is adjudged a bankrupt, either upon Lessee's voluntary petition in bankruptcy, or upon the involuntary petition of Lessee's creditors, or any of them, or should an attachment be levied and permitted to remain for any unreasonable length of time

upon or against the interest, rights or privileges of Lessee in or to any geothermal resources produced from the wells drilled by Lessee upon the leased lands, then, upon election by the Lessor, all of the interests, rights, and privileges of Lessee in and to all geothermal resources produced and saved from the leased lands by reason of Lessee's operations thereon, shall terminate upon receipt of written notice from the Lessor advising that the State has so elected. In such event the Lessor shall have, and Lessee, by the acceptance hereof, hereby gives the Lessor the right, option and privilege to cancel and terminate this Lease and all of the terms and provisions granted hereby, and all of the rights and privileges of Lessee in and to or upon the leased lands and in and to any geothermal resources produced and saved from the leased lands by reason of Lessee's operations thereon, and all of Lessee's rights and privileges granted by this Lease shall terminate immediately upon receipt of written notice from the Lessor that the Lessor has so exercised its option.

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36. SUBSIDENCE. Any subsidence to the leased or adjacent lands shall be considered pursuant to 7.7 of Regulation 8.

37. WORKMEN'S COMPENSATION INSURANCE

Lessee shall at all times in any and all operations under this Lease and in any and all work in and upon the leased lands carry full and complete Workmen's Compensation Insurance covering all employees.

38. SUCCESSORS

The term "Lessor" herein shall mean and include Lessor, its legal successors and assigns, and the term "Lessee" herein or any pronoun used in place thereof shall mean and include the masculine or feminine, the singular or plural number, and jointly and severally individuals, firms or corporations, and their and each of their respective heirs, successors, personal representatives and permitted assigns, according to the context hereof.

39. SEVERABILITY

If any provision herein is judicially determined, to be invalid, it shall be considered deleted herefrom and shall not invalidate the remaining provisions.

40. GEOTHERMAL OWNERSHIP

If the Lessee hereunder is the surface landowner it is mutually agreed that issuance of this Lease by the Lessor and acceptance thereof by the Lessee shall not be deemed or construed to be a waiver of, and shall be without prejudice to, any claim of ownership to the geothermal resources by the Lessee and Lessor incidental thereto.

41. LEASE TERMS VS. REGULATION 8

Unless indicated otherwise herein, Regulation 8 shall supersede any of the lease provisions herein which conflicts with said Regulation.

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AND KAPOHO LAND AND DEVELOPMENT CO., LTD., a Hawaii corporation, and fee simple owner of the land described in Exhibit "A" attached hereto does hereby consent to the issuance of the foregoing Lease to the Lessee, pursuant to an assignment of its occupier's rights to the Lessee.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the 20th day of February, 1981.

STATE OF HAWAII

APPROVED BY THE BOARD OF LAND
AND NATURAL RESOURCES AT ITS
MEETINGS HELD ON

December 17, 1980

/s/ George R. Ariyoshi

GEORGE R. ARIYOSHI
Governor of Hawaii

By /s/ Indecipherable

Chairman and Member
Board of Land and
Natural Resources

By /s/ Roland Higashi

Member
Board of Land and
Natural Resources

LESSOR

KAPOHO LAND PARTNERSHIP, a
Hawaii Limited Partnership.
By Kapoho Management Co.,
Inc., a Hawaii Corporation,
as its General Partner

By /s/ C. Arthur Lyman

Its Pres

By /s/ Jane T.K. Lyman

Its VP

By /s/ Albert S. Lyman

Its Sec. Treas.

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LESSEE

KAPOHO LAND AND DEVELOPMENT
CO., LTD.

By /s/ C. Arthur Lyman

Its V.P.

By /s/ Albert S. Lyman

Its Asst. Sec. Treas.

APPROVED AS TO FORM:

Deputy Attorney General

/s/ Indecipherable

Dated: 2/9/81

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

Exhibit 10.4.4

SBS-10
Original

GEOTHERMAL LEASE

THIS LEASE AND AGREEMENT entered into this 20th day of OCTOBER, 1975 by and between RUTH WALKER COX, A Married Woman, and BETTYE M. SMITH, A Widow, (hereinafter called "Lessor" whether one or more) and GULF OIL CORPORATION, a Pennsylvania corporation (hereinafter called "Lessee");

W I T N E S S E T H :

Lessor, in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, does hereby grant, demise, lease and let unto the Lessee the following described land together with any reversionary right therein (hereinafter called the "Leased Land") situated in the County of WASHOE, State of NEVADA, and containing approximately 142.71 acres:

For a description of the demised premises, see Exhibit A.

For the purpose of and together with the sole and exclusive right and privilege of exploring, drilling for, producing, extracting, removing, utilizing, selling and disposing of Geothermal Resources and of extracting minerals therefrom (hereinafter called "Extractable Minerals") and artificially injecting fluids and gases into the Leased Land; and constructing, erecting, using, operating and maintaining upon the Leased Land any and all Facilities as the Lessee may deem necessary in order to produce, save, utilize and process Geothermal Resources and Extractable Minerals and in order to generate electricity from Geothermal Resources; together with ingress and egress upon the Leased Land in order to exercise any of the rights granted herein. For the purpose of this Lease "facilities" shall include but not be limited to, wells, pumps, pipes, pipelines, buildings, plants, sumps, tanks, brine pits, reservoirs, watertanks, pumping stations, roads, electric power generation plants, transmission lines, electric, telegraph and telephone lines.

For the purpose of this Lease: (a) The term "Geothermal Resources" shall mean all products of geothermal processes, embracing indigenous steam, hot water and hot brines; steam and other gases, hot water and hot brines resulting from water, gas, or other fluids artificially introduced into geothermal formations; and heat or other associated energy found in geothermal formations. (b) The term "Extractable Minerals" shall mean any mineral or minerals (exclusive of oil and hydrocarbon gases) which are produced in solution with Geothermal Resources from

any well drilled by Lessee on the Leased Land. Seven (Please Initial) (7) RWC

This Lease shall be for a term of xxxxxx30 years from the date hereof (herein called "Primary Term") and so long thereafter as Geothermal Resources or Extractable Minerals are

being produced in commercial quantities or drilling operations are conducted either on the Leased Land or on land pooled therewith; all subject to the following terms and conditions:

1. Lessee shall pay to the Lessor on or before the last day of the calendar month after the month of commencement of production in commercial quantities of Geothermal Resources or Extractable Minerals or both and thereafter on a monthly basis: (a) A royalty of ***% of the value of the *** produced from the Leased Land or allocated thereto; and (b) A royalty of ***% of the value of the *** produced from the Leased Land or allocated thereto.

It is agreed that "value" shall be deemed to be the gross proceeds from the sale of the Geothermal Resources or Extractable Minerals, or, if not sold, their fair market value at the well head if they are used by the Lessee for commercial purposes other than in the producing or processing of other Geothermal Resources or Extractable Minerals. If the Lessee elects to process any Extractable Minerals prior to sale, then the Lessor's royalty shall bear its proportionate share of the cost of such processing.

2. Lessee has paid to Lessor the rental in full for a period of one (1) year from the date hereof. Commencing with the second year of the term hereof and on each anniversary date thereafter during the Primary Term, if during the preceding year Lessee has not conducted drilling operations on or if there was no production from the Leased Land or land pooled therewith then, subject to the provisions of paragraph 4 hereof, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of See Exhibit "B" (Par. 16) Dollars (\$RWC). For the purposes of calculating any payments hereunder based on acreage, Lessee may act as if the Leased Land contains the number of acres set forth above unless the Lessor or Lessee shall obtain a final adjudication that the acreage is different at which time Lessee shall, as of the next due date, adjust his payments accordingly but without retroactive obligation. Lessee shall make any payments hereunder by mailing or delivering a check or draft to Lessor at 105 E. Edgewater Avenue, Balboa, Ca. 92661.

3. If Geothermal Resources or Extractable Minerals are found in commercial quantities in any well or wells drilled on the Leased Land or land pooled therewith, Lessee may, at any time and from time to time, either before or after production, suspend or shut-in the operations of such well or wells and production therefrom. If operations are not being conducted hereunder or if there is no paying production attributable to this Lease, then commencing with the first day of the calendar month following the expiration of thirty (30) days from the date of such suspension or shut-in and on each Lease anniversary date thereafter, Lessee shall pay Lessor annually an amount equal to the rental provided for in paragraph 2 above, based upon the number of acres then covered by this Lease in absence of pooling or unitization, as shut-in royalty until such time as the operation of one such well is resumed or operations or paying production attributable to this Lease take place, whichever shall first occur. The maximum payment for such shut-in royalty in any Lease year shall in no event be greater than the amount computed for rental in paragraph 2 above regardless of the number of wells shut-in or suspended in any Lease year. Such shut-in royalty shall be deemed to be an advance royalty to be repaid to Lessee from royalties thereafter payable to Lessor hereunder. Any shut-in well for which the foregoing payment is being paid shall be considered under all the provisions of this Lease as a producing well.

*** Confidential material redacted and filed separately with the Commission.

4. Lessee may at any time release or surrender this Lease in whole or in part or as to any zone, strata or depth, by placing of record a release or quitclaim deed in the county office where this Lease is recorded, and thereupon Lessee shall be released of all further obligations and duties as to the portion of the Leased Land so surrendered or released; and thereafter all payments to Lessor provided for herein, except royalties on actual production, shall be reduced in the same proportion that the acreage covered hereby is reduced. All land so surrendered or released shall remain subject to rights-of-way and easements for facilities necessary or convenient for Lessee's operations on the Leased Land retained or on land pooled therewith.

5. No well shall be drilled nearer than 300 feet to any house, barn or structure now existing on the Leased Land, without the prior written consent of Lessor. Lessee shall pay for damages caused by its operation to growing crops and presently existing buildings and roads on the Leased Land. Lessee shall have the right at any time to remove all facilities placed on the Leased Land including the right to draw and remove casing. In addition to the right to produce Geothermal Resources and Extractable Minerals, Lessee shall have the right to use such water or water rights in, on, produced from or appurtenant to or crossing the Leased Land as Lessee may reasonably require in connection with its operations, provided that such use by Lessee of any water or water rights, as aforesaid, existing as of the date hereof, shall not interfere with Lessor's requirements for Lessor's own use thereof for domestic or agricultural purposes on the Leased Land and shall not be in violation of any applicable governmental law or regulation. Any brine, fluid or surplus water resulting from Lessee's activities or operations may be disposed of by reinjection or may be utilized or dealt with by Lessee in such lawful manner as Lessee shall deem appropriate.

6. Lessee shall pay all taxes levied against its improvements on the Leased Land. All Taxes assessed against the Geothermal Resources and Extractable Minerals covered by this Lease, and all taxes, assessments or charges of whatever kind now or hereafter assessed, levied or collected by reason of the production, sale or removal of Geothermal Resources or Extractable Minerals from the Leased Land shall be borne by the parties hereto in the proportion of the royalty share by Lessor and the remainder by Lessee. Lessor shall pay, before delinquency, all other taxes and assessments on the Leased Land and improvements thereon.

7. Lessee may, at any time and from time to time during the Primary Term hereof, pool and combine the Leased Land, or any portion thereof, into an operating unit with other lands in the vicinity, another lease or other leases, or any portion thereof, when, in the Lessee's judgment, it is necessary or advisable to do so in order to properly explore or develop or operate the Leased Land or to prevent waste or to avoid drilling unnecessary wells or to comply with applicable governmental laws, regulations or orders, provided that the total acreage in such pooled unit shall not exceed 2,560 acres. Such pooling shall be effected by Lessee executing and filing in the office where this Lease is recorded an instrument describing and identifying the pooled acreage. The production of Geothermal Resources or Extractable Minerals so pooled, and the development of and operation on any portion of the pooled unit shall be considered and construed and shall have the same effect, except for the payment of royalties, as production, development and operation on the Leased Land under the terms of this Lease. The royalties herein provided shall accrue and be paid to Lessor on pooled substances produced from any unit in the proportion that Lessor's interest in the land covered hereby and placed in the unit bears to the total acreage placed in each unit.

8. Lessee shall have the right at any time to commingle for the purpose of utilizing, storing, selling or processing Geothermal Resources or Extractable Minerals produced from the Leased Land or land pooled therewith with like

substances produced from other lands or units.

9. Upon the violation of any of the terms or conditions of this Lease, by Lessee and the failure to begin to remedy the same with due diligence within ninety (90) days after written notice from Lessor so to do, then, at the option of Lessor, this Lease shall forthwith cease and terminate, and all rights of Lessee in and to the Leased Land shall be at an end, saving and excepting the drill site for each producing well in respect of which Lessee is not in default, and saving and excepting rights-of-way necessary for Lessee's operations. The drill site referred to shall consist of a tract, designated by Lessee, of forty (40) acres, if there be so much, surrounding each producing well.

10. The obligations of Lessee hereunder shall be suspended while Lessee is prevented from complying therewith, in whole or in part, by strike, lockout, action of the elements, accidents, rules and regulations of the federal, state, municipal, or other governmental agencies, inability to obtain materials or supplies in the open market, or other matters or conditions beyond the control of Lessee, whether similar to matters or conditions herein specifically enumerated or not.

11. If Lessor owns less than the entire and undivided fee simple interest in the Leased Land or the Geothermal Resources and Extractable Minerals, then royalties and rentals shall be paid to Lessor only in the proportion that his interest bears to the whole and undivided fee. If Lessor hereafter acquires any additional interest in the Leased Land, then this Lease shall cover such after-acquired interest, provided that Lessor's share of rentals shall be increased to cover the interest so acquired at the next succeeding rental paying date after Lessee has been notified of such after-acquired interest or of any reversion having occurred. Any interest in the production from the Leased Land to which the interest of Lessor may be subject shall be deducted from the royalties provided for herein.

12. Lessor hereby warrants and agrees to defend the title to the Leased Land and agrees that Lessee may at its option pay and discharge any mortgage, taxes, assessments, or liens or encumbrances existing, levied or assessed upon the Leased Land and be subrogated to the rights of the holder thereof, and Lessee shall have the right to apply to Lessee's repayment any rentals or royalties accruing to the Lessor hereunder.

13. Any notice from Lessor to Lessee shall be given by sending the same by registered or certified mail, addressed to Lessee at Gulf Building, 1730 So. Bellaire St., Denver, Colo. 80222, Attn: Geothermal Operations and any notice from Lessee to Lessor shall be given by sending the same by registered or certified mail, addressed to Lessor at 105 E. Edgewater, Balboa, Cal. 92661. The address of either party may be changed by written notice as provided for above.

14. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part or as to any zone, strata or to any depth is expressly allowed, the covenants hereof shall extend to such assignee, his heirs, devisees, executors, administrators, successors, and assigns, but no change in the ownership of the Leased Land or assignment of rentals or

royalties shall be binding on the Lessee until thirty (30) days after Lessee has been furnished with a written transfer or assignment or certified copy thereof. Rentals hereunder shall not be apportioned upon an assignment as to a particular zone, strata or depth, but shall continue as a single obligation to be paid by either party. In the event of any partial assignment, production in commercial quantities on any portion of the Leased Land shall continue the Lease in force as a whole to the same extent as if no assignment had been made. Any assignment shall, as to the extent of the assignment, relieve and discharge Lessee of all obligations hereunder and, should the assignee default in any of the obligations of this Lease, such default shall not operate to invalidate or affect this Lease insofar as it covers any part of the Leased Land or interest therein not

included in the assignment.

15. This Lease shall be binding upon the parties hereto, their heirs, devisees, executors, administrators, successors and assigns, and may be executed in any number of counterparts with the same force and effect as if all parties had executed the same instrument. The failure of any person owning an interest in the Leased Land to execute a geothermal lease covering all or a portion of the Leased Land or the failure of any person named as a Lessor herein to execute a counterpart hereof, shall not affect the binding force of this Lease as to those who have executed or shall execute a counterpart hereof.

IN WITNESS WHEREOF, this Lease and Agreement is executed as of the date first above written.

/s/ RUTH WALKER COX

/s/ BETTYE M. SMITH

RUTH WALKER COX, A Married Woman,

BETTYE M. SMITH, A Widow.

[Notary Seal]

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CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

Exhibit 10.4.5

THIS LEASE, made in duplicate this 1st day of August, 1976, by and between SOUTHERN PACIFIC LAND COMPANY, a California corporation, hereinafter called "Lessor" and PHILLIPS PETROLEUM COMPANY, a Delaware corporation, hereinafter called "Lessee".

W I T N E S S E T H:

1. Lessor hereby grants, leases and lets, subject to the provisions hereof, the exclusive right to explore, prospect, drill for, produce, treat, extract, take, process, remove and utilize all products of geothermal processes, including, but not limited to, hot brine, hot water, hot rock, and indigenous steam; steam and other gases; hot water and hot brines resulting from water, gas or other fluids (whether liquid or gaseous) artificially introduced into geothermal formations hereinafter referred to as "geothermal energy"; and any mineral or minerals (exclusive of oil, petroleum and hydrocarbon gas) which are found in solution or in association with or entrained in such steam, hot water or hot brines, hereinafter referred to as "substances", and storing, taking, removing, transporting, and disposing of same, an undivided 50 percent interest in that certain land situated, lying and being in the County of Churchill, State of Nevada, hereinafter referred to as "Leased Premises", more particularly described on Exhibit "A" attached hereto and made a part hereof.

TOGETHER with the right to inject and reinject geothermal effluents from operations hereunder in the leased premises and use so much of the leased premises as may be required by Lessee for the drilling and operation of wells thereon for the purposes hereof, and to construct and maintain thereon buildings, structures and equipment, including, but not limited to generation and transmission of electric power, mineral processing, waste water disposal, pipe lines, transmission lines, power lines, ponds and roads, in connection with operations hereunder;

provided however, that Lessee agrees to use for such purpose only so much of the leased premises as shall be reasonably necessary for Lessee's operations thereon.

Subject to easements, leases, licenses and restrictions affecting the leased premises. Reserving unto Lessor, its successors and assigns, the following:

(a) The right to construct, maintain and use tracks, roads, trails, ditches, pipe lines, communication devices, and facilities relating thereto in, upon, over and across the leased premises, and

(b) The right to use the leased premises for all other purposes not inconsistent with or which shall not interfere with the right of the Lessee hereunder to use the leased premises.

(c) The exclusive right to all minerals other than those leased hereunder, including, but not limited to, oil, petroleum, natural hydrocarbon gas, and other hydrocarbons.

2. This lease shall be for a primary term of ten years from and after the date first herein written and for so long thereafter, as there:

(a) shall be commercial production of said geothermal energy and substances from the leased premises and/or

(b) drilling, re-drilling, deepening or remedial operations are being prosecuted on a continuous basis on the leased premises.

3. Lessee agrees to pay to Lessor in advance as of the date of this lease the sum of \$*** per acre of the leased premises as rental for the first year of this lease and to pay to Lessor in advance for the second year of the lease on or before the 1st day of August 1977, and annually thereafter during the remaining period this lease is in effect, on or before the same day and month of each succeeding year, an annual advance minimum royalty at the rate of \$*** per acre for each acre then covered by this lease.

*** Confidential material redacted and filed separately with the Commission.

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In the event Lessee uses the surface of a portion or portions of the leased premises for the construction and operation of facilities for mineral processing, electric or power generation or waste water disposal, ponds or plants, exclusive of the portions of the leased premises used for the drilling and operation of wells and construction and maintenance of pipe lines, transmission lines, roads and ditches, Lessee agrees to pay to Lessor, in addition to the above minimum royalty, an annual advance surface rental during the period of such use equivalent to 9 1/2 % of the current value used in the assessment by the County in which lands are located as to the portions of the leased premises so used, which is in effect for each year the use is made.

4. Lessee shall commence drilling a well for said geothermal energy and substances on the leased premises within the primary term, and shall continue the work of drilling said well with due diligence until completion, and thereafter shall commence and drill such other wells as may be required to assure Lessee of a supply of said geothermal energy and substances or any of them in such amounts as its requirements from the leased premises may demand, provided that the spacing of wells drilled upon the leased premises shall not be less than the spacing of wells drilled upon adjoining land, and provided further that this lease shall terminate at the end of the tenth year from the date hereof as to the acreage hereunder then in excess of the result of multiplying the number of wells then capable of producing said geothermal energy and

substances in paying quantities times six hundred and forty acres, and that the locations of the portions of the leased premises which shall remain subject to this lease shall be selected by Lessee.

Lessee shall keep each well drilled on the leased premises producing at the rate deemed by Lessee to be most conducive to efficient operation of the well and to maximum production of said geothermal energy and substances covered hereby; provided, however, that if Lessee's well

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or wells on land adjoining the leased premises are not produced to capacity, then Lessee may produce from the wells on the leased premises at the same ratio that the actual production bears to potential production of Lessee's well or wells being produced on adjoining land.

In the event Lessee fails to commence drilling a well within the primary term of this lease or the leased premises or land pooled therewith as provided herein, this lease shall terminate except as otherwise provided.

5. A well shall be deemed completed:

(a) when formations or mechanical difficulties are encountered which, in Lessee's judgment, render further drilling of such well unprofitable or unsuccessful and because of such fact further drilling operations thereon are discontinued;

(b) when a well has been drilled to a depth of at least five thousand feet and the drilling operation is discontinued, or

(c) Lessee has ceased drilling a well and it is tested and deemed capable of producing said geothermal energy and substances or any of them in quantities deemed by Lessee sufficient to warrant the continuance of its operation.

6. Lessee agrees to pay to Lessor as royalty:

(a) *** received by Lessee from the *** at the point of sale.

(b) on all other leased substances produced therefrom, *** during the first ten years of the commercial production of said substance and *** thereafter received by Lessee. ***, for the purpose of this lease, shall be ***

*** Confidential material redacted and filed separately with the Commission.

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Lessor shall have the right to receive its royalty in kind.

7. Lessor does hereby lease to Lessee the exclusive right to use said leased premises for the slant drilling of wells having their surface locations upon either the leased premises or adjoining land and having their well bores passing through the subsurface of the leased premises, for the production of said geothermal energy and substances, and having their production intervals beneath land other than the leased premises or land included in any unit created under provisions of Section 11 hereof, such wells being hereinafter referred to as "slant wells", together with the exclusive right to drill core holes through the subsurface of the leased premises to other land to obtain geological information.

Unless sooner terminated, either in whole or in part as hereinafter provided, the primary term of this lease of rights for slant wells shall be contemporaneous with the primary term of this lease, and for as long thereafter as said geothermal energy and substances are produced in paying quantities from

land other than the leased premises by slant wells, or Lessee in good faith conducts slant drilling operations in the leased premises.

As payment for the slant well rights, hereby leased, Lessee agrees to pay to Lessor, at the times and in the manner hereinafter provided, an overriding royalty on the production from each slant well, drilled by Lessee as follows:

(a) *** percent of the *** received by Lessee from the ***, at the point of sale.

(b) *** percent of the *** received by Lessee on all other leased substances produced therefrom. ***, for the purpose of this lease, shall be ***.

*** Confidential material redacted and filed separately with the Commission.

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The advance minimum royalty paid by Lessee to Lessor, under the provisions of Section 3 hereof, shall not be credited against any overriding royalties from production from slant wells drilled under the provisions hereof.

Lessor agrees to pay a pro rata share, which shall be in the proportion that its overriding royalty bears to the total production from slant wells drilled under this section, of the amount of any license, severance, or production tax levied by any governmental agency on, or measured by, the substances produced. Lessor agrees to pay the same pro rata share of the mineral rights taxes upon the land beneath which slant wells have their producing intervals. Lessee agrees to pay, or cause to be paid, the remainder of any and all such taxes.

The obligation of Lessee hereunder with respect to the drilling and operating of all slant wells, and its right to suspend or delay operations therein, shall be those provided in such leases in which Lessee has or may acquire an interest embracing the land beneath which slant wells drilled hereunder have their producing intervals.

Lessee shall keep true and correct records of its operations conducted in, and of the production from, slant wells. Lessee shall, when requested to do so by Lessor, furnish to Lessor a copy of the drilling log and electric log, and of the directional survey of the bore of, each slant well drilled by Lessee hereunder. Lessee shall furnish Lessor, with each overriding royalty payment, a statement of the production from each slant well showing in detail the computation of Lessor's overriding royalty. Lessee's records shall be open for inspection by Lessor at all reasonable times.

8. Lessee shall have the right to commingle, for the purpose of utilizing, selling or processing minerals, geothermal energy and substances produced from the leased land, with geothermal energy and substances produced from other land and to meter or gauge the

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production of said geothermal energy and substances from the leased premises, and to compute and pay royalty to Lessor on the basis of such production as so determined. Lessee agrees to pay to Lessor on or before the last day of each and every month the royalties accrued and payable hereunder for the preceding calendar month, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for determination of such royalty. In the event that the production of said geothermal energy and substances from the leased premises or from land in the general area of the leased premises should at any time exceed the demand therefor or the facilities for use thereof, and Lessee elects to reduce the total volume of said geothermal energy and substances produced or consumed, then in that event, wells participating on a

commingling basis shall be reduced in a percentage amount equal to the proportion of the whole in light of good engineering practices.

In the event all or any part of the leased premises is pooled (as provided for in Section 11), with other land, then Lessor shall receive as royalty on production from the pooled acreage only such portion of the royalty as the amount of Lessor's acreage placed in the unit, bears to the total acreage so pooled in the unit involved.

Lessee shall not be required to account to Lessor for, or to pay royalty on said geothermal energy and substances produced by Lessee on the leased premises which are not utilized, saved or sold, or on power generated by Lessee and used by Lessee in Lessee's operations on or with respect to the leased premises for or in connection with the development, processing and production of said geothermal energy and substances.

The annual advance minimum royalty provided in Section 3 payable by Lessee to Lessor shall be credited against the obligation of Lessee to pay the royalties which accrue only during the annual period for which paid, but the annual surface rental provided for in Section 3 shall not

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be so credited. The surface rental and royalties hereinabove provided for shall be a lien upon any and all of said geothermal energy and substances removed from or stored upon the leased premises and upon any improvements or personal property of Lessee upon the leased premises.

9. In the event Lessor at the time of making this lease owns a less interest in the leased premises than one hundred per cent of the rights herein leased to Lessee, then the rentals and royalties accruing hereunder shall be paid to Lessor only in the same proportions which Lessor's interest bears to a one hundred per cent interest in the leased premises. Notwithstanding the foregoing, should Lessor hereafter acquire any additional right, title or interest in or to the leased premises, it shall be subject to the provisions hereof to the same extent as if owned by Lessor at the date hereof, and any increase in payments of money hereunder necessitated thereby shall commence with the payment next following receipt by Lessee of satisfactory evidence of Lessor's acquisition of such additional interest.

10. In the event Lessee shall, except by Lessor, be lawfully deprived of possessing, or rights hereunder to, the leased premises, or any portion or portions thereof, Lessee shall notify Lessor as to the circumstances thereto; whereupon Lessor may, at Lessor's option, either reinstall Lessee in possession as to said rights or terminate this lease as to the leased premises, or the portion or portions thereof, as to which Lessee is so deprived, by notice to Lessee to that effect and the tender of the sum of One Hundred Dollars, plus the total amount of any sums other than taxes, theretofore paid by the Lessee hereunder, for said rights; whereupon no claims for damages whatsoever kind or character incurred by Lessee by reason of such de-possession shall be chargeable against Lessor.

11. Lessee is hereby given the right to combine or pool all or part of said leased premises with land either adjoining the leased premises or in the immediate vicinity thereof, so as to create

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by such combining or pooling one or more operating units of contiguous acreage for the production of said substances; provided, however, that no such unit shall substantially exceed 2,560 acres, or the land embraced in four sections of land according to United States survey and that the designation of such unit shall be made of the land to be pooled not later than thirty days after the first well drilled on the unit is placed upon production, and shall define the

area which shall constitute the pool. In the event production of said geothermal energy and substances is obtained from any land included within any such unit, whether or not from land covered by this lease, there shall be allocated to the leased premises included in such unit, for the purpose of royalty determination, only that proportion of the entire production from such unit that the acres of the leased premises in such unit bears to the total acres in such unit, and royalty payable under this lease with respect to leased premises included in such unit shall be computed only on that portion of such production so allocated to the leased premises. In the event of the failure of Lessor's or any other owner's title as to any portion of the land included in such pooled unit, such portion of such land shall be excluded in allocating production from such pooled unit; provided, however, Lessee shall not be held to account for any production allocated to any land excluded from any such pooled unit unless and until Lessee has actual knowledge of the circumstances requiring such exclusion. For the purpose of determining drilling obligations in such unit, the entire acreage so pooled shall be treated as if it were covered by one lease and the drilling of a well in any part of such unit, whether or not on land covered by this lease, shall fulfill Lessee's drilling obligations under this lease to the same extent as if it were drilled on the leased premises and no offset obligations shall accrue as between the several tracts of land included within any pooled unit. As to such unit (unless a producing well is located on such pooled unit at the time the unit is created), Lessee agrees to commence drilling operations within one year after it is so

created, but in any event within the primary term of this lease, and shall be obligated to drill at least one well for each six hundred and forty acres in the unit.

12. Lessee shall have the right to use such water in, on, from or appurtenant to the leased premises as Lessee may reasonably require in connection with Lessee's operations hereunder on the leased premises, without payment therefor to Lessor other than such cost as Lessor may have incurred therefor; provided that such use by Lessee shall not interfere with Lessor's requirements with respect to the use thereof on the land subject to this lease or Lessor's contractual commitments for the use thereof on land other than the leased premises, and that Lessee shall obtain any necessary governmental permission therefor and shall comply with applicable statutes, ordinances and governmental orders and regulations with respect thereto. Applications to governmental agencies for permission to appropriate water and geothermal energy within and underlying the leased premises shall be made on behalf of Lessor and shall be made for beneficial use appurtenant to Lessor's land described in Section 1 hereof. The permission so granted shall be subject to the leasehold interest of Lessee and all the terms, covenants and conditions under this lease.

13. If at any time during the term of this lease, a well is drilled for said geothermal energy and substances upon land not in the ownership of Lessor, which is adjacent to the leased premises and within 1,320 feet of the boundary lines of a unit into which the leased premises or portions thereof may be pooled, and said well is placed in commercial production for a period of six months, Lessee shall commence drilling within six months thereafter on the leased premises and within 1,320 feet from the common boundary line, an offset well within approximately the same distance from the common boundary line as said well on adjoining land is located, but in any event either on the leased premises or on land with which the leased premises may be

pooled, and to proceed diligently to drill to completion said offset well to the zone or horizon from which said well on the adjacent land is producing, provided, however, that Lessee shall not be required to commence drilling said offset well if there is already a well being drilled or there is a producing well on the leased premises or on land with which the leased premises is pooled

within such offset distance of said well on adjoining land.

14. Lessee may, at Lessee's option, at any time surrender and quitclaim Lessee's rights under this lease in and to all or any portion of the leased premises and shall be released thereupon from all obligations thereafter with respect to the land surrendered and quitclaimed.

15. Lessee's obligations hereunder, except for payment of taxes, advance annual minimum royalty and surface rentals under Section 3, and to drill wells under Section 13, shall be suspended and the primary term of this lease shall be extended, while Lessee is prevented from complying therewith by strikes, lockouts, riots, action of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations by any governmental agency, authority or representative having jurisdiction, inability to secure or absence of a market for commercial sale of substances developed on or from the leased premises, or other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters in this paragraph specifically enumerated.

16. If at the expiration of the primary term or at any time or times thereafter while this lease shall remain in force and effect, Lessee has discovered on the leased premises geothermal energy and substances in quantities which in Lessee's opinion, may be commercially produced, but said leased geothermal energy and substances are not being produced, processed or marketed because of technical or other problems or due to lack of market for such geothermal energy and substances which is acceptable to Lessee and Lessee is not then engaged in operations for the

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purpose of producing, processing or marketing leased geothermal energy and substances, Lessee may pay as a minimum royalty for the next ensuing twelve months on or before the expiration date of the primary term hereof or within ninety days from the suspension of all operations contemplated hereby, the sum of one dollar per acre for each acre then covered by this lease and if such payment is made or tendered, it will be considered that the geothermal energy and substances covered by this lease are being produced from said premises in paying quantities. In like manner and upon like payments annually this lease may be extended for additional twelve month periods, provided, however, that this lease cannot be extended beyond the primary term by reason of the royalty payments provided in this paragraph for a longer term than five consecutive years.

17. Upon the violation by Lessee of any of the terms, covenants or conditions of this lease, and failure to take steps to remedy the default within sixty days after receipt of written notice from Lessor to do so, then at the option of Lessor, this lease shall forthwith cease and terminate, and all rights of Lessee in and to said leased premises shall be at an end, except that Lessee shall have the right to retain and hold under this lease any forty acre subdivision in which a well is producing commercially or is being drilled, and with respect to which Lessee is not in default. The waiver by Lessor of any breach of any covenant or condition hereof shall not be a waiver of any other or subsequent breach hereof, nor of any other covenant or condition hereof.

18. Upon surrender by Lessee of Lessee's rights hereunder in whole or in part, or upon termination of Lessee's rights hereunder, or any part hereof, in any manner herein provided, Lessee shall peaceably surrender possession thereof to Lessor and Lessee shall quitclaim to Lessor all right, title and interest of Lessee in the leased premises in the condition received.

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19. Derricks, buildings, structures, improvements, equipment, machinery, appliances and personal property placed by Lessee upon the leased

premises shall be and remain the property of Lessee, and Lessee shall have the obligation, at the option of the Lessor at any time prior to the expiration of six months after the termination of this lease, to remove the same.

20. Lessee agrees to keep full records of the operations on, and production and sales of said geothermal energy and substances from the leased premises independently of and separate from any other property operated by Lessee and to notify Lessor promptly of discovery of any of said geothermal energy and substances on the leased premises, and to furnish to Lessor on or before the last day of each month a true statement of all production and sales of said geothermal energy and substances during the preceding month in a form satisfactory to Lessor. All records of such production and sales shall, at all reasonable times, be open to the inspection of Lessor's agents and representatives.

21. Lessee will keep an accurate log and casing record showing the progress of drilling, character of formations encountered or drilled through, and casing in each well in which drilling shall have been done on the leased premises, and furnish Lessor a copy thereof upon the completion of or the abandonment of each well, and a true copy of all surface and subsurface surveys made of each well drilled under this lease. Lessor's duly appointed agents and representatives shall have access at all reasonable times to all of the wells and to Lessee's property in and upon said leased premises. Lessor shall make such observations and measurements at its sole risk and expense and agrees to indemnify and hold Lessee harmless against all claims and demands of such agents and representatives arising as a result of such observations and measurements.

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Lessee shall carry on Lessee's operations hereunder in a careful and workmanlike manner, and in accordance with all laws, ordinances and governmental orders and regulations governing the same.

22. Lessee agrees to pay before delinquency all taxes and assessments which have been or shall be lawfully levied and assessed on the mineral rights covered hereunder in the leased premises, and on the buildings, structures, equipment and other personal property or improvements placed, maintained or used by Lessee on the leased premises, and on the geothermal energy and substances stored thereon and not belonging to Lessor. Lessee may deduct the royalty proportion of the taxes and assessments on mineral rights covered hereunder in the leased premises in each fiscal year, paid by Lessee, from the royalties due and payable to Lessor for production during each successive twelve months' period subsequent to the day and month in such fiscal year on which the first installment of such taxes and assessments become delinquent. The above amount of the taxes and assessments for a particular fiscal year so paid shall be deductible only from the royalties due and payable during the twelve months' period which immediately succeeds the date of delinquency of the first installment in such fiscal year. Lessee agrees to pay to Lessor annually, within fifteen days after demand, an amount equal to the working interest proportion of the real property taxes and assessments paid by Southern Pacific Land Company or Southern Pacific Transportation Company on the land overlying or occupied by the leased premises (except on buildings, structures and other improvements thereon not owned, maintained or used by Lessee) each fiscal year of the term of this lease, prorated from the date of this lease, for the first such year and for each fiscal year thereafter during the term of this lease. Lessee shall pay any production or severance tax computed or based upon production of geothermal energy and substances which may be imposed by the Federal Government, the State

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of Nevada, or any of its political subdivisions, and Lessor shall reimburse Lessee for the same proportion of said taxes as Lessor's shares of the taxes on the mineral rights covered hereunder.

23. All labor performed and materials furnished for purposes of the operations of Lessee hereunder shall be at the cost and expense of Lessee and Lessee shall give reasonable notice to Lessor before commencement of operations hereunder. Lessor shall not be chargeable with, or liable for, any part thereof, and Lessee agrees to protect the leased premises against liens of every character and to indemnify Lessor against liens of every character and to indemnify Lessor against all liability, cost and expense incurred by Lessor due to such liens arising from Lessee's operations thereon.

Lessee further agrees to indemnify Lessor against claims, causes of action, and liability and for injuries to, or deaths of persons and destruction or loss of, or damage to property arising out of the operations of Lessee hereunder.

24. In the event any buildings or personal property of Lessor shall be damaged, destroyed or required to be removed because of Lessee's operations on the leased premises, Lessee shall be liable for payment of the reasonable values thereof. In the event Lessee shall elect to locate a well site and an access road thereto on agricultural land of Lessor's at the time under cultivation, Lessee shall pay to Lessor the fair value of the crop destroyed. Upon the written request of Lessor, Lessee agrees to lay below plow depth all pipe lines, except steam-gathering and transmission lines or other hot water lines, which Lessee constructs through cultivated fields, and to fence all sump holes or other excavations to safeguard livestock on the land subject to this lease. Upon completion or abandonment of any well drilled on the leased premises, or upon the termination of this lease, Lessee shall abandon all wells in accord with applicable regulations level and fill all sump holes and excavations and shall remove all debris

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and shall leave the premises in a clean and sanitary condition. Lessee, in Lessee's operations, on the leased premises shall at all times have due and proper regard for the health, welfare and safety of Lessor and of Lessor's tenants occupying the land subject to this lease. Any wells drilled by Lessee hereunder shall be drilled in such manner so as not to affect any existing potable water well or water wells of Lessor on the leased premises. Sufficient casing shall be set and cemented in such wells drilled by Lessee so as to seal off and protect known potable waters developed in any such water well or water wells.

25. In the event Lessor deems it necessary to file an action to enforce Lessor's rights hereunder, the prevailing party shall be entitled to recover reasonable attorney's fees and court costs for the prosecution or defense of the litigation.

26. Any notice or statement herein requested or required to be given by one party to the other shall be in writing. Delivery of such written notice or statement to Lessor shall be conclusively taken as sufficient if and when deposited in the United States mail, with the postage thereon fully prepaid, certified, addressed to Lessor at:

Southern Pacific Land Company
Southern Pacific Building
One Market Plaza - Room 200
San Francisco, California 94105

Payments to Lessor shall be made at the above address. Delivery of such notice or statement to Lessee shall be conclusively taken as sufficient if and when deposited in the United States mail, with postage thereon fully prepaid, certified, addressed to Lessee at:

Phillips Petroleum Company
Attn: Manager, Geothermal Operations
P.O. Box 752

Any party hereto may, by written notice, change their address to any other location for the above purposes.

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27. If Lessee is adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or file a voluntary petition under any law having for its purpose the adjudication of Lessee a bankrupt, or the extension of time of payment, composition, adjustment, modification, settlement or satisfaction of the liabilities of Lessee, or a receiver be appointed for the property of Lessee by reason of the insolvency of Lessee, notwithstanding anything to the contrary elsewhere in this lease, Lessor shall have the right to terminate this lease and to take exclusive possession of the leased premises. The acceptance of rent or other payments for the use of the leased premises shall not constitute a waiver of Lessor's right to terminate this lease as above set forth.

28. This instrument is a lease and is not and shall not ever be held or interpreted to be a mining partnership or partnership of any kind, or in any sense whatsoever, the intention of the parties hereto being to establish and create between themselves only the relationship of Lessor and Lessee in accordance with the provisions hereof.

29. The rate of \$*** per acre in Sections 3 and 16 hereof and the obligation of Lessee to reimburse Lessor for real property taxes and assessments equal to Lessee's working interest proportion in Section 22 hereof shall be subject to pro-rata in the same percentage as the undivided interest of Lessee specified in Section 1 hereof.

30. This lease shall not be assigned nor sublet, in whole or in part without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Subject to the above, the provisions hereof shall inure to the benefit of, and be binding upon the successors and assigns of the parties hereto.

31. The parties hereto agree to enter into a memorandum form of this lease for recording purposes which shall incorporate by reference the provisions hereof.

*** Confidential material redacted and filed separately with the Commission.

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32. Time and specific performance are the essence of this lease.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first hereinabove written.

PHILLIPS PETROLEUM COMPANY, Lessee

By /s/ Indecipherable

Attorney-in-Fact

SOUTHERN PACIFIC LAND COMPANY, Lessor

By /s/ Indecipherable

Assistant General Manager, Natural Resources

Attest /s/ T.F. O'Donnell

Assistant Secretary

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AMENDMENT TO GEOTHERMAL LEASE
DESERT PEAK, NEVADA

THIS AGREEMENT, made and entered into this 25th day of February 1998, by and between DAVID P. FRASE, TIMOTHY D. FRASE AND JAMES W. ROBERTS, hereinafter collectively referred to as "Lessor" or "Frase" and WESTERN STATES GEOTHERMAL COMPANY, a Delaware corporation, hereinafter referred to as "Lessee" or "Western".

W I T N E S S E T H:

WHEREAS, Southern Pacific Land Company ("SPL"), predecessor in interest to Frase, as Lessor, and Phillips Petroleum Company ("Phillips"), predecessor in interest to Western, as Lessor, entered into two (2) geothermal leases (the "Leases"), the first lease dated February 14, 1974, a Memorandum of which first lease was recorded on August 15, 1974, as Document No. 138533, in Book 72, Pages 575, et seq. and the second lease dated August 1, 1976, a Memorandum of which second lease was recorded on September 27, 1976 as Document No. 148247 in Book 102, Pages 467, et seq., both in the Official Records of the County of Churchill, State of Nevada, covering and affecting 42,433.44 acres, more or less, situated in said County and State, whereby SPL leased to Phillips and Phillips became Lessee of SPL for certain geothermal resources described in the Leases; and

WHEREAS, by Assignment dated June 28, 1985 and recorded on December 16, 1985 as Document No. 217089 in the Official Records of the County of Churchill, State of Nevada, Phillips assigned the Leases to Western, then a wholly owned subsidiary of Phillips; and

WHEREAS, by Amendment and Termination agreement dated May 1, 1986, SPL and Western consolidated the lands leased under the February 14, 1974 lease and the August 1, 1976 lease under the provisions of the August 1, 1976 lease (hereinafter referred to as "Said Lease"),

and terminated the February 14, 1974 lease, a copy of which Amendment and Termination agreement was recorded on April 23, 1987 as document No. 227434 in the Official Records of the County of Churchill, State of Nevada; and

WHEREAS, Phillips and Chevron U.S.A. Inc. ("Chevron") entered into an agreement dated as of February 7, 1986, whereby Phillips agreed to sell to Chevron, and Chevron agreed to purchase from Phillips, as a single transaction, all of the stock of Western which would constitute an assignment to Chevron of all of Phillips' interest in Said Lease and the Desert Peak electrical generating facility and its associated geothermal steam production wells and plant. SPL granted its consent to the transfer of the stock of Western, and all assets of Western, to Chevron on condition that an amendment to the Lease be entered into to address the payment of royalties in situations not contemplated by Phillips and SPL when they first entered into the Leases. Said transfer occurred on or about February 21, 1986; and

WHEREAS, Southern Pacific Land Company and Western States Geothermal Company entered into that certain unrecorded Amendment to Geothermal Lease dated and effective February 21, 1986 amending the method used to calculate, measure and divide royalties owing under Said Lease, as amended; and

WHEREAS, Chevron USA Inc ("CUSA") acting through its agent Chevron Resources Company, a division of Chevron Industries Inc. sold certain assets to California Energy Company, Inc ("CECI") effective March 28, 1991. CUSA, owner of all of the common stock of Western States Geothermal Company, sold its entire interest in the shares of the common stock of Western States Geothermal Company to CECI. CECI designated its subsidiary CE Geothermal to hold the assets of Western States Geothermal Company; and

WHEREAS, it is the desire of the parties hereto that Said Lease, as heretofore amended, be further amended as hereinafter set forth:

NOW, THEREFORE, for and in consideration of \$12,800 and other good and valuable consideration accruing unto the parties hereto, the receipt and sufficiency of all of which are hereby acknowledged, Said Lease is hereby amended as follows, to wit:

1. Specifically subject to Section 11 and subject to other Sections of that certain Geothermal Lease dated August 1, 1976, the first paragraph of Section 3 is hereby deleted in its entirety and the following paragraph is hereby substituted therefore:

Lessee agrees to pay to Lessor in advance as of the date of this lease the sum of \$*** per acre of the leased premises as rental for the first year of this lease and to pay to Lessor in advance for the second year of the lease on or before the first day of August, 1977, and annually thereafter through July 31, 1998 the sum of \$*** per acre of the leased premises then subject to this lease. Commencing August 1, 1998 and annually throughout the term of this lease, on or before the same day and month of each succeeding year, Lessee agrees pay to Lessor in advance an annual rental payment at the rate of \$*** per acre for each acre then covered by this lease. It is acknowledged and agreed that the rental provided in this paragraph shall apply only to that portion of the leased premises not then committed to an approved geothermal unit, as provided in said Section 11 hereof.

Lessor hereby agrees that Said Lease, as amended herein, is a valid and subsisting Geothermal Lease and is in full force and effect.

Lessor does hereby ratify, affirm and acknowledge that Said Lease, as amended herein, is and shall remain in full force and effect as to all its terms, conditions and provisions.

It is further agreed by and between Lessor and Lessee, that except for the amendments as hereinabove set forth, Said Lease, as amended, shall in all other respects remain in full force as originally executed.

*** Confidential material redacted and filed separately with the Commission.

In the event any inconsistency exists between this Amendment and Said Lease, the terms of this Amendment shall prevail, and any such inconsistent terms contained herein shall be construed as superseding and amending the terms of Said Lease. Except as expressly modified by this Amendment, Said Lease shall be unchanged and shall remain in full force and effect.

This Amendment may be executed in any number of counterparts or on

counterpart signature pages, and all such counterparts shall together be deemed to constitute a single Amendment. The execution of one counterpart by either Party or any Person comprising such Party shall have the same force and effect as if such Party or Person had signed all the other counterparts.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first hereinabove written.

LESSOR:

/s/ David P. Frase

David P. Frase

/s/ Timothy D. Frase

Timothy D. Frase

James W. Roberts

LESSEE:

WESTERN STATES GEOTHERMAL COMPANY

By: /s/ Thomas R. Mason

Thomas R. Mason

Title: President, CalEnergy Operating Company

COUNTERPART "A"

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

Exhibit 10.4.6

GEOTHERMAL RESOURCES LEASE

THIS LEASE is entered into this 18th day of November, 1983, by and between s SIERRA PACIFIC POWER COMPANY, a Nevada corporation ("Lessor"), and GEOTHERMAL DEVELOPMENT ASSOCIATES, a Nevada corporation ("Lessee").

1. INTEREST GRANTED:

In consideration of the covenants and agreements contained herein, Lessor hereby grants and leases to Lessee the exclusive right and privilege to drill for, extract, produce, remove, utilize, sell, and dispose of geothermal steam and associated geothermal resources as defined in NRS 322.005, (hereinafter called "geothermal resources"), in or under that certain parcel of property located in Washoe County, Nevada, and consisting of approximately thirty (30) acres, as more particularly described in Exhibit "A," which is attached hereto and incorporated herein by reference, together with:

(a) The non-exclusive right to conduct within the leased area

geological and geophysical exploration;

(b) The right to construct or erect and to use, operate, and maintain within the leased area, together with ingress and egress thereupon, all wells, pumps, pipes, pipe lines, buildings, plants, sumps, brine pits, reservoirs, tanks, waterworks, pumping stations, roads, electric power generating plants, transmission lines, industrial facilities, electric telegraph or telephone lines, and such other works and structures and to use so much of the surface of the land as may be necessary or reasonably convenient for the production, utilization, and processing of geothermal resources or for the full enjoyment of the rights granted by this Lease, subject to applicable laws and regulations. Although the use of the leased area for an electric generating plant and/or transmission facilities is authorized hereunder, the location of such facilities and the terms of occupancy therefor shall be set forth in a separate agreement between the parties.

(c) The non-exclusive right to drill potable water wells in accordance with Nevada statutory water laws within the leased area and to use the water produced therefrom for operation of the leased lands, free of costs, provided

that such drilling and development are conducted in such a way that they do not interfere with Lessor's activities on the leased land.

(d) The right, without the payment of royalties hereunder, to reinject into the leased lands geothermal resources and condensates to the extent that such resources and condensates are not utilized, but their reinjection is necessary for operation under this Lease in the recovery or processing of geothermal resources. If the Lessee, pursuant to a plan approved by the Nevada Division of Environmental Protection, disposes of the useable brine and waste products into underlying formations, it may do so without the payment of royalties.

All of the activities described above shall be conducted for the primary purpose of the generation of electrical power through the use of geothermal resources. Nothing in this Lease shall be construed as prohibiting the use, for other purposes, of spent geothermal resources produced on the leased property.

2. TERM:

The term of this Lease shall commence upon the date of its execution and subject to the conditions set forth below shall continue for a term of twenty (20) years and for so long thereafter as geothermal resources are produced or utilized in commercial quantities on the leased property, or lands pooled or unitized therewith.

3. RENTALS AND ROYALTIES:

(a) Annual Rental. For each lease year prior to the commencement of production of geothermal resources in commercial quantities on the leased lands, the Lessee shall pay the Lessor on or before the anniversary date of the lease a rental of *** Dollars (\$***) per acre or a fraction thereof. If no production of electrical energy has been achieved on the leased property by the end of the third year of the lease term, and the parties have not entered into a written agreement to extend the lease term, this Lease shall automatically terminate as to both parties.

(b) After Lessee has commenced the production of electrical energy, Lessee may, at its option, suspend or defer such production. If Lessee does not then resume production within one year, Lessee shall pay rent for the year, in arrears, as described in Paragraph 3(a) hereinabove. If production is suspended

*** Confidential material redacted and filed separately with the Commission.

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for more than eighteen (18) months at any one time, this agreement shall terminate automatically as to both parties.

(c) Royalty. On or before the last day of the calendar month after the month of commencement of production in commercial quantities of geothermal resources and thereafter on a monthly basis, the Lessee shall pay to the Lessor:

(i) A royalty of ***

(ii) A royalty of ***

(iii) A royalty of ***, and utilized by Seller for the ***
The value of said resource shall be considered ***

(iv) A royalty of ***. In the event Lessee elects to process ***, Lessor's royalty share shall bear its proportionate share of such ***. For the purpose of this Lease, the ***

4. TAXES AND ASSESSMENTS:

Lessee shall pay all taxes levied against its improvements on the leased land. Lessor shall pay its royalty share, and Lessee shall pay the remaining portion of any and all taxes assessed on geothermal resources from the leased land in the following manner:

(a) Commencing with the effective date of this Lease and prior to the actual production of geothermal resources, Lessor shall pay and bear its royalty share,

*** Confidential material redacted and filed separately with the Commission.

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and Lessee shall pay and bear the remaining portion of any and all taxes attributable to an assessment of geothermal resources on said leased land.

(b) After the commencement of production of geothermal resources from the leased land, Lessor shall pay its royalty share, and Lessee shall pay the remaining portion of any and all taxes assessed upon geothermal resources and also of all severance, production, license, and other taxes and assessments levied or assessed on account of the production of geothermal resources from the leased land.

In the event Lessor's royalty share of such taxes exceeds one-half of the amount of Lessor's rental shut-in royalty and/or royalty payments hereunder for the year in which such taxes are payable, Lessee shall advance such excess on Lessor's behalf and recoup such advance out of one-half of Lessor's royalty income once commercial production has commenced on the leased lands. Lessor shall pay before delinquency all other taxes and assessments on the leased land and improvements. However, Lessee is hereby

authorized to pay any taxes and assessments on behalf of Lessor and may, if it so desires, deduct the amounts so paid from royalties or monies due Lessor hereunder.

5. WELLS:

(a) Lessee shall not drill or operate water wells or take water in such a way as to injure water wells, ponds or reservoirs of Lessor or interfere with or restrict the supply of water to Lessor or its tenants for domestic, livestock or agricultural use. If Lessee elects to permanently abandon any well drilled by Lessee or the leased land, Lessor shall have the option of requiring in writing that Lessee turn over such well to Lessor, and at that time Lessor shall pay Lessee for the salvage value of the material and equipment in and on said well. If Lessor so elects, Lessee agrees to plug such well at the bottom of the surface casing according to the requirements of the State Engineer in order to prevent contamination of freshwater bearing formations as a result of Lessee's drilling operations.

(b) Subject to the terms of this Paragraph 5, within six (6) months after abandonment of any well, including those abandonments resulting from termination of this Lease, Lessee shall remove all machinery, material and

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structures used in connection with said well and not used in its other operations, if any, on the leased land, and shall fill in and level off all excavations, pits, or other alterations to the surface of the leased land caused in connection with said well, and, insofar as practical, shall restore the leased land and the means of ingress and egress to as good a condition as existed when Lessee commenced operations under this Lease, except reasonable wear and tear, acts of nature and conditions beyond the control of Lessee.

6. COMINGLING, POOLING AND UNITIZATION:

(a) Lessee shall have the right to comingle (for purposes of storing, transporting, handling, utilizing, selling or processing) geothermal resources produced or extracted from the leased land and lands pooled, unitized or combined therewith, with similar substances produced or extracted from other lands or units. In the event of such comingling, Lessee shall meter, gauge or measure, according to prevalent industry standards, the production from the leased land, or from the unit or units including the leased land or other units or lands, as applicable, and compute and pay Lessor's royalty attributable to Lessor's land on the basis of such production as so determined or allocated.

(b) Lessee may, as a recurring right for drilling, development or operating purposes, pool, unitize, or combine all or part of the leased land into a unit with any other land or lands (whether held by Lessee or others), whether or not adjacent or contiguous, which Lessee desires to develop or operate as a unit. Such a unit shall be officially created upon Lessee's filing in the official records of Washoe County a notice of such unitization, describing said unit. Any well (whether or not Lessee's well) commenced, drilled, drilling and/or producing or being capable of producing in any part of such unit shall for all purposes of this Lease be deemed a well commenced, drilled, drilling and/or producing on the leased land, and the Lessee shall have the same rights and

obligations with respect thereto and the drilling and producing operations upon the lands from time to time included within any such unit as Lessee would have if such lands constituted the leased lands; provided, however, that

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notwithstanding this or any other provision or provisions of this Lease to the contrary:

(i) Production as to which royalty is payable from any such well or wells drilled upon any such unit, whether located on the leased land or other lands, shall be allocated to the leased land in the proportion that the acreage of the leased land in such unit bears to the total acreage of such unit. Such allocated portion thereof shall for all purposes be considered as having been produced from the leased land, and the royalty payable under this Lease with respect to the leased land in such unit shall be payable only upon that proportion of production so allocated, and

(ii) If taxes of any kind are levied or assessed (other than taxes on the surface and on Lessor's improvements), any portion of which is chargeable to Lessor under the provisions of this Lease, then this share of such taxes to be borne by Lessor shall be in proportion to the share of the production from such unit allocated to the leased land.

7. RESERVATIONS TO LESSOR:

All rights in the leased area not granted to Lessee by this Lease are hereby reserved to Lessor. Without limiting the generality of the foregoing, such reserved rights include:

(a) Disposal - the right to sell or otherwise dispose of the surface of the leased lands or any resource in the leased lands under existing laws, or laws hereinafter enacted, subject to the rights of the Lessee under this Lease.

(b) Rights of Way - the right to authorize geological and geophysical explorations on the leased land which do not interfere with or endanger actual operations under this Lease and the right to grant such easements or rights of way for joint or several use upon, through, or in the leased area for steam lines and other public or private purposes which do not interfere with or endanger planned or actual operations or facilities constructed under this Lease.

(c) Mineral Rights - the ownership of the right to extract minerals, oil, hydrocarbon gas, and helium from the leased lands.

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(d) Casing - the right to acquire the well and casing at the fair market value of the casing where the Lessee finds only potable water, and such water is not required in lease operations.

(e) Measurements - the right to measure geothermal resources and to sample any production thereof.

8. DEFAULT AND TERMINATION:

Whenever the Lessee fails to comply with any of the terms and provisions of this Lease, and does not commence to remedy such failure within

ninety (90) days after receipt of written notice from Lessor, the Lessor may (a) suspend operations until the requested action is taken to correct the non-compliance, or (b) cancel this Lease by delivering written notice of its intent to do so to Lessee. Such cancellation shall be effective immediately upon delivery of said notice. The following property shall be excepted from any Lease termination hereunder as a result of default: (a) each and any well then capable of producing in commercial quantities the substances covered by this Lease, and in respect to which Lessee is not in default; and (b) rights of way and easements across lands subject to such Lease termination, which rights of way and easements are necessary for conducting Lessee's operations on or in the vicinity of the lands retained, including sites for electric generating units.

Lessee may terminate this Lease at any time upon six (6) months written notice to Lessor. During the six-month period, Lessee shall remove all generation equipment and plant, treat all wells in accordance with the appropriate provisions of Paragraph 5 above, and return the leased land to a condition as near as possible to its state prior to Lessee's entry thereon.

9. INDEMNIFICATION:

The Lessee shall indemnify and hold harmless Lessor, its officers, agents and employees from any and all claims for liability of any kind arising from or connected with Lessee's activities and operations under this Lease. Lessee shall pay to the person beneficially interested in the damaged object all damages caused by Lessee's operations on the surface of the leased land, including but not limited to damages to growing crops, pasture and improvements on the leased land, or to animals or livestock. Lessee agrees to take reasonable steps to prevent its operations from:

(a) Causing or contributing to soil erosion, or to the injury to soil conserving structures on the leased land;

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(b) Polluting the waters of reservoirs, springs, streams or water wells on the leased land;

(c) Damaging crops or pasture, consistent with the purposes of this Lease; or

(d) Harming or injuring in any way the animals or livestock owned by Lessor or his tenants, or kept or pastured on the leased land, including the erection and maintenance of fences, gates and cattle guards where necessary for such purposes.

In no event shall Lessor be indemnified for liability or loss resulting from its sole negligence.

10. CONDEMNATION:

Eminent domain proceedings resulting in the condemnation of a part of the premises leased herein, but leaving the remaining premises reasonably useable by Lessee for the purposes of the activities described in Paragraph 1 above, will not terminate this Lease unless Lessor and Lessee mutually agree to such termination. The effect of any such partial condemnation will be to terminate the Lease as to the portion of the premises condemned, and the Lease of the remainder of the premises shall remain intact. Lessee hereby assigns and transfers to Lessor any claim it may have to compensation for damages or award as a result of any condemnation, that does not materially impair its ability to carry out the activities described in Paragraph 1.

11. PERMITTING:

Lessee shall obtain and maintain any and all permits, licenses, and governmental approvals necessary for the conduct of Lessee's activities on

the leased land. All labor to be performed and material to be furnished in the operations hereunder shall be at the sole cost and expense of Lessee, and Lessee shall hold Lessor free and harmless from liability thereunder. Lessee shall keep the leased premises fully protected against any and all liens of every character arising from or connected with Lessee's operations hereunder.

12. ASSIGNMENTS AND SUBLEASES:

(a) Neither party shall voluntarily assign this Lease without the prior written consent of the other party, unless the assignment is to a partnership in which one of the parties to this Lease is a general partner.

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(b) In the event that either party to this Lease wishes to assign this Lease to a corporation or other entity, which does not fall into subsection (a) above, said party shall provide the other party with written notice of such intent. Said written notice shall describe the financial structure and assets of the potential assignee in sufficient detail to permit the noticed party to evaluate the effect of the assignment on its interest in this Lease and the even-dated Agreement For the Purchase and Sale of Electricity executed by the parties hereto. The noticed party shall have thirty (30) days from its receipt of the notice to consent or refuse to consent to the assignment. Failure to give written consent or refusal within said thirty-day period shall be deemed consent by the noticed party. In no event shall consent to any assignment be unreasonably withheld.

(c) In the event Lessee is contemplating an assignment such as described in subsection (b) above, Lessor shall have a prior right to regain Lessee's rights under the Lease, together with any and all related improvements, at the price and on the terms of the intended assignment. Lessor may exercise this right by notifying Lessee of its intent to do so by the end of the thirty-day period described in subsection (b) above. Such notice shall also be deemed a refusal of consent to the assignment of Lessee's rights to a third party.

Subject to the provisions of this Paragraph, all obligations hereunder shall be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors and assigns of the respective parties hereto.

13. NOTICES:

Lessor may give any notice or deliver any document hereunder to Lessee by mailing the same by registered mail addressed to Lessee at:

Geothermal Development Associates
251 Ralston Street
Reno, Nevada 89503

or by delivering the same in person to the above-referenced address Lessee. Lessee may give any notice or deliver any document hereunder to Lessor by mailing the same by registered mail addressed to Lessor at:

Sierra Pacific Power Company
Attention: Max Jones

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P.O. Box 10100

or by delivering the same to Lessor in person. For purposes of this Paragraph, either party may change its address by written notice to the other. In case of any notice or document delivered by registered mail, the same shall be deemed delivered when deposited in any U.S. Post Office, properly addressed as herein provided, with postage fully prepaid. Lessee may make any payment due Lessor to Lessor personally or by mail at the address of Lessor given above.

14. CONDITION:

The obligations of both parties under this Lease are conditioned upon the Public Service Commission of Nevada's approval of the pricing provisions in the parties' even-dated Agreement for the Purchase and Sale of Electricity as a portion of Lessor's purchased power costs. If such approval is not received, this Lease shall be considered null and void.

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IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LESSOR:

SIERRA PACIFIC POWER COMPANY

By /s/ Indecipherable

Title: Sr. Vice President

LESSEE:

GEOHERMAL DEVELOPMENT
ASSOCIATES

-10-

By /s/ G. Martin Booths

Title: President

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THIS AGREEMENT is entered into as of the date of its execution by and between SIERRA PACIFIC POWER COMPANY, A Nevada Corporation ("Lessor") and FAR WEST HYDROELECTRIC FUND, LTD., a Utah Limited Partnership ("Lessee").

1. RECITALS. This Amendment is based on the following facts:

a. On November 18, 1983, Lessor and Geothermal Development Associates entered into an Agreement for the Purchase and Sale of Electricity ("the Original Power Purchase Agreement") and a Geothermal Resources Lease ("the Lease") for a geothermal generation project to be located near Steamboat Springs, Nevada. The parties amended the Lease on January 7, 1985, and the Original Power Purchase Agreement on March 6, 1987. Both the Original Power Purchase Agreement, as amended, and the Lease, as amended, are currently in effect.

b. Through a series of assignments, to which Lessor consented, Far West Hydroelectric Fund, Ltd. is the current Lessee under the Lease, as well as the Seller under the Original Power Purchase Agreement.

c. Far West Capital, Inc. wishes to construct a geothermal generating facility which consists of a 2.0 MW gross (1.8 MW net) expansion at the Steamboat Project ("Plant") on the land subject to the Lease, the output of which will be sold to Lessor pursuant to a new Long-Term Agreement for the Purchase and Sale of Electricity of even date herewith ("the New Power Purchase Agreement"). Lessor and Lessee wish to amend the Lease to accommodate the Plant on the leased property and delineate a method of calculating royalty payments to be made by Lessee on the output of the Plant.

d. Lessee intends to sublease a portion of the leased property to Far West Capital, Inc.

In consideration of these facts, the parties agree as follows:

2. AMENDED PROVISION. Section 3(c) (i) of the Lease is hereby amended to read as follows:

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3.(c) ROYALTY - At the end of the Billing Period during which the initial production of geothermal resources in commercial quantities from the Plant ("the Initial Operation") occurs and at the end of each monthly Billing Period thereafter, the Lessee shall pay Lessor royalties calculated as follows:

(i) A royalty of *** percent (***) on the ***, plant which is the subject of the Original Power Purchase Agreement.

(ii) A royalty, calculated *** from the Plant for the previous Billing Period which is the subject of the New Power Purchase Agreement.

(iii) A royalty of *** percent (***) on the *** from any other power plant built upon or utilizing geothermal resources from the leased lands, or land pooled or unitized therewith.

A "Billing Period" shall mean the time period between established meter reading dates.

3. STATUS OF AMENDMENT. It is expressly understood and agreed by the parties hereto that this Amendment is supplemental to the Lease. It is further understood and agreed that all the terms, conditions and provisions of the Lease, unless specifically modified herein, are to apply to this Amendment and are made a part of this Amendment as though they were expressly written, incorporated and included herein.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment this 29th day of October 1988.

LESSOR:

SIERRA PACIFIC POWER COMPANY

By /s/ Gerarld Canning

*** Confidential material redacted and filed separately with the Commission.

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Title: Vice President Electric Resources

LESSEE:

FAR WEST HYDROELECTRIC FUND LTD.

By /s/ Indecipherable

Title: Gen. Partner

Date: 10/27/88

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THIRD AMENDMENT TO
GEOTHERMAL RESOURCES LEASE

THIS THIRD AMENDMENT to Geothermal Resources Lease is entered into as of the date of its execution, by and between Sierra Pacific Power Company, a Nevada corporation ("Lessor") and Far West Electric Energy Fund, L.P., a Delaware limited partnership (formerly Far West Hydroelectric Fund, Ltd. a Utah limited partnership before its change of name and change of domicile) ("Lessee").

RECITALS.

a. On November 13, 1983, Lessor and Geothermal Development Associates entered into an Agreement for the Purchase and Sale of Electricity (the "Original Power Purchase Agreement"). As the result of a series of assignments consented to by Lessor, Lessee has become the seller under the Original Power Purchase Agreement, which Agreement was amended on March 6, 1987.

b. An unrecorded Geothermal Resources Lease dated November 18, 1983, was executed by Sierra Pacific Power Company as Lessor, and Geothermal Development Associates, as Lessee, as disclosed by a Memorandum of Lease by and between Sierra Pacific Power Company and Geothermal Development Associates dated January 7, 1985, and recorded in Book 2115, page 321, as Document No. 971913 of said Official Records (the "Lease"). Said Lease was amended by an unrecorded Letter Amendment by and between Sierra Pacific Power Company and Geothermal Development

Associates dated January 7, 1985, as disclosed by the above Memorandum of Lease and by an Amended Memorandum of Lease by and between the same parties dated January 7, 1985, and recorded in Book 2116, page 812, as Document No. 972684 of said Official Records. Said Lease was assigned by Geothermal Development Associates to Ormat Systems Inc. by an Assignment of Lease dated September 26, 1985, and recorded in Book 2272, page 643 as Document 1043163 of said Official Records, further assigned by Ormat Systems Inc. to Bonneville Pacific Corporation by an Assignment of Lease dated September 26, 1985, and recorded in Book 2272, page 647 as Document No. 1043164 of said Official Records, further assigned by Bonneville Pacific Corporation to Far West Capital, Inc. ("FWC") by an Assignment of Lease dated December 12, 1985, and recorded in Book 2272, page 750 as Document No. 1043167 of said Official Records, and further assigned by FWC to Far West

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Hydroelectric Fund, Ltd. by Assignment of lease dated December 12, 1985, and recorded in Book 2272, page 756, as Document No. 1043168 of said Official Records, all of said assignments being disclosed by that certain Memorandum of Lease, Assignments of Lease and Purchase Agreement by and among Geothermal Development Associates, Ormat Systems Inc., Bonneville Pacific Corporation, FWC, Far West Hydroelectric Fund, Ltd. and Sierra Pacific Power Company dated December 31, 1985, and recorded in Book 2317, page 368 as Document 1062824 of said Official Records. Said Lease was further amended by a Second Amendment to Geothermal Resources Lease by and between Sierra Pacific Power Company and Far West Hydroelectric Fund, Ltd. dated October 29, 1988.

c. Lessee constructed and is operating a five megawatt geothermal power plant ("Original Power Plant") on the leased property which is delivering power to the Lessor under the Original Power Purchase Agreement.

d. Lessor entered into a Long Term Agreement for the Purchase and Sale of Electricity with FWC (the "1-A Power Purchase Agreement") dated October 29, 1988, and a Special Facilities Agreement ("Special Facilities Agreement") dated October 29, 1988. The 1-A Power Purchase Agreement, and the Special Facilities Agreement both relate to the 1.8 MW expansion of the Original Power Plant (the "1-A Expansion"). The 1-A Expansion is located on the leased property which is subleased to FWC. FWC has now assigned its rights and interests in the 1-A Power Purchase Agreement and the Special Facilities Agreement to 1-A Enterprises, a Nevada General Partnership ("1-A") and Lessor consented to said assignments on August 18, 1989.

e. Lessee and 1-A have requested and Lessor has agreed that certain portions of the Lease be modified or clarified.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties agree as follows:

1. Section 3(c) of the Lease is hereby amended to add the following:

(v) Any such payments made under this section shall be made by Lessee within thirty (30) days of receipt of an invoice from Lessor requesting said payment. Should Lessee fail to pay the amount of such invoice, Lessor may offset future payments to Lessee under the applicable Original Power Purchase Agreement or the 1-A Power Purchase Agreement by such amount. Such rights shall apply only to amounts that become due and payable pursuant to this Lease, as amended.

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2. Section 12 of the Lease is hereby amended to read as follows:

12. ASSIGNMENTS AND SUBLEASES:

a. Neither party shall voluntarily assign this Lease without the prior written consent of the other party, unless the assignment is to a partnership in which one of the parties to this Lease is a general partner.

b. In the event that either party to this Lease wishes to assign this Lease to a corporation or other entity, which does not fall into subsection (a) above, said party shall provide the other party with written notice of such intent. Such written notice shall describe the financial structure and assets of the potential assignee in sufficient detail to permit the noticed party to evaluate the effect of the assignment on its interest in this Lease and the even-dated Agreement For The Purchase and Sale of Electricity executed by the parties hereto. The noticed party shall have thirty (30) days from its receipt of the notice to consent or refuse to consent to the assignment. Failure to give written consent or refusal within said thirty-day period shall be deemed consent by the noticed party. In no event shall consent to any assignment be unreasonably withheld.

c. In the event Lessee is contemplating an assignment such as described in subsection (b) above, Lessor shall have a prior right to regain Lessee's rights under the Lease, together with any and all related improvements, at the price and on the terms of the intended assignment. Lessor may exercise this right by notifying Lessee of its intent to do so by the end of the thirty-day period described in subsection (b) above. Such notice shall also be deemed a refusal of consent to the assignment of Lessee's rights to a third party. Subject to the provisions of this paragraph, all obligations under this Lease as amended shall be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, and assigns of the respective parties thereto.

d. Subject to subsections (a), (b), and (c) above, which refer to a complete assignment of interest, from time to time and with prior written notice to Lessor and without Lessor's consent, Lessee's leasehold estate in the leased land and Lessee's right, title and interest as tenant in the Lease as amended may be assigned for security purposes and be encumbered by one or more deeds of trust, mortgages, security agreements, sale-and-leaseback arrangements, leveraged leases or other security instruments or devices to secure a debt or debts or other similar obligation or obligations.

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e. From time to time and with the prior written consent of the Lessor, the Lessee or its Sublessee may enter into Subleases of the leased property. Any Sublessee may with notice to the Lessor and the Lessee but without their consent may encumber its subleasehold interest by one or more deeds of trust, mortgages, security agreements, sale-and-leaseback arrangements, leveraged leases or other security instruments or devices to secure a debt or debts or other similar obligation or obligations.

3. Lessor hereby grants to Lessee and its successors, assigns and sublessees the right to use the easement, 45.0 feet in width described in that certain Basement Agreement dated October 18, 1971, and recorded November 3, 1971, as Document No. 224422 at Book 589, page 533 in the Official Records of Washoe County, Nevada, for roadway and electric utility purposes over, upon and across the property described therein and subject to the terms thereof, which Easement Agreement is attached hereto as Exhibit C and made a part hereof.

4. It is expressly understood and agreed by the parties hereto that this Amendment is supplemental to the Lease. It is further understood and agreed that all of the terms, conditions and provisions of this Lease, as amended, unless specifically modified herein, are to apply to this Amendment and are made a part of this Amendment as though they were expressed, incorporated and included herein.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LESSOR:
SIERRA PACIFIC POWER COMPANY

By /s/ Indecipherable

Title: Sr. Vice President

LESSEE:

GEOHERMAL DEVELOPMENT
ASSOCIATES

By /s/ Indecipherable

Title: President

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['69 Dec 5 AM 9:01]

[Notary Seal]

Exhibit 10.4.7

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 1st day of November, 1969, by and between Chrisman B. Jackson and Sharon Jackson Husband and Wife hereinafter called "Lessor" (whether one or more) and Standard Oil Company of California, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and

other lands in the vicinity on said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The North half of Tract No. 41 1/2, Township 16 South, Range 14 East, S. B. B. & M., containing 80 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all, lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing

operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 1st day of November, 1970, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Forty and No/100 ----- Dollars (\$40.00) (each of such annual periods being hereinafter referred to as rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or

products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such well and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and

exclusive excepting only that lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee say deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others -- rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a

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market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provision of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated, to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default,

Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed

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on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefore to Lessor at 1075 So. 19th St. El. Centro, California, or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to

_____, at
_____,
_____, its
successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495 San Francisco, California 94120 of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee

simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event

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Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder. In regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

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19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated.

Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any

weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 1st day of April, 1976, by and between CHRISMAN B. JACKSON and MARY ANGELA, his wife, hereinafter called "Lessor", and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereafter called "Lessee";

W I T N E S S E T H:

THAT, WHEREAS, by that certain Lease Agreement dated November 1, 1969 and recorded in the Office of the County Recorder of Imperial County, California, in Book 1286 at Page 643, et. seq. of Official Records, Lessors did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State, particularly described in such lease; such lease being hereinafter referred to as "said lease"; and

WHEREAS, Lessor and Lessee have agreed to amend said lease as hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. The following paragraph is hereby added to said lease, as amended, insofar as it covers said land:

"23. Lessee agrees that when it physically occupies and uses the surface of said land, it shall pay Lessor rental in the amount of Two Hundred and No/100 Dollars (\$200.00) per acre per year for so much of Lessor's surface acreage actually occupied and used. Such rental shall be payable annually in advance so long as said use continues. Said rental shall be comparable with rentals in general paid for other lands in the area for agricultural purposes and may be increased in the future to conform to any general increase in rentals for agricultural purposes."

2. Lessor hereby ratifies said lease, as amended, and acknowledges full performance by Lessee of all of its obligations thereunder to the date hereof and, as herein amended, said lease shall remain in full force and effect and, to implement this amendment, Lessor does hereby lease, let and demise unto Lessee said lands pursuant to the terms of said lease, as amended.

3. The provisions of this agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

4. Lessor hereby acknowledges receipt of rental in full for surface use by Lessee referred to in Paragraph 1 hereof for the period June 30, 1974 to June 30, 1976.

AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 1st day of October, 1979, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to certain Lease Agreement dated November 1, 1969 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1286, at Page 643, et seq., of

Official Records), whereby CHRISMAN B. AND SHARON JACKSON did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease, such lease being hereinafter referred to as "said lease";

AND, WHEREAS, by amendment of Lease Agreement dated April 1, 1976, a short form of which was recorded in Book 1387, Page 1064 Official Records Imperial County, California said Lease Agreement was amended;

AND, WHEREAS, by Grant Deed dated December 14, 1977, and recorded in Book 1410, Page 216 Official Records Imperial County, California, Lessor became the owner and holder of Lessor's interest under said Lease Agreement as amended;

AND, WHEREAS, by amendment of lease agreement dated October 23, 1978, a short form of which was recorded in B-1430, P-1585, et seq. of official records of Imperial County, California, said lease was amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Effective with the rental period that begins in 1979, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Six Hundred & No/100 DOLLARS (\$600.00)"

shall be and hereby is amended to read as follows:

"...., the sum of One Thousand & No/100 DOLLARS (\$1,000.00)...."

2. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to November 1, 1980.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 23rd day of October, 1978 between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated November 1, 1969 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1236 at Page 643, et seq., of Official Records), whereby CHRISMAN B. and Sharon Jackson did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease, such lease; being hereinafter referred to as "said lease";

AND, WHEREAS, by amendment of Lease Agreement a short form of which was recorded in Book 1387, Page 1064 Official Records Imperial County, California said Lease Agreement was amended;

AND, WHEREAS, by Grant Deed dated December 14, 1977 and recorded in Book 1410, Page 216 Official Records Imperial County, California, Lessor became the owner and holder of Lessor's interest under said Lease Agreement as amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term',...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of fifteen (15) years from the date hereof, called the 'primary term',...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of fifteen (15) years from the date hereof...."

3. Effective with the rental period that begins in 1979, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Forty and NO/100 DOLLARS (\$40.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Six Hundred and NO/100 DOLLARS (\$600.00)...."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 15 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 20 years...."

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and

effect. Lessor acknowledges receipt of rental in full under said lease to November 1, 1980.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

CHRISMAN B. JACKSON

By /s/ Indecipherable

Its Attorney-in-Fact

By /s/ Chrisman B. Jackson

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL)

On October 23, 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared Chrisman B. Jackson, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.

/s/ Pauline C. Montgomery

Pauline C. Montgomery

[Official seal of Pauline C. Montgomery]

Exhibit 10.4.8

L E A S E A G R E E M E N T

THIS AGREEMENT, made and entered into as of the 22nd day of SEPTEMBER, 1976, by and between THE UNDERSIGNED

_____, hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products". For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof.

The said land included in this lease is situated in the County of IMPERIAL, State of CALIFORNIA and is described as follows, to wit:

ALL THAT PORTION OF THE EAST HALF OF TRACT 45, TOWNSHIP 16 SOUTH, RANGE 14 EAST, S.B.M., IN THE COUNTY OF IMPERIAL, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT OF RE-SURVEY APPROVED FEBRUARY 6, 1909, AND FILED IN THE DISTRICT LAND OFFICE, LYING EAST OF THE EAST LINE OF THE RIGHT OF WAY OF THE SOUTHERN PACIFIC RAILROAD COMPANY, EXCEPTING THEREFROM THE EAST 30 FEET AS CONVEYED TO THE COUNTY OF IMPERIAL BY DEED RECORDED IN BOOK 470, PAGE 507 OF OFFICIAL RECORDS.

containing 28.00 -----

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's Option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together

with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in

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its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land, provided that, commencing with the 22ND day of SEPTEMBER, 1977, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of FIVE HUNDRED SIXTY AND NO/100THS -----DOLLARS (\$ 560 00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area

It is expressly understood and agreed by the parties hereto:

a. That it within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any

thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease

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5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessor shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division.

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If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission or any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall, be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and it such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If Lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

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12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of

any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at P.O. Box "6" Heber, CA 92249 or Lessee may, its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to _____ at _____ its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority in behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495 San Francisco, CA 94119, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all, liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or

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disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole, and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this

paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be released of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of

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this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall, fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive.

In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby

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leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction there thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purposes of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

23. Subject to Lessee's right to surrender this lease as provided in Paragraph 16 hereof and notwithstanding anything else to the contrary contained herein, Lessee agrees to pay Lessor the annual rental as provided in Paragraph 6 hereof until such time as royalty producing production occurs on said land or land pooled or unitized with said land or this lease terminates.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY

OF CALIFORNIA

EL TORO LAND & CATTLE Co.,

A CORPORATION

By /s/ Indecipherable

Its Attorney in Fact

LESSEE

By: /s/ M.J. LaBrucherie

M.J. LaBrucherie, Secy-Treas.

By: /s/ Edward Johnson

Edward Johnson, Vice-Pres.

[Notary Seal]

Exhibit 10.4.9

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 17th day of February, 1977, by and between the undersigned hereinafter called "Lessor" (whether one or more) and CHEVRON U.S.A. INC., a corporation, hereinafter called "Lessee."

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of

way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The NW-1/4 of the E-1/2 of Tract No. 45, Township 16 South, Range 14 East, S.B.M.

That portion of the E-1/2 of the E-1/2 West of the Railroad, Tract No. 45, Township 16 South, Range 14 East, S.B.M.

The SW-1/4 of the E-1/2 of Tract No. 45, Township 16 South, Range 14 East, S.B.M.

containing 122 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of five (5) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting,

manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from

said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of five (5) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 17th day of February __, 1978, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of THREE THOUSAND AND FIFTY DOLLARS (\$3,050.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

- a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and
- b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at has option, terminate this lease.

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5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time-to-time and during such periods as there as no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well, or wells are situated, but in conformity with any reasonable conservation program affecting the drilling of walls or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable to the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any

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part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays on transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental, agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

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12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether time same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share," as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at 911 Lacy Street, Santa Ana, California 92701, or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to _____ at _____ its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at Land Dept., P.O. Box 7643, San Francisco, CA 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties

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or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

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17. Lessee shall have the right at any time and from time-to-time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time-to-time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the

pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner

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terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling

in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. It is understood and agreed by and between the parties hereto that at any time during the primary term of this agreement if Lessee shall acquire by the lease purchase, or assignment an interest in any lease executed after the date of this agreement and covering private lands located within five (5) miles of the land covered hereby, which lease shall contain a greater Lessor's royalty or a greater annual per acre rental than is provided by this agreement, the Lessee shall immediately increase the corresponding terms of this agreement so as to afford the Lessor herein equal terms. In the event of such increase, the Lessee shall promptly tender to Lessor for his execution an instrument in writing which shall contain such increased terms.

22. Notwithstanding anything to the contrary contained herein, the possession by Lessee of said land shall be sole and exclusive; provided, however, except for the surface use hereinafter specifically provided for, Lessee shall have no right to use the

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surface of any of said land. Lessee, after prior consultation and approval of Lessor (which approval shall not be unreasonably withheld), shall have the right to conduct geological and geophysical operations on said land. Additionally, Lessor shall make available to Lessee on the surface of said land three (3) drill sites, each to be limited to a maximum of two (2) acres in size. Lessor shall also make available to Lessee one (1) site for the construction of a plant for the conversion of geothermal resources into commercial products, such site to be limited to a maximum of five (5) acres. Lessor shall also make available to Lessee ingress and egress rights to all such sites together with rights of way for pipelines, power lines, and telephone lines. All such sites, ingress and egress rights, and rights of way shall be selected by Lessee subject to approval thereof by Lessor in writing. Lessor agrees not to unreasonably withhold approval of any such selections made by Lessee. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops and irrigation and drainage systems. In addition, Lessee shall pay to Lessor the sum of TWO HUNDRED FIFTY DOLLARS (\$250.00) per acre per year for each acre occupied by Lessee with respect to the aforementioned drill sites set aside for drilling purposes; provided, however, that at the end of each two-year period of such occupancy of such sites, the site rental payable hereunder shall be increased to be comparable to rental paid for agricultural purposes on like lands in the same vicinity if such rental is found to be in excess of the site rental then being paid hereunder.

With respect to the aforementioned site set aside for plant use, if such site is selected by Lessee and approved by Lessor, Lessee shall purchase said site, paying to the Lessor the fair market value thereof. Said fair market value shall be based upon the highest and best use of said site, notwithstanding the fact that the same may then be devoted to agricultural purposes. If the parties cannot agree upon the fair market value of such land within thirty (30) days after Lessee's receipt of written approval from Lessor, such value shall be determined by three qualified appraisers, one to be selected by each of the parties and the third by any judge of the Imperial County Superior Court. The rules of the American Arbitration Association shall apply and be binding upon the parties as to any such valuation. In the event of such sale, Lessor shall retain all geothermal and mineral rights under said site.

23. Notwithstanding anything to the contrary contained herein, in the event any or all of the lands covered by this Lease are included in a unit as provided for in Paragraph 19(b) hereof, such unit shall not exceed 5120 acres in areal extent, plus or minus 10%.

24. Should the Lessor cause any of said land to be used for other than agricultural purposes, Lessor shall have the right, at its own risk and expense,

to cause any existing easements and rights of way referred to in Paragraph 22 hereof to be relocated in a manner that will not unreasonably interfere with Lessee's operations hereunder.

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25. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

26. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

LESSEE:

LESSOR

CHEVRON U.S.A. INC.

By /s/ Indecipherable

/s/ Joseph L. Holtz

Its Attorney in Fact

JOSEPH L. HOLTZ,
a single man

STATE OF CALIFORNIA
COUNTY OF ORANGE

On this 13th day of March, A.D. 1977, personally appeared before me, a Notary Public, in and for said County, Joseph L. Holtz, known to me to be the person described in and who executed the foregoing instrument, who acknowledged to me that he executed the foregoing instrument, who acknowledged to me that he executed the same freely and voluntarily and for the uses and purposes therein mentioned.

/s/ Janet Stroud

(Signature)

(Title)

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO

On April 25, 1977, before me, the undersigned, a Notary Public, in and for said City and County and State, residing therein, duly commissioned and sworn, personally appeared Clair Ghylin known to me to be an Attorney in Fact of CHEVRON U.S.A. INC. the Corporation described in and that executed the within instrument, and also known to me to be the person who executed it on behalf of the said Corporation therein named, and he acknowledged to me that such Corporation executed the same.

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IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official Seal, the day and year in this certificate above written.

/s/ Edna M. Chang-Lo

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 21 day of May, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated March 28, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book ____, at Page ____, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

".... this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term'"

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of thirty (30) years from the date hereof, called the 'primary term',..."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

shall be and hereby is amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of thirty (30) years from the date hereof...."

3. Effective with the rental period that begins in 1974, that part of the first sentence of Section 4 of said lease which now reads as follows:

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"..., the sum of Forty and. No/100 DOLLARS (\$40.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Four Hundred and No/100 DOLLARS (\$400.00)...."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years...."

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to March 28, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY
OF CALIFORNIA

[/s/ Birdie R. Williamson]

By /s/ Indecipherable

/s/ Lloyd K. Williamson

Contract Agent

LLOYD K. WILLIAMSON

By /s/ Barbara F. Perez

/s/ Robert C. Williamson

Assistant Secretary

ROBERT C. WILLIAMSON

May 21, 1973

/s/ Neva A. Smith

/s/

NEVA A. SMITH,
a/k/a Neva Williamson Smith
[/s/ Ralph L. Smith]

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On May 29, 1973, before me, the undersigned, a Notary Public in and for said State, personally appeared Birdie R. Williamson, Lloyd K. Williamson, Neva M. Smith & Ralph L. Smith known to me to be the persons whose names are subscribed to the within Instrument, and acknowledged to me that they executed

the same.

WITNESS my hand and official seal.

/s/ Henry A. Rohlfing

Notary Public in and for said State

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[County Recorder /s/]

AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 21 day of May, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated March 28, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 203 et seq. of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County said State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

".... this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term', ..."

shall be and hereby is amended to read as follows;

".... this lease shall remain in force for a period of thirty (30) years from the date hereof, called the 'primary term'"

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

shall be and hereby is amended to read as follows:

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"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of thirty (30) years from the date hereof...."

3. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

4. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years...."

5. Said lease is further amended as set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the parties hereto and covering the lands described in Section 1 of said lease, and by this reference incorporated into this Amendment of Lease Agreement.

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to March 28, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY
OF CALIFORNIA

/s/ Birdie R. Williamson

By /s/ Indecipherable

/s/ Lloyd K. Williamson

Contract Agent

LLOYD K. WILLIAMSON

By /s/ Barbara F. Perez

/s/ Robert C. Williamson

Assistant Secretary

ROBERT C. WILLIAMSON

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/s/ Neva M. Smith

NEVA M. SMITH,
aka Neva Williamson Smith
[/s/ Ralph L. Smith]

STATE OF CALIFORNIA,)
) ss.
COUNTY OF LOS ANGELES)

On May 29, 1973, before me, the undersigned, a Notary Public in and for said State, personally appeared Birdie R. Williamson, Lloyd K. Williamson, Neva M. Smith and Ralph L. Smith, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

WITNESS my hand and official seal.

/s/ Henry A. Rohlfing

Notary Public in and for said State.

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[County Recorder]

AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 16th day of February, 1982, between the party whose name is subscribed hereto under the designation of "Lessor", hereinafter called "Lessor", and CHEVRON GEOTHERMAL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H:

THAT REFERENCE IS HEREBY HAD to that certain Lease Agreement, dated February 17, 1977 (the short form of which is on record in the Office of the County Recorder of Imperial County, California, in Book 1401, Page 923, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee's predecessor in interest for the purposes therein described in such lease; such lease being hereinafter referred to as "said lease;"

NOW THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of five (5) years from the date hereof, called the 'primary term'...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of six (6) years from the date hereof, called the 'primary term'...."

2. This Amendment of Lease agreement (Short Form) is made upon the terms, covenants and conditions set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the said parties hereto which Amendment of Lease Agreement is by this reference incorporated herein and made a part hereof in all respects as though the same were fully set forth herein.

3. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1983.

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4. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

CHEVRON GEOTHERMAL COMPANY
OF CALIFORNIA

LESSOR

By: /s/ J. Turner

By: /s/ Joseph L. Holtz

SECRETARY

JOSEPH L. HOLTZ,
a single man

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 16th day of February, 1982, between the party whose name is subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" and CHEVRON GEOTHERMAL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

WITNESSETH:

THAT REFERENCE IS HEREBY HAD to that certain Lease Agreement, dated February 17, 1977 (the short form of which is on record in the Office of the County Recorder of Imperial County, California, in Book 1401, Page 923, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee's predecessor in interest for the purposes therein described in such lease; such lease being hereinafter referred to as "said lease;"

NOW THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of five (5) years from the date hereof, called the 'primary term'...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of six (6) years from the date hereof, called the 'primary term'...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of five (5) years from the date hereof...."

shall be hereby amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of six (6) years from the date hereof...."

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3. There is added to said lease the following Section 27:

"27. Subject to Lessor's rights under Section 4b. hereof and notwithstanding anything else to the contrary contained herein, if lessee completes a well or wells or a processing plant on said land or on the unit area capable of producing or processing lease products in quantities and quality deemed paying quantities by Lessee, Lessee may continue to pay or tender to Lessor, annually in advance of each lease anniversary date, rental until Lessee has made a sale of lease products produced from or allocated to said land. So long as such annual rental payments are paid or tendered, this lease shall remain in force and effect even though extended thereby beyond the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid, each well or wells shall be deemed to be actually producing lease products in paying quantities under the terms hereof." The above mentioned advance royalties shall not be recoverable by lessee out of any future production of said lease products.

Lessee agrees to exercise due diligence in the drilling and development of wells and the production of lease products in paying quantities, provided however that unit operations conducted under the terms of the Heber Geothermal Unit Agreement (recorded an Book 1437, page 1262 et seq. Official Records of Imperial County, California) without cessation of 180 consecutive days for reasons other than those stated in Article XIV therein shall be considered as due diligence under this Section 27.

4. Lessee confirms that Section 21 of said lease shall remain in full force and effect throughout the primary term as extended hereby.

5. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1983.

6. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

CHEVRON GEOTHERMAL COMPANY
OF CALIFORNIA

LESSOR

By: /s/ J. Turner

By: /s/ Joseph L. Holtz

JOSEPH L. HOLTZ,
a single man

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On May 10, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared Joseph L. Holtz, _____, _____, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.

/s/ Janet Stroud

(Signature)

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EXHIBIT 10.4.10

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 11th day of March, 1964, by and between JOHN D. JACKSON and FRANCES JONES JACKSON, also known as FRANCES J. JACKSON, husband and wife hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemical, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said, land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any and all of the above mentioned purposes. Lessee shall, also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased, land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose or maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

Parcel 1:

The South Half of Tract 52, Township 16 South, Range 14 East, S.B.M.,

Parcel 2:

The West 40 acres of the North Half of Tract 52, Township 16 South, Rang 14 East, S.B.M.,

Parcel 3:

The West Half of the South Half of Tract 51, Township 16 South, Range 14 East, S.B.M.,

Parcel 4:

The East Half of the North Half of Tract 52, Township 16 South, Range 14 East, S.B.M.,

Parcel 5:

Tract 48 1/2, Township 16 South, Range 13 and 14 East, S.B.M.,

Parcel 6:

The West 22 acres of Tract 47, Township 16 South, Ranges 13 and 14 East, S.B.M.
containing 240.00 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purposes of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such

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payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and

otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 11th day of March, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Three Thousand Six Hundred Thirty and No/100 Dollars (\$3,630.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

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It is expressly understood and agreed by the parties hereto:

- a. That if within 20 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and
- b. That if within 25 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is

in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall

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pay all damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land, as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land, by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

7A. Notwithstanding anything to the contrary contained herein, Lessee agrees not to use the surface of the lands as described in Parcels One, Two and Four (1-2 & 4), that lay within a distance of 750 feet from the main residence of the Lessor.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental, agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended, until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at P.O. Box 78 El Centro, California, or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a Check therefor to BANK OF AMERICA, N. T. & S. A., El Centro Branch at EL CENTRO, California its

successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rental or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act

as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495, San Francisco, California, 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

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16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a daily executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of

Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19. (a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The

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entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an

instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the

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drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable

/s/ John D. Jackson

Contract Agent

JOHN D. JACKSON

By: /s/ Indecipherable

/s/ Frances Jones Jackson

Assistant Secretary

FRANCES J. JACKSON

Lessee

Lessor

Witness to the above signature(s)/s/ Indecipherable

[two stamps]

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 9th day of July, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee";

W I T N E S S E T H

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated March 11, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193., at Page 33, et seq., of Official Records), whereby Lessor and Jackson Feed Mill, Inc. did grant, let and lease

unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term',...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term',...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

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3. Effective with the rental period that begins in 1974, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of One Hundred Seventy-Two and No/100-----DOLLARS (\$172.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Thirty-Six Hundred/Thirty and No/100 Dollars (\$3,630.00)...."

4. That part of Section 4a, of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

b. That if within 25 years...."

6. Lessor does hereby grant, demise, lease and let unto Lessee only those certain lands included in said lease, situated in the County of Imperial, State of California, that are particularly described as follows:

Parcel 1: The South 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

Parcel 2: The West 40 acres of the North 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

Parcel 3: The West 1/2 of the South 1/2 of Tract 51, Township 16 South, Range 14 East, S.B.M.

Parcel 4: The East 1/2 of the North 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

containing 240 acres of land more or less, for the term and purposes and subject to all of the other provisions of said lease as hereby amended, and Lessor and Lessee further agree

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that all provisions of that certain lease agreement above referred to shall apply separated and distinctly to the above-described lands and this amendment shall constitute and create a separate and distinct holding under that certain lease agreement above referred to. Lessor further agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledge receipt of rental in full under said lease to March 11, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

By /s/ H. R. Hargrave

/s/ John D. Jackson

Contract Agent

JOHN D. JACKSON

By /s/ Indecipherable

/s/ Frances J. Jackson

Assistant Secretary

FRANCES J. JACKSON

PO Box 78
El Centro, CA

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 1st day of October, 1979, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter

called "Lessor" (whether one or more), and Chevron U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H

THAT, REFERENCE IS HEREBY HAD to certain Lease Agreement dated March 11, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 33 et seq., of Official Records), whereby Lessor and Jackson Feed Mill, Inc. did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, by amendment of lease agreement dated July 9, 1973, a short form of which was recorded in B-1353, P-34, et seq. of official records of Imperial County, California, said lease was amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Effective with the rental period that begins in 1980, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Thirty Six Hundred Thirty & No/100 DOLLARS (\$3,630.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Six Thousand Fifty & No/100 DOLLARS (\$6,050.00)...."

2. Lessor does hereby grant, demise, lease and let unto Lessee only those certain lands included in said lease, situated in the County of Imperial, State of California, that are particularly described as follows:

Parcel 1: The South 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

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Parcel 2: The West 40 acres of the North 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

Parcel 3: The West 1/2 of the South 1/2 of Tract 51, Township 16 South, Range 14 East, S.B.M.

Parcel 4: The East 1/2 of the North 1/2 of Tract 52, Township 16 South, Range 14 East, S.B.M.

containing 240 acres of land more or less, for the term and purposes and subject to all of the of the provisions of said lease as hereby amended, and Lessor and Lessee further agree that all provisions of that certain lease agreement above referred to shall apply separately and distinctly to the above-described lands and this amendment shall constitute and create a separate and distinct holding under that certain lease agreement above referred to.

Lessor further agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to March 11, 1980.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

By /s/ J. H. Turner

Its Attorney-in-Fact

/s/ John D. Jackson

JOHN D. JACKSON

/s/ Frances J. Jackson

FRANCES J. JACKSON

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STATE OF CALIFORNIA)
)
COUNTY OF IMPERIAL)

On October 1, 1979 before me, the undersigned, a Notary Public in and for said State, personally appeared John D. Jackson and Frances J. Jackson, known to me to be the persons whose name are subscribed to the within instrument and acknowledged that they executed the same.

WITNESS my hand and official seal

Signature /s/ Pauline C. Montgomery

[Notary Seal]

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LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 16th day of February, 1964, by and between JOHN D. JACKSON, Conservator for the Estate of APHIA JACKSON WALLAN hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H :

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The E 1/2 of the S 1/2 of Tract No. 51, Township 16 South,
Range 14 East, S.B.M. containing 80 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 16th day of February, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Forty and 00/100 DOLLARS (\$40.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

- a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and
- b. That if within 15 years from the date hereof Lessee has not made

or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well, with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well, or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall, be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

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8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the

control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail, to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee a share of all severance, production and license taxes or other taxes or assessments levied or assessed on

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account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share," as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at P.O. Box 78, EL CENTRO, California or lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to BANK of AMERICA, N.T.& S.A., El Centro Branch at EL CENTRO, California its successors and assigns, herein designated by lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators,

successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depositary until both Lessee and the depositary have been furnished with written evidence thereof satisfactory to them. Said depositary above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depositary and notify Lessee in writing at P.O. Box 3495, San Francisco, California 94120, of the name and address of such new depositary. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depositary designated herein or to any other depositary hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depositary of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire end undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which

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Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depositary bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depositary bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19. (a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and

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royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or

contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall, mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

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22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable

Contract Agent
By: /s/ Indecipherable

Assistant Secretary

/s/ John D. Jackson

JOHN D. JACKSON, Conservator for the
Estate of APHIA JACKSON WALLAN

LESSEE

LESSOR

WITNESS TO THE ABOVE SIGNATURE(S)

/s/ Indecipherable

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 9th of July, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated February 16, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 106 et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease, such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

".... this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term' , ..."

shall be and hereby is amended to read as follows:

".... this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term' , ..."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

3. Effective with the rental period that begins in 1974, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Forty and 00/100 DOLLARS (\$40.00).."

shall be and hereby is amended to read as follows:

"...., the sum of Twelve Hundred and No/100 DOLLARS (\$1,200.00)...."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years...."

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto;

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable

/s/ John D. Jackson

Contract Agent

JOHN D. JACKSON, Conservator for the
Estate of APHIA JACKSON WALLAN

By: /s/ Indecipherable

Assistant Secretary

STATE OF CALIFORNIA)

ss.:

City and County of San Francisco)

On September 24, 1973, before me, Edmond Lee Kelly, a Notary Public in and for said City and County and State, residing therein, duly commissioned and sworn, personally appeared A. T. SMITH and J. D. FROGGATF known to me to be CONTRACT AGENT and ASSISTANT SECRETARY, respectively, of STANDARD OIL COMPANY OF CALIFORNIA the Corporation described in and that executed the within instrument, and also known to me to be the persons who executed it on behalf of the said Corporation therein named, and they acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal, at my offices in the City and County and State aforesaid the day and year in this certificate above written.

/s/ Edmond Lee Kelly

Notary Public in and for said City and

AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 1st day of October, 1979, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to certain Lease Agreement dated February 16, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 106, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, by amendment of lease agreement dated July 9, 1973, a short form of which was recorded in B-1354, P-385, et seq. of official records of Imperial County, California, said lease was amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Effective with the rental period that begins in 1980, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Twelve Hundred and No/100 DOLLARS (\$1,200.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Two Thousand and No/100 DOLLARS (\$2,000.00)...."

2. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1980.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

By: /s/ J. Turner

/s/ John D. Jackson

Its Attorney-in-Fact

JOHN D. JACKSON, Conservator for the
Estate of Aphia Jackson Wallan

Exhibit 10.4.12

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 17 day of March, 1964, by and between HELEN S. FUGATE, a widow hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in

the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

Tract No. 44 Township 16 South, Range 14 East, S.B.M. containing 80 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of twenty (20) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of thirty (30) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land provided that, commencing with the 17th day of March, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Eight-hundred and no/100 DOLLARS (\$800.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the

surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

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It is expressly understood and agreed by the parties hereto:

- a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and
- b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land and to pay all, other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at 515 - Sandalwood Drive, El Centro, California, or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to Bank of America at El Centro, California its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495, San Francisco, California, 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in

regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge

of any such mortgage or other lien, or to the reimbursement to lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depositary bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depositary bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19. (a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by

this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no

production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be

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undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY OF AMERICA

By: /s/ Indecipherable

Contract Agent

By: /s/ Indecipherable

/s/ Helen S. Fugate

Assistant Secretary

HELEN S. FUGATE

LESSEE

LESSOR

Witness to the above signature(s) /s/ Kenneth B. Masre

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CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

EXHIBIT 10.4.13

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 16 day of February, 1964, by and between JOHN D. JACKSON and FRANCES J. JACKSON, husband and wife hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any and all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for

that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The NE 1/4 of the N 1/2 of Tract No. 51, Township 16 South, Range 14 East, according to the United States Government Plat of Resurvey, approved and on file in the United States Land Office at Los Angeles, California containing 40 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor ***

*** Confidential material redacted and filed separately with the Commission.

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4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 16th day of February, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of *** (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of

producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

b. That if within 25 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's

*** Confidential material redacted and filed separately with the Commission.

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obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said plant shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without

impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any

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Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

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13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to

Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at P.O. Box 78, EL CENTRO, California, or Lessee may, at its option, pay any and all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to BANK OF AMERICA, N.T. & S.A., El Centro Branch its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing as P.O. Box 3495, San Francisco, California, 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any

portion of said, land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's so interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee stay at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as

to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient or Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

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19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease. So as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land molded in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase

or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits

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of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom may be dissolved by Lessee's filing for record an instrument so declaring. A copy of instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable	/s/ John D. Jackson
-----	-----
Contract Agent	JOHN D. JACKSON husband

By: /s/ Indecipherable	/s/ Frances J. Jackson
-----	-----
Assistant Secretary	FRANCES J. JACKSON wife

LESSEE

LESSOR

Witness to the above signature(s) /s/

AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 9th day of July, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated February 16, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 298 et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term', ..."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term'...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

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"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

3. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

4. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years....."

5. Said lease is further amended as set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the parties hereto and covering the lands described in Section 1 of said lease, and by this reference incorporated into this Amendment of Lease Agreement.

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable

Contract Agent

/s/ John D. Jackson

JOHN D. JACKSON

By: /s/ Indecipherable

Assistant Secretary

/s/ Frances J. Jackson

FRANCES J. JACKSON, his wife

P.O. Box 78
El Centro, CA

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 9th day of July, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated February 16,

1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 298, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term',...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term',...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

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"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

3. Effective with the rental period that begins in 1974, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of ***"

shall be and hereby is amended to read as follows:

"...., the sum of ***."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years...."

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

*** Confidential material redacted and filed separately with the Commission.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY OF CALIFORNIA

By: /s/ Indecipherable

Contract Agent

/s/ John D. Jackson

JOHN D. JACKSON

By: /s/ Indecipherable

Assistant Secretary

/s/ Frances J. Jackson

FRANCES J. JACKSON, his wife

P.O. Box 78
El Centro, CA

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AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 1st day of October, 1979, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to certain Lease Agreement dated February 16, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 298, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, by amendment of lease agreement dated July 9, 1973, a short form of which was recorded in B-1353, P-10, et seq. of official records of Imperial County, California, said lease was amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the

particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Said lease is further amended as set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the parties hereto and covering the lands described in Section 1 of said lease, and by this reference incorporated into this Amendment of Lease Agreement.

2. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1980.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

By: /s/ J. H. Turner

/s/ John D. Jackson

Its Attorney-in-Fact

JOHN D. JACKSON

/s/ Frances J. Jackson

FRANCES J. JACKSON, his wife

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this day of 1st day of October, 1979, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC. successor in interest to STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to certain Lease Agreement dated February 16, 1964 (such lease being of record in the office of the County Recorder of Imperial County, California, in Book 1193, at Page 298, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND WHEREAS, by amendment of lease agreement dated July 9, 1973, a short form of which was recorded in B-1353, P-10 et seq. of official records of Imperial County, California, said lease was amended;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Effective with the rental period that begins in 1980, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of ***"

shall be and hereby is amended to read as follows:

"...., the sum of ***"

2. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 16, 1980.

*** Confidential material redacted and filed separately with the Commission.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE	LESSOR
CHEVRON U.S.A. INC.	
By: /s/ J. H. Turner	/s/ John D. Jackson
-----	-----
Its Attorney-in-Fact	JOHN D. JACKSON
	/s/ Frances J. Jackson

	FRANCES J. JACKSON, his wife

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 20th day of February, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife hereinafter called "Lessor" (whether one or more) and Standard Oil Company of California, a

corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products " For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land, and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

Tract 42 and the South Half of Tract 41-1/2, Township 16 South, Range 14 East, S.B.M., containing 239.76 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of twenty (20) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operation or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

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4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period twenty (20) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 20th day of February, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated the lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of One Hundred Nineteen and 88/100 DOLLARS (\$119.88) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing,

extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or

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products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders

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of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said

land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default, provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and Located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

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13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at 705 Desert Gardens Drive EL CENTRO, California or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to SECURITY FIRST NATIONAL BANK OF LOS ANGELES, El Centro Branch at EL CENTRO California its

successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the Land or minerals covered by this Lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at 3495, San Francisco, California, 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the some proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument

of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

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18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the Unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease

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provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth

therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, In the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY
OF CALIFORNIA

By: /s/ Indecipherable

Contract Agent

/s/ Indecipherable

By: -----

Assistant Secretary

/s/ John A. Straub

JOHN A. STRAUB

/s/ Edith D. Straub, also known as

EDITH D. STRAUB

/s/ Edythe D. Straub, wife

Edythe D. Straub, LESSOR

LESSEE

Witness to the above signatures

/s/ Indecipherable

AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 9th day of July, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee";

W I T N E S S E T H :

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THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated February 20, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 74 et seq., of Official Records), whereby Lessor's predecessor in interest did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term',...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of twenty (20) years from the date hereof, called the 'primary term'...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

3. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

4. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That it within 25 years...."

5. Said Lease is further amended as set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the parties hereto and covering the lands described in Section 1 of said lease, and by this reference incorporated into this Amendment of Lease Agreement.

6. Lessor does hereby grant, demise, lease and let unto Lessee only those certain lands included in said lease, situated in the County of Imperial, State of California, that are particularly described as follows:

Tract 42, Township 16 South, Range 14 East, S.B.M.

containing 160 acres of land more or less, for the term and purposes and subject to all of the other provisions of said lease as hereby amended, and Lessor and Lessee further agree that all provisions of that certain lease agreement above referred to shall apply separately and distinctly to the above-described lands and this amendment shall constitute and create a separate and distinct holding under that certain lease agreement above referred to. Lessor further agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 20, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

STANDARD OIL COMPANY
OF CALIFORNIA

/s/ F. Hargrave
By: -----
Contract Agent

/s/ John D. Jackson, Jr.

JOHN D. JACKSON, JR.

/s/ Indecipherable
By: -----
Assistant Secretary

/s/ Carole Jackson

CAROLE JACKSON

P.O. Box 1679
El Centro, CA

AMENDMENT OF LEASE AGREEMENT (SHORT FORM)

THIS AGREEMENT, made this 14th day of March, 1975, by and between JOHN D. JACKSON, JR. and CAROLE JACKSON, his wife, hereinafter called "Lessor", and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee";

W I T N E S S E T H :

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THAT, WHEREAS, by that certain Lease Agreement dated February 20, 1964 and recorded in this Office of the County Recorder of Imperial County, California, in Book 1193, at Page 74 et seq. of Official Records, John A. Straub and Edith D. Straub, his wife, as Lessors, therein did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease; such lease being hereinafter referred to as "said lease"; and

WHEREAS, by instrument dated June 11, 1969 and recorded in the Office of the County Recorder of Imperial County California, in Book 1279 at Page 799 of Official Records, Lessor became the owner and holder of the Lessor's interest under said lease only as to those certain lands included in said lease described as follows: Tract 42, Township 16 South, Range 14 East, SBM, County of Imperial, State of California, containing 160 acres of land more or less, hereinafter referred to as "said land"; and

WHEREAS, by that certain amendment of Lease Agreement dated July 9, 1973, a Short Form of which was recorded in the Office of the County Recorder of Imperial County, California, in Book 1353 at Page 25, et. seq. of Official Records, said lease was amended as therein provided insofar as it covered said land; and

WHEREAS, Lessor and Lessee have agreed to further amend said lease as hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Said Lease is further amended as set forth in that certain Amendment of Lease Agreement bearing even date herewith by and between the parties hereto and covering the lands above as said land and by this reference incorporated into this Amendment of Lease Agreement.

2. Lessor hereby ratifies said lease, as amended, insofar as it covers said land and acknowledges full performance by Lessee of all of its obligations thereunder to

the date hereof and, as herein amended, said lease shall remain in full force and effect and, to implement this amendment, Lessor does hereby lease, let and demise unto Lessee said lands pursuant to the terms of said lease, as amended.

3. The provisions of this agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSOR

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land

hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products". For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all, of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The North Half of Tract No. 49, Township 16 South, Range 14 East, S.B.B.&M., containing 160 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and

expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operation or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

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4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 1st day of July, 1972, if Lessee has not terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Eight Hundred and no/100 DOLLARS (\$ 800.00) (each of such annual periods being hereinafter referred to as "rental period") until royalty is payable on said land or lands, which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

b. That if within 15 years from the date hereof Lessee has not made or arrange for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or

products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a

market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily

subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed

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on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at 2122 Westwood, Santa Ana, California or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to _____ at _____ its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the Land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder

shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495, San Francisco, California 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or

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invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee

shall protect said land from liens arising from Lessee's operations thereon.

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19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any

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weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument

THIS AGREEMENT, made this 1st day of July, 1981 between the party or parties whose names are subscribed hereto under the designation of "Lessor",

hereinafter called "Lessor" (whether one or more), and CHEVRON U.S.A. INC., successor in interest to Standard Oil Company of California, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT REFERENCE IS HEREBY HAD to that certain Lease Agreement, dated July 1, 1971 (the short form of which is of record in the Office of the County Recorder of Imperial County, California, in Book 1315, at Page 107, et seq., of Official Records), whereby Lessor and/or Lessor's predecessor in interest did grant, let and lease unto Lessee for the purposes therein described in such lease; such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the 'primary term'...."

shall be and hereby is amended to read as follows:

"...., this lease shall remain in force for a period of fifteen (15) years from the date hereof, called the 'primary term'...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

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"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of fifteen (15) years from the date hereof...."

3. Effective with the rental period that begins in 1982, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Eight Hundred and no/100 (\$800.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Four Thousand and no/100 (\$4,000.00)...."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 15 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That it within 20 years...."

6. There is added to said lease the following Section 24:

"24. Subject to Lessor's rights under Section 4b. hereof and notwithstanding anything else to the contrary contained herein, if Lessee completes a well or wells or a processing plant on said land or on the unit area capable of producing or processing lease products in quantities and quality deemed paying quantities by Lessee, Lessee may continue to pay or tender to Lessor, annually in advance of each lease anniversary date, rental until Lessee has made a sale of lease products produced from or allocated to said land. So long as such annual rental payments are paid or tendered, this lease shall remain in force and effect even though extended thereby beyond the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid, each well or wells shall be deemed to be actually producing lease products in paying quantities under the terms hereof."

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7. To Implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to July 1, 1982.

8. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

LESSOR

CHEVRON U.S.A. INC.

By /s/ J. H. Turner

/s/ MARIE L. GISLER

MARIE L. GISLER

/s/ HARRY R. GISLER

HARRY R. GISLER

LEASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 28 day of February 1964, by and between GUS KURUPAS and GUADALUPE KURUPAS, Husband and Wife hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

W I T N E S S E T H

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all, rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The West 80 acres of the North Half of Tract 51, Township 16 South, Range 14 East S.B.M. containing 80 acres of land more or less.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period ten (10) years from the date hereof, called the "primary term," and thereafter so long as lease products, or any one or more of them, is produced from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or

unitized with said land, as provided in Section 19 hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area").

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 10% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well. If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

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4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 28th day of February, 1965, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of Forty and no/100 (\$40.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraph 19 hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

- a. That if within 10 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

- b. That if within 15 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all, operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations or production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is

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recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay all damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease. If Lessee elects to use all or any part of the surface of said land for evaporation or settling basins or extraction, power, or processing plants Lessee may, at its option, purchase the surface rights to the land so utilized by it at the actual market value or going price for similar rights in the vicinity.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

9. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof)

while Lessee is

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prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

10. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until 5 days after such dispute is settled by final, court decree, arbitration or agreement.

If lessee shall be in default in the performance of any obligations under this lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any

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thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

13. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to

deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at Route 2, Box 63, El Centro, California or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to SECURITY FIRST NATIONAL BANK of LOS ANGELES, El Centro Branch at El Centro, California its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at P.O. Box 3495, San Francisco, California 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

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15. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In

the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

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18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19.(a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by

Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease

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provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

20. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

21. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

22. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY
OF CALIFORNIA

By: /s/ Indecipherable

Contract Agent

/s/ Gus Kurupas

GUS KURUPAS

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By: /s/ Indecipherable

Assistant Secretary

/s/ Guadalupe Kurupas

GUADALUPE KURUPAS

LESSEE

LESSOR

Witness to the above signature(s) /s/ Russell E. Larson

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AMENDMENT OF LEASE AGREEMENT

THIS AGREEMENT, made this 18th day of April, 1973, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee",

W I T N E S S E T H:

THAT, REFERENCE IS HEREBY HAD to that certain Lease Agreement dated February 28, 1964 (such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1193, at Page 129, et seq., of Official Records), whereby Lessor did grant, let and lease unto Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease, such lease being hereinafter referred to as "said lease";

AND, WHEREAS, Lessor and Lessee have agreed to amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. That part of the first sentence of Section 2 of said lease which now reads as follows:

"...., this lease shall remain in force for a period of ten (10) years from the date hereof, called the `primary term,...."

shall be and hereby is amended to read as follows:

".... this lease shall remain in force for a period of twenty (20) years from the date hereof, called the `primary term' ,...."

2. That part of the first sentence of Section 4 of said lease which now reads as follows:

"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of ten (10) years from the date hereof...."

shall be and hereby is amended to read as follows:

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"4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of twenty (20) years from the date hereof...."

3. Effective with the rental period that begins in 1974, that part of the first sentence of Section 4 of said lease which now reads as follows:

"...., the sum of Forty and no/100 DOLLARS (\$40.00)...."

shall be and hereby is amended to read as follows:

"...., the sum of Four Hundred and no/100 DOLLARS (\$400.00)...."

4. That part of Section 4a. of said lease which now reads as follows:

"a. That if within 10 years...."

shall be and hereby is amended to read as follows:

"a. That if within 20 years...."

5. That part of Section 4b. of said lease which now reads as follows:

"b. That if within 15 years...."

shall be and hereby is amended to read as follows:

"b. That if within 25 years...."

6. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 28, 1975.

7. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

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IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

STANDARD OIL COMPANY
OF CALIFORNIA

LESSOR

By /s/ Indecipherable

/s/ Guadalupe Kurupas

Contract Agent

GUADALUPE KURUPAS

By /s/ Barbara Perez

Assistant Secretary

1. Lessor, for and in consideration of the sum of \$10 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom water, brine, steam, steam power, minerals in solution or suspension in liquid or steam (other than oil), salts, chemicals, gases (other than gas associated with oil), and other products produced or extracted by Lessee from any thereof. Each of the foregoing is hereinafter sometimes termed "a lease product" and all thereof are sometimes termed "the lease products." For the same consideration Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such lease products upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of steam power, and electric power, and for the handling, treatment or storage of lease products, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of

said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities, with all necessary appurtenances for the conversion of steam to electric power, and for the extraction of lease products from steam, brine or water produced from said land, and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products in a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases in a well or wells on said land or such other land for the purpose of maintaining or restoring pressure in the productive zones beneath said land or other land in the vicinity thereof. The said land included in this lease is situated in the County of Imperial, State of California, and is described as follows, to wit:

The West Half of Tract No. 45, Township 16 South,
Range 14 East, S.B.B. & M.,

containing 160 acres of land, more or less;
without right of entry, however, upon the surface or the upper 500 feet of the subsurface thereof except as to four (4) two-acre surface use sites as described hereinafter, together with necessary and convenient ingress and egress rights and pipeline, power and communication rights of way in, on, over, under and through said West Half of Tract No. 45 for the purposes and uses provided herein.

Said surface use sites are described as follows:

Beginning at the southwest corner of Tract 45, Township 16 South, Range 14 East, S.B.B. & M; thence easterly along the southerly line of said Tract, 512 feet; thence northerly at right angles 85 feet to the true point of beginning; thence continuing northerly 295.16 feet; thence easterly parallel with said southerly line, 295.16 feet; thence southerly at right angles, 295.16 feet to a point 85 feet northerly of the said southerly line; thence westerly parallel with said southerly line 295.16 feet to the point of beginning, containing 2.00 acres.

Beginning at the southeast corner of the west one-half of Tract 45, Township 16 South, Range 14 East, S.B.B. & M; thence westerly along the southerly line of said Tract, 512 feet; thence northerly at right angles 85 feet to the true point of beginning; thence continuing northerly 295.16 feet; thence westerly parallel with said southerly line, 295.16 feet; thence southerly at right angles, 295.16 feet to a point 85 feet northerly of the said southerly line; thence easterly, parallel with said southerly line 295.16 feet to the point of beginning, containing 2.00 acres.

Beginning at the northwest corner of Tract 45, Township 16 South, Range 14 East, S.B.B. & M.; thence easterly along the northerly line of said Tract, 512 feet; thence southerly at right angles 85 feet to the true point of beginning; thence continuing southerly 295.16 feet; thence easterly parallel with said northerly line, 295.16 feet; thence northerly at right angles, 295.16 feet to a point 85 feet southerly of the said northerly line; thence westerly parallel with said northerly line 295.16 feet to the point of beginning, containing 2.00 acres.

Beginning at the northeast corner of the west one-half of Tract 45, Township 16 South, Range 14 East, S.B.B. & M.; thence westerly along the northerly line of said Tract, 512 feet, thence southerly at right angles 85 feet to the true point of beginning; thence continuing southerly 295.16

feet; thence westerly parallel with said northerly line, 295.16 feet; thence northerly at right angles, 295.16 feet to a point 85 feet southerly of the said northerly line; thence easterly, parallel with said northerly line 295.16 feet to the point of beginning, containing 2.00 acres,

all of which subsurface and surface lands are herein referred to collectively as "said land".

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

1.A. As rental, in addition to the other rental provisions and the damage compensation provisions of this lease, Lessee agrees to pay Lessor \$100.00 per acre per year for so much of Lessor's surface acreage described in Paragraph 1 hereof actually used or occupied by Lessee at any time or times during such annual periods. Payments required under this paragraph shall be made within thirty (30) days following the first anniversary of the initial such surface use or occupancy and at like annual periods thereafter for so long as any such use or occupancy continues.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of five (5) years from the date hereof, called the "primary term", and thereafter so long as lease products, or any one or more of them, is produced in commercial quantities (as hereinafter defined) from, or Lessee is engaged in drilling, extraction, processing or reworking operations on said land hereunder or on land pooled or unitized with said land, as provided in Paragraphs 21(a) and 21(b) hereof, (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area"). The phrase "commercial quantities" is hereby defined (for the purposes of this paragraph and this paragraph only) as those quantities of lease products which would provide Lessor an annual royalty equal to no less than a 6% annual return on an amount constituting four (4) times the assessed value of said land.

3. Lessee shall pay to Lessor, on or before the last day of each calendar month, the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty and rental, Lessee shall pay to Lessor 12 1/2% of the value at the well of all lease products produced, saved and sold. As used herein, the term "value at the well" shall mean the actual price received by Lessee for the sale of lease products at the well.

If such products are not sold by Lessee at the well but are sold at a plant or plants on or in the vicinity of said land, then the value at the well shall be determined by deducting from the actual price received by Lessee for the sale of such lease products all costs and expenses incurred by Lessee in transporting, manufacturing, processing and otherwise handling such lease products prior to the actual sale thereof. If lease products are not sold by Lessee at the well or at such a plant but are otherwise used by Lessee in its chemical operations or disposed of for value, then the value of such lease products at the well shall be determined by deducting from the price thereof at the nearest point where the same or similar products are sold in substantial quantities, the cost of transporting, manufacturing, processing and otherwise handling such lease

products prior to sale thereof. Lessee shall meter, gauge or otherwise determine the volume and quality of all lease products commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, steam, steam power, electric power, and water developed from said land by Lessee, for all operations hereunder, and Lessee shall not be required to account to Lessor for, or pay royalty on any lease product or products reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling, extraction or processing operations on said land or on the unit area within the period of five (5) years from the date hereof and to prosecute such operations with reasonable diligence until lease products or any thereof shall have been found, extracted and processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that, commencing with the 7th day of April, 1973, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of ONE THOUSAND SIX HUNDRED AND NO/100 DOLLARS (\$1,600.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith, pursuant to paragraphs 21(a) and 21(b) hereof, or this lease terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 18 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term, as above provided, this lease shall terminate.

It is expressly understood and agreed by the parties hereto:

- a. That if within 5 years from the date hereof Lessee has not completed one or more wells or a processing plant on the unit area or on said land, capable of producing or processing lease products or any thereof

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in quantities and quality deemed paying quantities by Lessee, then Lessor may, at his option, terminate this lease; and

- b. That if within 10 years from the date hereof Lessee has not made or arranged for a sale or sales of lease products or any thereof, produced from or allocated to said land, then Lessor may, at his option, terminate this lease.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder on said land or on the unit area shall cease for any cause other than those for which specific provision is made herein, this lease shall not terminate if Lessee shall commence or resume drilling, processing, extraction or reworking operations of production within three (3) months after such cessation.

6. Lessee shall be obligated to produce only such quantity or quantities of lease products as it may be able to market at the well or wells, plant or plants. It is recognized that the market demand for lease products may vary from time to time and during such periods as there is no market at the wells or plant for any lease product or products, Lessee's obligation to produce, process and extract such lease product or products shall be suspended. If such period or periods occur after royalty producing production is first commenced, Lessee shall pay Lessor monthly in advance the sum of \$250.00, which payments, shall continue until royalty producing production has been reestablished or the lease has been surrendered in accordance with its terms.

Subject to the foregoing and except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed well with reasonable diligence and in accordance with good operating practice so long as such wells shall produce lease products in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation program affecting the drilling of wells or the production of lease products from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency adopt, subscribe to or be subject to.

7. Subject to the provisions of Paragraph 10 hereinafter, and all other provisions of this lease notwithstanding, Lessee agrees, as additional consideration for this lease, to commence actual drilling on said land of an "initial exploratory well" within one year of the date of this lease and to diligently pursue the drilling of said well to a depth of 1500 feet or to a depth at which temperatures of 212(0) F or more are encountered, whichever depth as the lesser. Lessee's obligation to drill such well shall not be avoided by any prior purported surrender of rights, payment of annual delay rental or otherwise, and neither commencement of drilling nor any operations whatsoever of said "initial

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exploratory well" shall avoid Lessee's obligation to pay rental under the provisions of Paragraph 4 hereinabove. Lessee further agrees, as aforesaid, that in the event Lessee, in Lessee's sole opinion, determines that the results of said "initial exploratory well" warrants the drilling of a well for the production of lease products as provided for in said Paragraph 4, Lessee shall complete the drilling of said second well on said land within one year after the date of completion of drilling of said "initial exploratory well". In the event said second well is capable of producing lease products in commercial quantities and quality, Lessee shall pay Lessor, in absence of royalty producing production, an annual "shut-in" payment in the amount of \$6,000.00, subject to Lessee's right of surrender hereunder. Said payment shall be made annually in advance beginning two years after the date of this lease. Said payment shall continue, in absence of surrender by Lessee, until royalty producing production as first commenced, either from said second well or from any subsequently drilled well on said land or on lands pooled or unitized with said land under the provisions of Paragraphs 21(a) and 21(b) hereinafter.

8. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agriculture, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn new on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well, or portion of this lease, shall impair Lessee's rights with respect to any other well or portion of this lease. Lessee shall exercise all reasonable care in Lessee's operations on said land to avoid damage to the fresh water table.

9. The rights of Lessor and Lessee hereunder may be assigned in whole or in part, provided that in absence of Lessor's further written consent, no assignment shall be made of all or any part of the Lessee's estate in this lease to any person or entity having a net worth of less than Ten Million Dollars (\$10,000,000.00).

No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others--rental being apportionable in proportion to acreage.

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10. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under (a) and (b) of paragraph 4 hereof) while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, state, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land, delays in transportation, and also matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's obligations under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering the performance of such obligation, Lessee, subject to the other provisions of this Lease, diligently commences or resumes the performance of such obligation. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations hereunder conflict with or violate the provisions of any reasonable conservation program or plan or orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plans which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation. If the permission or approval of any governmental agency is necessary before drilling operations may be commenced on said land, then if such permission or approval has been applied for at least 30 days prior to the date upon which such operations must be commenced under the terms hereof, the obligation to commence such operations shall be suspended until thirty (30) days after the governmental permit is granted or approval given, or if such permit or approval is denied initially, then so long as Lessee in good faith appeals from such denial or conducts further proceedings in an attempt to secure such permit or approval and thirty (30) days thereafter. However, in no case whatsoever shall Lessee's obligations under this lease be suspended in any individual instance under this paragraph for more than three (3) years. Notwithstanding anything to the contrary herein provided, the inability to secure or absence of a market for the sale of lease products which can be produced or recovered in commercial quantities from said land shall not suspend the obligation of Lessee as to the monthly payments provided for in Paragraph 6 or the annual shut-in payment provided for in Paragraph 7 hereof.

11. If Lessee shall fail to pay any installment of royalty or rental when due and if such default shall continue for a period of 15 days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor, this lease shall terminate as to the portion or portions thereof as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid,

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said 15-day period shall be extended until 5 days after such dispute as settled by final court decree, arbitration or agreement.

If Lessee shall be in default in the performance of any obligations under this Lease, other than the payment of rentals or royalties, and if, for a period of 90 days after written notice is given to Lessee by Lessor of such default, Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this Lease.

12. Lessee agrees to defend and indemnify Lessor against, and to hold Lessor harmless from, all claims for damages to or destruction of property and injury to or death of persons that result from Lessee's operations in or on said land or from a condition caused by Lessee.

13. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

14. Lessee shall also pay Lessee's share of any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder, together with Lessee's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

15. Lessor agrees to pay Lessor's share of any and all taxes assessed upon any products of Lessee's operations hereunder, together with Lessor's share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of lease products from said land, and to pay all other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder. "Lessee's share" and "Lessor's share", as used above refers to Lessee's and Lessor's respective proportionate parts of the gross proceeds from the sale of any and all lease products produced, saved and sold from said land by Lessee or allocated to said land under the terms of any unit or pooling plan during the preceding calendar year.

16. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at c/o Miss G. Nowlin, 1031 East Mountain Drive, Santa Barbara, California 93108, or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to Crocker National Bank, Santa

Barbara Main Office at 1001 State Street, Santa Barbara, California 93101 its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. No change in the ownership of the land or minerals covered by this lease and no assignment of rentals or royalties shall be binding upon Lessee or the depository until both Lessee and the depository have been furnished with written evidence thereof satisfactory to them. Said depository above named shall continue to act as such until the owners and holders of at least two-thirds of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at 225 Bush Street, San Francisco, CA 94120, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all

liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

17. It is agreed that if Lessor owns a less interest in the sole and exclusive rights herein granted Lessee, than the entire and undivided fee simple estate therein, then any royalties, rentals and other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment theretofore made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder, to the owner of the lands to which such mortgage or other lien attaches.

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18. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

19. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittee. In the abandonment of any and all wells drilled by Lessee under the terms hereunder, Lessee shall comply with the regulations of all governmental authorities having jurisdiction over such abandonments.

20. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessor shall not be chargeable with nor liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

21. (a) Lessee is given the sole right and option by written declaration of

pooling at any time or from time to time, within twenty (20) years from the date hereof (provided this lease is still in effect) to combine, pool or unitize in whole or in part as to any stratum or strata all (and no less than all) of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating unit for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the county where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessors agree that with respect to all lease products obtained from any lands included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage

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within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such operating unit shall be computed only on that portion of such production so allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit. Lessee may, at its sole option, at any time when there is no production in such operating unit of lease products in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and all (and no less than all) of the lands covered hereby, in whole, or in part as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of said unit. The method of allocation of production from lands subject to said unit shall be set forth therein and may be based upon the surface acreage or the estimated volumetric content of recoverable lease products, or any weighing of either or both thereof, of lands within such unit or within the estimated productive limits of such unit, or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof; except that any use whatsoever of volumetric content as a method of allocation shall be contingent on the further written consent by Lessor prior to such use. The provisions of this paragraph authorizing the establishment and enlargement or contraction of such unit and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if such unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

22. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

23. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

24. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement,

STANDARD OIL COMPANY OF CALIFORNIA

NOWLIN PARTNERSHIP

By /s/ Indecipherable

By /s/ Mary Ellen Nowlin Hudspeth

Contract Agent

/s/ Indecipherable

By /s/ Indecipherable

Assistant Secretary

LESSEE

By /s/ Edward B. Nowlin

By /s/ Indecipherable

Partners

LESSOR

UNION

THIS GEOTHERMAL LEASE AND AGREEMENT, (herein sometimes referred to as "Lease") made and entered into as of this 18th day of July, 1979, by and between CHARLES K. CORFMAN, an unmarried man as his sole and separate property, hereinafter referred to as "Lessor", whether one or more, and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter referred to as "Lessee";

WITNESSETH:

1. That Lessor, for and in consideration of Ten Dollars (\$10.00) in hand paid to Lessor by Lessee, the rentals provided for hereinafter, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained, to be kept and performed, Lessor has granted, leased, let and demised and by these presents does grant, lease, let and demise exclusively to Lessee, its grantees, successors and assigns, upon and subject to the terms and conditions hereinafter set forth, all that certain land

(herein sometimes referred to as the "leased land") situate, in the County of Imperial,

State of California, and more particularly described as follows, to-wit:

Reference is made to Exhibit "A" attached hereto and made a part hereof.

containing 80.0, acres, more or less, including all accretions thereto and all lakes, streams, canals, waterways, dikes, roads, streets, alleys, easements and rights of way, on, within, or adjoining the lands above described and including all strips or parcels of land contiguous, adjacent to or adjoining the above described land, and owned or claimed by Lessor. This lease shall cover all the interest in tire leased land now owned or hereinafter acquired by Lessor. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if the leased land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

By the use of such methods as Lessee may desire, Lessee shall have the soil and exclusive right to explore for, drill for, test, develop, operate, produce, extract, take,

remove and sell Hot Water, Steam and Thermal Energy and Extractable Minerals from the leased land, and to store, utilize, process, convert and otherwise treat such Hot Water, Steam and Thermal Energy upon the leased land, end to extract any Extractable Minerals during the term hereof and to transport same from the leased land, and to inject or reinject in the leased land effluents from wells located on the leased lands or on lands in the vicinity thereof; or inject water, gas or other fluids or substances by artificial means into formations containing Hot Water, Steam or Thermal Energy, with the right of entry on the leased lands and use and occupancy thereof at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon roads, ponds, pipelines, utility lines, power and transmission lines, plants, structures, facilities and installations and to remove same. Further, the Lessee or anyone purchasing Leased Substances (as hereinafter defined) from Lessee is hereby granted the use of the roads and ponds on the leased land, together with such rights of way and easements across said land, for the construction of such roads, ponds, pipelines, utility lines, power and transmission lines, plants, structures, facilities and installations as are necessary or convenient for the exploration, drilling, testing, operation, production, development, extraction, taking, processing, conversion, removal, sales and transportation of Leased Substances and/or Geothermal Resources (as hereinafter defined) on the leased lands or lands in the vicinity thereof. In the event this lease should terminate with respect to a portion of the rights

granted Lessee, it shall nevertheless continue in full force and effect with respect to those roads, ponds, pipelines, utility lines, power and transmission lines, plants, structures, facilities and installations, as well as the rights of way and/or easements appurtenant thereto that are being used at the time of such termination and shall continue in effect so long as such roads, ponds, pipelines, utility lines, power and transmission lines, plants, structures, facilities, installations and rights of way and/or easements or any of them are being used for the purposes above described or for the production and utilization of Geothermal Resources from lands in the vicinity thereof by Lessee, or anyone formerly purchasing Leased Substances from Lessee, their successors and assigns. The possession by Lessee of the leased land shall be sold and exclusive for the purposes hereof and for purposes incident or related thereto, except that Lessor reserves the right to use and occupy said land or to lease or otherwise deal with the same for mining or extraction and utilization of minerals lying on the surface or in vein deposits on or in said land or for the extraction of oil, natural hydrocarbon gas and other hydrocarbon substances, or for any and all uses other than the use and rights permitted to Lessee hereunder; provided that such use and occupancy does not interfere with Lessee's rights hereunder. Lessee agrees to conduct its activities in a manner which will not unreasonably interfere with the rights reserved to Lessor.

For the purposes hereof the following definitions shall apply:

(a) The terms "Hot Water", "Steam" and "Thermal Energy" each shall mean natural geothermal water and/or steam, and shall also mean the natural heat of the

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earth and the energy present in, resulting from or created by, or which may be extracted from, the natural heat of the earth or the heat present below the surface of the earth, in whatever form such heat or energy occurs;

(b) The term "Extractable Minerals" shall mean any minerals in solution in the well effluence and all minerals and gases produced from or by means of any well or wells on the leased land or by means of condensing steam or processing water produced from or the effluence from any such well or wells; said term shall also include any water so produced or obtained from condensation of steam; and further provided that the term "gases" shall not include hydrocarbon gases that can be produced separately from the well effluents;

(c) The term "Leased Substances" shall collectively mean the matter, substances and resources defined in subsections 1 (a) and 1 (b) that are the subject of this lease;

(d) The term "Geothermal Resources" shall collectively mean the matter, substances and resources defined in subsections 1 (a) and 1 (b) that are not subject to this lease but are located on adjacent land or lands in reasonable proximity thereto;

(e) The term "Power Potential" shall mean, when used herein with respect to any well or wells, the quantity, or units, of energy capable of being recovered from the Hot Water, Steam or Thermal Energy produced therefrom by means of any energy conversion or utilization facility (including, but not limited to, electrical generating facilities) or equipment designed for use thereof;

(f) The term "Sufficient Power Potential" shall mean that Power Potential which, in the judgment of Lessee shall be sufficient for the commercial sale or utilization thereof, or shall warrant the construction of facilities for the commercial sale or other utilization thereof, or shall justify additional drilling or other operations on the leased land;

(g) The term "Commercial" shall mean those quantities of leased

Substances produced, sold or used, the value of which, after determining Lessee's direct operating costs (or extraction costs in the case of extractable minerals) will be capable of providing a sufficient return to cause Lessee, its sole judgment, to continue production thereof or to elect to proceed with further development or exploratory operations on the leased land.

2. This lease shall be for a term of five (5) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in Commercial quantities from the leased land or lands

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pooled, unitized or combined therewith, and for so long as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth, or this lease is continued in force by reason of any other provision hereof.

If at the expiration of the primary term Lessee has not completed one or more wells on the leased land or lands pooled, unitized or combined therewith, separately or collectively producing or being capable of producing Hot Water, Steam or Thermal Energy of Sufficient Power Potential and/or Extractable Minerals in Commercial quantities but Lessee is then engaged in operations for drilling, reworking, recompleting or redrilling of any well on the leased land or lands pooled, unitized or combined therewith, this lease shall remain in force so long as drilling, reworking, recompleting or redrilling operations are prosecuted (whether on the same or different wells) with no cessation of more than six (6) months, and if they result in production or the establishment to the satisfaction of the Lessee of the existence of Sufficient Power Potential and/or Extractable Minerals in Commercial quantities, such well or wells will be deemed to have been completed and such existence so established during the primary term of this lease.

3. It is understood and agreed that the initial consideration paid upon the execution hereof, covers both the rental in full hereunder for a period of one (1) year from the date of this Lease and for all other rights conferred hereunder. If on or before one (1) year from the date hereof Lessee has not drilled a well or wells on the leased land or lands pooled, unitized or combined therewith as to indicate or establish to the satisfaction of Lessee the existence of Sufficient Power Potential and/or Extractable Minerals in Commercial quantities, then, but subject to Lessee's right of surrender, on or before said anniversary date, Lessee shall pay or tender to Lessor an annual rental in the amount of Two Thousand Eight Hundred and no/100 Dollars (\$2,800.00), which shall constitute rental until the next anniversary date hereof, and thereafter Lessee shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender to Lessor an annual rental in the aforesaid amount, this until such time as from the drilling of a well or wells on the leased land, or lands pooled, unitized or combined therewith, there has been established to the satisfaction of the Lessee the existence of Sufficient Power Potential and/or Extractable Minerals in Commercial quantities. Upon such establishing as aforesaid, Lessee may nevertheless continue to pay or tender annual rental payments on or before each anniversary date, this until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect, even though thereby extended past the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and Lessee Shall have the right to reimburse itself for any such payment out of one-half (1/2) of any royalties which shall thereafter become payable hereunder, and so long as same are paid each well or wells

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shall be deemed to be actually producing one or more Leased Substances in Commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide Commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally, should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder.

4. Lessee shall pay to Lessor as royalty Ten Percent (10%) of the gross proceeds received by Lessee from the sale of Hot Water, Steam or Thermal Energy, as such, produced from the leased land at and as of the point of origin on the leased land; royalty on Hot Water, Steam or Thermal Energy may be computed and paid for on the basis of the amount produced, saved and sold by Lessee, or may be computed on the basis of the number of kilowatt hours of electric power generated by the use of such Hot Water, Steam or Thermal Energy, but shall be computed and paid for on whatever basis which shall properly reflect the royalty portion of the gross proceeds received by Lessee from the sale of Hot Water, Steam and Thermal Energy, as such, produced from the leased land at and as of the point of origin on the leased land. With respect to Extractable Minerals, Lessee shall pay as royalty to Lessor Ten Percent (10%) of the net proceeds received by Lessee from the sale of any gases (as herein defined) and from the sale of effluence (containing minerals and/or minerals in solution) produced and sold from any well or wells on the leased land, or, in the event Lessee extracts from the effluence minerals and/or minerals in solution, Ten Percent (10%) of the proceeds received by Lessee from the sale of minerals and/or minerals in solution contained in and extracted from the effluence produced and sold from such well or wells less costs of transportation and extraction. If Lessee consumes Leased Substances or electric power generated therefrom, by either use or exchange, for purposes other than its operations on or with respect to the leased land, then such Leased Substances or electric power generated therefrom shall be deemed sold for royalty purposes and the above described royalty shall be paid on the same value basis as of such Leased Substances or electric power generated therefrom had been sold by Lessee at the time of production under Lessee's then existing sales contract. Lessee shall pay to Lessor on or before the twenty-fifth day of each month the royalties accrued and payable for the preceding calendar month, or on or before the twenty-fifth day of the month next following that in which Lessee receives payment therefor from the purchaser thereof, whichever method shall apply, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for computation and determination of such royalty.

Lessee shall not be required to account to Lessor for or to pay any royalty on Hot Water, Steam, Thermal Energy or Extractable Minerals produced by Lessee on the leased land which is not utilized, saved and sold, or which is used by Lessee in its

operations on or with respect to the leased land for or in connection with the developing, recovering, producing, extracting and/or processing of Hot Water, Steam, Thermal Energy and/or minerals in solution or in facilities used in connection therewith, including operations of facilities for the generation of electric power, or which are unavoidably lost.

Lessee shall have the right from time to time and at any time to commingle (for purposes of storing, transporting, utilizing, selling or processing, or any of them) the Leased Substances or any of them that are produced or extracted from the leased land or lands pooled, unitized or combined therewith with Geothermal Resources or any of them produced from other lands or units in the vicinity of the leased land, and in the event of such commingling, Lessee shall meter, gauge, or measure the production from the leased land, or from the unit or units, including leased land and other units or lands, as the

case may be, and compute and pay Lessor's royalty payable under the provision, hereof on the basis of such production so determined or allocated, as the case may be.

5. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable, including wells for injection or reinjection purposes, and shall have the further right to dispose in any such wells waste brine, water and other substances, waste products from a well or wells, power plants or other facilities, located on the leased lands or from wells, power plants or other facilities, located in the vicinity of the leased lands. Lessee shall further have the right for testing purposes, to freely transfer Leased Substances and Geothermal Resources produced from wells located on the leased lands or lands in the vicinity thereof to and from the leased lands and to inject such geothermal substance into a well or wells located on the leased lands.

6. Lessee may, at any time or from time to time, as a recurring right within twenty (20) years from the date hereof, for drilling, development, production or operating purposes pool, unitize or combine all or any part of the leased land into a unit with any other land or lands or lease or leases (whether held by Lessee or others) adjacent, adjoining or in the immediate vicinity of the leased land which Lessee desires to develop or operate as a unit, provided that the total acreage to be embraced within any such drilling, development, production, or operating unit shall not exceed one thousand nine hundred twenty (1,920) acres, plus an acreage tolerance of Ten Percent (10%), except that a larger unit may be created to conform to State or Federal regulations. In the event a unit is so created, either Lessee shall record in the office of the county recorder in the county in which the leased land is situated a written declaration of such unit or Lessee shall give written notice of such declaration to Lessor. Any well (whether or not Lessee's well) commenced, drilled, drilling and/or producing or being capable of producing in any part of such unit shall for all purposes of this lease be deemed a well commenced, drilled, drilling and/or producing on the leased land, and Lessee shall have the same rights and obligations with respect thereto and to drilling and producing operations upon the lands from time to time included within any such unit as Lessee would have if such lands

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constituted the leased land; provided, however, that notwithstanding this or any other provision or provisions of this lease to the contrary:

(a) production as to which royalty is payable from any such well or wells drilled upon any such unit, whether located upon the leased land or other lands, shall be allocated to the leased land in the proportion that the surface acreage of the leased land in such unit bears to the total surface acreage of such unit, and such allocated portion thereof shall for all purposes of this lease be considered as having been produced from the leased land and the royalty payable under this lease with respect to the leased land included in such unit shall be payable only upon that proportion of such production so allocated thereto, and

(b) if any taxes of any kind are levied or assessed (other than taxes on the land and on Lessor's improvements), any portion of which is chargeable to Lessor under Section 15 hereof, then the share of such taxes to be borne by Lessor as provided in this lease, shall be in proportion to the share of the production from such unit allocated to the leased land.

Allocation of production from any such unit, whether to the leased land or in like manner to other lands therein, shall continue notwithstanding any termination, either in whole or in part (by surrender, forfeiture or otherwise), of this or any other lease covering lands in such unit until such time as the owner of such lands so terminated shall enter into an agreement to drill for or produce or shall drill for or produce or permit or cause the

drilling for or production from any part of such lands, whereupon all such lands formerly included in such unit and as to which the lease covering the same shall have terminated shall be excluded in determining the production to be allocated to the respective lands in such unit; additionally, in the event of the failure of Lessor's, or any other owner's, title as to any portion of the land included in any such unit, such portion of such land shall likewise be excluded in allocating production from such unit; provided, however, Lessee shall not be held to account for any production allocated to any lands excluded from any such operating unit unless and until Lessee has actual knowledge of the circumstances requiring such exclusion. Any exclusion shall be deemed effective the first day of the month next following the date upon which such exclusion becomes finally established.

Lessee may, at its sole option, at any time when there is no Commercial production in such unit, terminate such unit by a written declaration thereof, in the same manner in which it was created.

7. No well shall be drilled within Three Hundred (300) feet of any residence or barn now on leased land without Lessor's consent. Lessee shall have free use of water from leased land for all operations thereon or on land or lands pooled, unitized or

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combined therewith, provided that such free use shall not interfere with Lessor's own use for domestic, commercial, stock or agricultural purposes, nor interfere with any contractual commitments of Lessor relating thereto and existing on the date hereof. Lessee shall not be entitled to free use of any water which has been or is being purchased by Lessor.

Lessee agrees to fence all sump holes or other excavations, and upon abandonment of any well on the leased land, or the termination of the lease, Lessee shall level and fill all sump holes and excavations, shall remove all debris and shall leave the locations or premises used by Lessee in a clean and sanitary condition, and farmable condition.

Lessee shall protect Lessor's interest in the leased land against liens of every character arising from its operations thereon. Lessee, at its own expense, prior to commencing operations on the leased land shall obtain, and thereafter while this lease is in effect shall maintain, adequate Workmens Compensation Insurance. Lessee shall protect and hold harmless Lessor against damages of every kind and character arising out of the operations or working of Lessee or those under Lessee's control upon the leased land, but Lessee shall not be liable hereunder in the event of the negligence or willful misconduct of parties other than Lessee. In the event any building or personal property be damaged or destroyed, or grazing or agricultural lands be damaged by Lessee's operations, then Lessee shall be liable for such damages.

Lessee shall have the right at any time and from time to time to remove from the leased land any and all casing, machinery, equipment, structures, installations and property of every kind and character placed upon said leased land by or pursuant to permission of Lessee, provided that if such removal should occur after termination of all rights granted herein same shall be completed within a reasonable time thereafter.

8. If Lessee or anyone purchasing Leased Substances or Geothermal Resources from Lessee constructs a plant on the leased land for the conversion of Leased Substances or Geothermal Resources into heat, power or another form of energy or for the extraction and processing of by-products or both, and production from the leased land subsequently ceases or this Lease expires, terminates or is forfeited, then Lessee or such purchaser upon payment of an annual rental equal to 10% of the market value as determined from the previous year's tax assessment attributable to Lessor's interest in the surface of the lands so occupied shall have the continuing right to retain the plant on the

leased land together with the right and easement to go over, upon and across said land together with rights of ingress and egress for purposes of maintaining and operating such plant and connected pipelines, transmission lines and other associated facilities so long as such plant utilizes Leased Substances or Geothermal Resources from other lands in the vicinity thereof.

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9. For the consideration paid at the time of execution of this Lease and without any additional consideration to be paid therefor, except as provided below, Lessor hereby grants to Lessee, its successors and assigns, the following rights, rights of way and easements in, under, upon, through and across the leased land or other lands contiguous, adjacent to or adjoining the leased lands which may be exercised at any time or from time to time during the duration of this lease and as long thereafter as Lessee exercises any of the rights granted in this section:

(a) The sole and exclusive right to locate a well or wells on the surface of the leased land and to slant drill said well or wells into, under, across and through the leased land and into and under lands other than the leased land together with the right to repair, redrill, deepen, maintain, inject in, rework and operate or abandon such well or wells for the production of Geothermal Resources from such other lands together with the right to develop water from the leased land for any of Lessee's operations pursuant to this Section and together with the right to construct, erect, maintain, use, operate, replace, or remove all roads, ponds, pipelines, utility lines, power and transmission lines, plants, structures, facilities and installations, together with all other rights necessary or convenient for Lessee's operations under this Section and together with rights of way for passage over and upon and across and ingress and egress to and from the leased land or other lands contiguous, adjacent to or adjoining the leased lands;

(b) The sole and exclusive right to drill into and through the leased land below a depth of five hundred feet (500') from the surface thereof, by means of a well or wells drilled from the surface of lands other than the leased land, and the right to abandon or repair, redrill, deepen, maintain, inject in, rework and operate such well or wells for the production of Geothermal Resources from lands other than the leased lands;

(c) The sole and exclusive right to move Leased Substances and Geothermal Resources to, from and across leased lands when Lessee or anyone purchasing Leased Substances or Geothermal Resources is required to comply with the laws and regulations of Federal, State, County, Municipal or other governmental agencies, authority, or representative.

If Lessee exercises the rights granted by Lessor in subsection (a) hereof, Lessee shall pay to Lessor an annual rental computed at the rate of One Hundred Dollars (\$100.00) per acre for each surface acre of the leased land being exclusively occupied by Lessee pursuant to such grant. If Lessee exercises the rights granted in subsection (b) hereof, and thereafter completes a well capable of producing Geothermal Resources in quantities deemed Commercial by Lessee or the well is operated by Lessee as an injection well, then Lessee shall within sixty (60) days after such completion pay Lessor

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an annual rental computed at the rate of One Dollar (\$1.00) per rod of horizontal projection of the survey course of that part of the bore hole of such well traversing the subsurface of the leased land. Any such rentals shall continue until such well is abandoned. Any well drilled under the provisions of this Section shall be drilled so that the producing or injecting interval thereof shall lie wholly outside the boundary of the leased land and Lessor recognizes and agrees that Lessor has no interest in any such well or wells

drilled pursuant to this Section or any production therefrom.

Any surrender or termination under any other provision of this lease shall be effective notwithstanding the fact that Lessee in and by such surrender or termination reserves the rights granted to Lessee under this Section, and regardless of such surrender or termination, the rights granted under this Section shall continue for the term hereinabove granted in this Section.

10. Lessor, or its agents, at Lessor's sole risk, may during hours of operation examine the leased land and the workings, installations and structures thereon and operations of Lessee thereon, and may at reasonable times inspect the books and records of Lessee with respect to matters pertaining to the payment of royalties to Lessor.

11. Upon the violation of any of the terms and conditions of this lease by Lessee (including but not limited to payment of rental, advance royalty and/or royalty) and the failure of Lessee to, as to monetary matters, make payment, and as to other violations begin in good faith to remedy the same, within sixty (60) days after written notice from Lessor so to do, specifying in said notice the nature of such default, then at the option of Lessor this lease shall forthwith cease and terminate and all rights of Lessee in and to the leased land shall be at an end, save and excepting five (5) acres surrounding each and any well then being drilled, or capable of producing or injecting, or producing or injecting, and in respect to which Lessee shall not be in default, together with the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease, and together with rights granted Lessee in Sections 8 and 9 hereof.

12. Notwithstanding any other provisions of this lease, and in consideration of the payment made by the Lessee to the Lessor for the execution of this lease, Lessee shall have the right at any time prior to or after default hereunder, to quitclaim and surrender to Lessor all right, title and interest of Lessee in and to the leased land, or any part thereof, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as to the lands or areas so quitclaimed and surrendered, save and except as to any then accrued monetary obligations or royalty obligations of Lessee then payable as to which Lessee shall remain liable to Lessor, and save and except the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease and Sections 8 and 9, and provided that in the event of a

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partial quitclaim and surrender, any future rentals will be reduced proportionately by the number of acres in the area so quitclaimed and surrendered.

13. In the event Lessor at the time of making this lease owns a less interest in the leased land than One Hundred Percent (100%) of the right, title and interest herein granted or leased to Lessee, then any payments due Lessor hereunder shall be paid to Lessor only in the proportions which Lessor's interest bears to a One Hundred Percent (100%) interest therein in the leased land. Notwithstanding the foregoing, should Lessor hereafter acquire any additional right, title or interest in or to the leased land, it shall be subject to the provisions hereof to the same extent as if owned by Lessor at the date hereof, and any increase in payments of money hereunder necessitated thereby shall commence with the payment next following receipt by Lessee of satisfactory evidence of Lessor's acquisition of such additional interest. In the event Lessor has no interest in the Leased Substances produced hereunder, but has an interest in said land, Lessee shall pay Lessor an annual rental equal to 10% of the market value as determined from the previous year's tax assessment for the proportionate part attributable to Lessor's interest in the surface occupied by Lessee in the conduct of its operations hereunder.

14. Lessor hereby warrants and agree, to defend title to the leased land and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, trust deeds or other liens or encumbrances existing, levied or assessed on or against the leased land, and in the event Lessee exercises such option, Lessee shall be subrogated to the rights of any holder or holders thereof, and shall have, among other rights, the right of applying to the discharge of any such mortgage, tax or other lien or encumbrance any payments accruing to Lessor hereunder.

15. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee. Lessee shall pay Ninety Percent (90%) and the Lessor shall pay Ten Percent (10%) of any taxes assessed against any Leased Substances stored on the leased land. In the event any taxes are levied or assessed against the right to produce Leased Substances from the leased land or in the event any Increase in the taxes levied or assessed against the leased land shall be based upon the production from the leased land of Leased Substances, then in either such event Lessee shall pay Ninety Percent (90%) of any such taxes or increase, as the case may be, and Lessor shall pay Ten Percent (10%) thereof. Lessor shall pay all taxes levied or assessed against the leased land as such without reference to the production of Leased Substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this lease and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessor.

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16. The rights of either party hereunder may be assigned in whole or in part, and the right and privilege so to do is hereby reserved by each party, and the provisions hereof shall extend to the heirs, personal representatives, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee may continue to operate the leased land and to pay and settle rentals or royalties as an entirety, and no such change in ownership shall be binding upon Lessee until the expiration of thirty (30) days after Lessee is furnished with written notice of such transfer or assignment, together with a certified copy of the instruments of transfer or assignment. In the event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not alter the rights of other leasehold owners hereunder.

17. The obligation of the Lessee hereunder shall be suspended and the terms of this lease shall be extended as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, war or the results thereof, acts of God or the elements, fire, flood, accidents, delay in transportation, inability to secure labor or material in the open market, laws, orders, rules, or regulations of Federal, State, County, Municipal, or other governmental agencies, authority, or representative, or any other matter or condition beyond reasonable control of Lessee, whether or not similar to the conditions or matters herein specifically enumerated, or while litigation contesting Lessor's title to the leased land or the rights granted Lessee hereunder or litigation involving Lessee's operations hereunder shall be pending and undetermined or during any period when Lessee has no market for the products it is then capable of producing from the leased land or the market price then available for such products will not produce an acceptable profit, Lessee, without impairment of its rights hereunder, shall be excused from performance of all obligations hereunder except payment of taxes and protection of the leased land. It is expressly agreed that the prevention or settlement of any litigation or strike or labor disturbance shall not be considered a matter subject to Lessee's control within the meaning of this Section.

If the permission or approval of any governmental agency is necessary before drilling or producing operations may be commenced on the leased

land, then if such permission or approval has been applied for at least thirty (30) days prior to the date upon which such operations must be commenced under the terms hereof, the obligation to commence such operations shall be suspended until ninety (90) days after the governmental permit is granted or approval given, or if such permit or approval is denied initially, then so long as Lessee in good faith appeals from such denial or conducts further proceedings in an attempt to secure such permit or approval and ninety (90) days thereafter. Lessor agrees to fully support and cooperate with Lessee in securing permits and authorization to conduct geothermal operations on the leased lands.

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If at any time after the expiration of fifteen (15) years from date hereof the production of all Leased Substances ceases for any cause other than one or more of the causes hereinabove enumerated, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year from cessation and thereafter if, and so long as, Lessee commences and continues diligently and in good faith the steps, operations or procedures to cause a resumption of such production until such production be resumed.

18. All statements of production and royalty and all payments to be made by Lessee to Lessor hereunder shall be sent to the persons hereinafter set forth, respectively, at the addresses indicated and each such person shall be entitled to receive that portion of the total rentals and royalty payable hereunder as is hereinafter set forth after the name of such person:

		Taxpayer's Ident. No. -----
Charles K. Corfman 1590 Nichols Road El Centro, CA 92243	100%	560-42-5407

Lessee shall, upon notification of change of ownership in the lands or in rentals or royalties hereunder, as provided in Section 16 hereof, divide and distribute the same to the new owners of such interest; provided, however, that if at any time there are three or more persons entitled to rentals or royalties hereunder, Lessee may, at its option, withhold payment of such rentals or royalties until a majority in interest of such persons designate in writing in a recordable instrument delivered to Lessee, a bank, trust company or corporation, as a common agent and depository, to receive all payments due hereunder to such persons. Such designation may be changed at any time in the same manner. Delivery of all statements and payments hereunder may be made by depositing the same in the United States mail duly addressed to Lessor at the above address or addresses or to such agent and depository which shall constitute full performance of Lessee's obligation to make such delivery. In the event that the amount payable under this lease shall result in a payment of less than Ten Dollars (\$10.00) becoming due Lessor, Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due Lessor exceeds Ten Dollars (\$10.00).

19. Any notice herein required or permitted to be given or furnished by one party to the other shall be in writing. Delivery of such written notice to Lessor shall be made by depositing the same in the United States mail duly certified and addressed to Lessor at same as set forth in paragraph 18 and delivery of such written notice to Lessee shall be made by depositing the same in the United States mail duly certified and addressed to Lessee at Union Oil Center, 461 South Boylston Street, Los Angeles, California 90017.

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Either party hereto may by written notice to the other party change its address to any other location.

20. All express and implied covenants of this lease shall be made subject to all applicable laws, governmental orders, rules and regulations. In the event any part or portion or provision of this instrument shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction, then and in such event only such part, portion or provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or conditions hereof; which said remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties hereto, it being specifically understood and agreed that the provisions hereof are severable to, the purposes of the provisions of this clause. In this connection, this lease shall not in any event extend beyond such term as may be legally permissible under present applicable laws, and should any such applicable law limit the term hereof to less than that herein provided, then this lease shall not be void but shall be deemed to be in existence for such term and no longer.

21. If more than one person is named as a Lessor herein and one or more of them fails to execute this lease, said lease shall nevertheless (when accepted by Lessee) become effective as a lease from such of said named parties Lessor as may have executed the same.

22. This lease may be executed in any number of counterparts and all such counterparts shall be deemed to constitute a single lease and the execution of one counterpart by any party Lessor shall have the some force and effect as if such party had signed all the other counterparts.

23. This Geothermal Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to the benefit of and be binding upon the respective heirs, personal representatives, successors and assigns of the parties hereto.

See Addendum attached hereto and made a part of.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date hereinabove first written.

Subscribing Witness

/s/ Charles K. Corfman

CHARLES K. CORFMAN

Subscribing Witness

UNION OIL COMPANY OF
CALIFORNIA

By: /s/ Indecipherable

Lessee

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

EXHIBIT 10.4.19

Lease and Agreement
Union Oil Company of California

[LOGO]

THIS LEASE AND AGREEMENT, made and entered into as of this 1st day of January, 1972, by and between HOLLY OBERLY THOMSON, also known as HOLLY F. OBERLY THOMSON, also known as HOLLY FELICIA THOMSON, hereinafter referred to as "Lessor", whether one or more, and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter referred to as "Lessee".

WITNESSETH: That Lessor, for and in consideration of Ten Dollars (\$10.00) in hand paid to Lessor by Lessee, the rentals provided for hereinafter and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed, Lessor has granted, leased, let and demised and by these presents does grant, lease, let and demise to Lessee, its grantees, successors and assigns, upon and subject to the terms and conditions hereinafter set forth, all that certain land (herein sometimes referred to as the "leased land") situate in the County of Imperial, State of California, and more particularly described as follows, to wit:

TRACT 1: 131.72 acres more or less being the Southwest Quarter of Section 4, Township 17 South, Range 14 East, S.B.M., EXCEPT that portion lying South of the South line of Parcel "A" as shown on Licensed Survey Map filed in Book 10, Page 7 of Licensed Surveys.

TRACT 2: 169.00 acres more or less being Portion of S/2 of School Sec. 36, T16S, R13E and Lots 3 & 8 and portion of Lot 4 Sec. 31; and Tr. 150 and portion of Tr. 292 T16S R14E described as follows: Beg. at a point on S 1/2 of S/2 of School Sec. 36 T16S R13E shown as portion of Sec. 31 T16S R14E 2174.54 ft. E of SW cor thereof; th N 00(0) 03'W 2476.94 ft; th Ely to a pt. 20 ft. Sly of cor #5; th Nly 20 ft. to sd cor; th Ely to Wly li of Tr. 40; th Sly alg sd Wly li to SE cor of sd School Sec. 36; th Wly alg S li thereof to P.O.B. and Lots 3 & 8 of Sec. 31 and Tr. 150 and that portion of Lot 4 of Sec. 31 ly Ely of Sly ext of E. li of sd W 2174.54 ft. of S/2 of School Sec. 36 and that por. of Tr. 292 ly Ely of Sly ext of E li of sd W 2174.54 ft of S/2 of School Sec. 36.

TRACT 3: 240.00 acres more or less being Tract 89, and North 1/2 of West 1/2 of Tract 90, Township 16 South, Range 13 East, S.B.M.

(deemed to contain, for the purposes hereof, 540.72 acres, whether there be more or less) with the sale and exclusive right to Lessee to explore for (by such methods as it may desire), drill for, produce, extract, take, remove and sell hot water, steam and thermal

energy and extractable minerals from, and to store, utilize, process, convert and otherwise treat such hot water, steam and thermal energy upon, said land, and to extract any extractable minerals during the term hereof, and to inject or reinject in the leased land effluence from wells located on the leased land or on lands in the vicinity thereof, with the right of entry on the leased land and

use and occupancy thereof at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon and to remove therefrom structures, facilities and installations, pipe lines, utility lines, power and transmission lines. Further, the Lessee is hereby granted the use of roads and ponds on said land together with such rights of way and easements across said land for the construction of roads, ponds, pipe lines, power and telephone transmission lines as are necessary or convenient for the exploration, operation and development of Leased Substances on the leased land or in the vicinity thereof. The possession by Lessee of the leased land shall be sole and exclusive for the purposes hereof and for purposes incident or related thereto, excepting that Lessor reserves the right to use and occupy said land, or to lease or otherwise deal with the same, without unreasonable interference with Lessee's rights, for mining or extraction and utilization of minerals lying on the surface of or in vein deposits on or in said land, or for the extraction of oil, natural hydrocarbon gas and other hydrocarbon substances, or for any and all uses other than the use and rights permitted to Lessee hereunder. Lessee agrees to conduct its activities in a manner which will not unreasonably interfere with the rights reserved to Lessor. The leased land includes also any rights of Lessor, presently owned or hereafter acquired, in and under roads, underlying ditches, and rights of way traversing or adjacent to said land.

For the purposes hereof the following definitions shall apply:

(a) The terms "hot water", "steam" and "thermal energy" shall mean natural geothermal water and/or steam, and shall also mean the natural heat of the earth and the energy present in, resulting from or created by, or which may be extracted from, the natural heat of the earth or the heat present below the surface of the earth, in whatever form such heat or energy occurs;

(b) The term "extractable minerals" shall mean any minerals in solution in the well effluence and all minerals and gases produced from or by means of any well or wells on the leased land or by means of condensing steam or processing water produced from or the effluence from any such well or wells; said term shall also include any water so produced or obtained from condensation of steam; and further provided that the term "gases" shall not include hydrocarbon gases that can be produced separately from the hot water, steam and associated minerals;

(c) The term "Leased Substances" shall collectively refer to the matter, substances and resources, defined in (a) and (b) above, that are the subject of this lease;

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(d) The term "power potential" as used herein with respect to any well or wells shall mean the quantity, or units, of energy capable of being recovered from the hot water, steam or thermal energy produced therefrom by means of any energy conversion or utilization facility (including, but not limited to, electrical generating facilities) or equipment designed for use thereof;

(e) The term "sufficient power potential" as used herein shall be deemed to mean that power potential which, in the judgment of Lessee shall be sufficient for the commercial sale or utilization thereof, or shall warrant the construction of facilities for the commercial sale or other utilization thereof, or shall justify additional drilling or other operations on the leased land;

(f) The word "commercial" used in connection with various phrases herein shall mean those quantities of Leased Substances produced, sold or used, the value of which, after deducting Lessee's operating costs (or extraction costs in case of extractable minerals), will provide to Lessee a net return over such costs sufficient to cause Lessee to continue production thereof or to elect to proceed with further development or exploratory operations on the leased land.

The terms and conditions of this Lease and Agreement are as follows, to wit:

1. This lease shall be for a term of five (5) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land and for so long, as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth.

If at the expiration of the primary term Lessee has not completed one or more wells on the leased land, separately or collectively producing or being capable of producing steam of sufficient power potential and/or extractable minerals in commercial quantities but Lessee is then engaged in operations for drilling or reworking of any well on the leased land; this lease shall remain in force so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than six (6) months, and if they result in production or the establishment to the satisfaction of the Lessee of the existence of sufficient power potential and/or extractable minerals in commercial quantities, such well or wells will be deemed to have been completed and such existence so established during the primary term of this lease.

2. It is understood and agreed that the initial consideration paid upon the execution hereof covers not only the privileges granted to the date when a rental is payable as hereinafter provided, but any and all other rights conferred hereunder. On or before one (1) year from the date of this lease, Lessee shall pay or tender to Lessor an

*** Confidential material redacted and filed separately with the Commission.

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annual rental in the amount of *** Dollars (\$***), which shall constitute rental until the next anniversary date hereof, and thereafter Lessee shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender to Lessor an annual rental in the aforesaid amount. The obligation to pay rentals during the primary term hereunder is a firm obligation of Lessee and must be paid even in the event of the abandonment, cancellation or quitclaim of this lease. If at the expiration of the primary term, a well or wells has been completed on the leased land as above provided then in such event Lessee may continue to pay or tender annual rental payments on or before each anniversary date, until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect and all payments so paid or tendered after the expiration date of said primary term shall be deemed advance royalties, and so long as same are paid each well or wells shall be deemed to be actually producing one or more Leased Substances in commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally, should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder.

3. Lessee shall pay to Lessor as royalty ***. Lessee shall pay to Lessor on or before the twenty-fifth day of each month the royalties, accrued and payable for the preceding calendar month, or on or before the twenty-fifth day of each month next following that in which Lessee

*** Confidential material redacted and filed separately with the Commission.

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receives payment therefor from the purchase thereof, whichever method shall apply, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for computation and determination of such royalty.

Lessee shall not be required to account to Lessor for or to pay any royalty on hot water, steam, thermal energy or extractable minerals produced by Lessee on the leased land which are not utilized, saved and sold, or which are used by Lessee in its operations on or with respect to the leased land for or in connection with the developing, recovering, producing, extracting and/or processing of hot water, steam and/or minerals in solution or in facilities used in connection therewith, including operations of facilities for the generation of electric power, or which are unavoidably lost.

Lessee shall have the right, from time to time and at any time, to commingle (for purposes of storing, transporting, utilizing, selling or processing, or any of them) the or any of the Leased Substances produced or extracted from production from the leased land with like Leased Substances, or any of them, produced from other lands or units in the vicinity of the leased land, and in the event of such commingling Lessee shall meter, gauge or measure the production from the leased land, or from the unit or units including same or other units or lands, as the case may be, and compute and pay Lessor's royalty payable under the provisions hereof on the basis of such production so determined or allocated, as the case may be.

Royalties payable hereunder shall never be less than *** Dollars (\$***) per acre per year for the lands then covered by this Lease plus the amount of taxes levied or assessed against production or the right to produce Leased Substances from the lands covered by this Lease that are paid by Lessor pursuant to Paragraph 12 hereof.

4. In the event of any disagreement between the parties as to the application of any provision of this lease or as to any of the factors involved in such application, that shall be determined by arbitration, for which purpose the parties shall, when determination of such question becomes necessary, each promptly appoint a qualified disinterested arbitrator who, in addition to other qualifications, shall be knowledgeable in the field of geothermal operations if the question to be determined shall involve such operations as distinguished from agricultural rental value. The two thus appointed shall promptly proceed with determination of the question involved and if they shall be unable to agree with respect thereto they shall promptly appoint a third such qualified, disinterested arbitrator. The determination of the question involved by any two of said arbitrators shall be final and binding upon the parties who shall bear the expense of such arbitration in inverse proportion to that in which their respective contentions on such arbitration shall prevail (and the arbitrators shall likewise determine that proportion). Should any arbitrator so appointed fail to act the party or parties appointing him shall promptly appoint another in his place.

*** Confidential material redacted and filed separately with the Commission.

In the event it becomes desirable to construct a generating plant or other generating facility on the leased land, Lessee shall purchase the surface of such plant or facility site together with the necessary rights of way, servitudes and other surface easements required to service production from the leased land or lands in the vicinity thereof, for twice the fair market value of such lands with right of reverter in Lessor without payment.

5. At such time as Lessee shall have drilled and completed such well or wells on the leased land which shall indicate to the satisfaction of Lessee a sufficient power potential, or the existence of extractable minerals in

commercial quantities, Lessee may at any time thereafter construct and install on the leased land facilities for the commercial sale or use of hot water, steam or thermal energy produced from the leased land or lands in the vicinity thereof or for the extraction of extractable minerals, or for development of electric power from the use of steam or thermal energy produced from the leased land or lands in the vicinity thereof.

In the event it becomes desirable to construct a generating plant or other generating facility on the leased land, Lessee shall purchase the surface of such plant or facility site together with the necessary rights of way, servitudes and other surface easements required to service production from the leased land or lands in the vicinity thereof, for twice the fair market value of such lands with right of reverter in Lessor without payment.

6. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable for the purposes hereof, including wells for injection or re-injection purposes; provided, however, that Lessee agrees to utilize for such purpose or purposes only so much of the leased land as shall be reasonably necessary for Lessee's operations and activities thereon. No well shall be drilled within one hundred (100) feet of any residence or barn now on said land without Lessor's consent. Lessee shall have free use of water from said land for all operations thereon, provided that such free use shall not interfere with Lessor's own use for domestic, commercial, stock or agricultural purposes, nor interfere with any contractual commitments of Lessor relating thereto and existing on the date hereof. Lessee shall not be entitled to free use of any water which has been or is being purchased by Lessor or his tenants.

Lessee agrees to conduct drilling operations hereunder from such location or locations on the leased land as Lessor shall designate, together with adequate right-of-way from a county road to such drill sites. Lessor agrees to make such designation within fifteen (15) days after receipt of written request from Lessee to make such designations. The failure by Lessor to act within the time prescribed shall be deemed a waiver of such right and Lessee may then designate the location and right-of-way. Further, Lessee shall not have the right to construct any new roads upon

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the leased property except roads necessary for ingress and egress from presently existing roads to such drill sites as Lessor may designate. In the event pipe lines, utility lines, power and/or transmission lines are deemed necessary, Lessee agrees to secure Lessor's consent as to the location of same.

Lessee shall pay Lessor for using the surface of any of the leased lands for well locations, roads constructed solely and used principally by Lessee, rights-of-way, ponds, production facilities or other facilities and structures (except generating plants or facilities) or other surface uses by Lessee in its operations herein at one of the following rates to be chosen by Lessor:

a. Lessee shall pay Lessor for the actual surface acreage to be used at the applicable rental rate determined annually then being paid in the area for the use of the surface of like or similar lands; or

b. Lessee shall purchase the surface acreage required for its operations at twice its fair market value with right of reverter in Lessor without payment.

Lessee shall reimburse Lessor for any loss of all or a part of any agricultural rental due Lessor from a surface tenant where such loss is caused by Lessee's operations hereunder.

Should the agricultural rental value of the leased land (exclusive of any portion thereof devoted exclusively to Lessee's use and for which rental is separately payable under other provisions of this lease) be impaired or diminished as a result of Lessee's operations, then for the period of such

impairment or diminution Lessee shall pay Lessor the difference between the top agricultural rental value for comparable land in the area (including only comparable land unaffected by conditions such as those resulting from Lessee's operations) and the amount of the agricultural rental value of Lessor's land as impaired or reduced by such operations; which payment shall be made for time to time in like installments as the agricultural rental for the affected period is payable for Lessor's land -- the amounts so payable to be adjusted and determined annually on such basis.

Lessee agrees that if because of its operations it becomes necessary to relocate any of the concrete irrigation ditches, tile lines or other appurtenances to the land, it shall do so at Lessee's expense.

Lessee agrees to fence all sump holes or other excavations, and upon abandonment of any well on the leased land, or the termination of the lease, Lessee shall level and fill all sump excavations, shall remove all debris and shall restore the surface to as near its original condition as is practicable.

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Lessee shall protect said land against liens of every character arising from its operations thereon. Lessee, at its own expense, prior to commencing operations on the leased land, shall obtain, and thereafter while this lease is in effect shall maintain, adequate Workmens Compensation Insurance. Lessee shall protect Lessor against damages of every kind and character arising out of the operations or working of Lessee or those under Lessee's control upon the leased land, but Lessee shall not be liable hereunder in the event of the negligence or willful misconduct of parties other than Lessee. In the event any building or personal property be damaged or destroyed, or grazing or agricultural lands be destroyed by Lessee's operations, then Lessee shall be liable for, and to the extent of, the reasonable value thereof.

Lessee shall have the right at any time and from time to time to remove from the leased land any and all casing, machinery, equipment, structures, installations and property of every kind and character placed upon said leased land by or pursuant to permission of Lessee, provided that if such removal should occur after termination hereof same shall be completed within a reasonable time thereafter.

7. Lessor, or its agents, at Lessor's sole risk, may at all times examine said land and the workings, installations and structures thereon and operations of Lessee thereon, and may at reasonable times inspect the books and records of Lessee with respect to matters pertaining to the payment of royalties to Lessor.

8. Upon the violation of any of the terms and conditions of this lease by Lessee (including but not limited to payment of rental and/or advance royalty) and the failure of Lessee to, as to monetary matters, make payment, and as to other violations begin in good faith to remedy the same, within sixty (60) days after written notice from Lessor so to do, specifying in said notice the nature of such default, then at the option of Lessor this lease shall forthwith cease and terminate and all rights of Lessee in and to the leased land shall be at an end, save and excepting five (5) acres surrounding each and any well then producing or capable of producing or being drilled, and in respect to which Lessee shall not be in default, together with the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease, and together with rights granted Lessee in Paragraph 5, hereof.

9. Notwithstanding any other provisions of this lease, and in consideration of the payment made by the Lessee to the Lessor for the execution of this lease, Lessee shall have the right at any time prior to or after default hereunder, to quitclaim and surrender to Lessor all right, title and interest of Lessee in and to the leased land, or any part thereof, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as

to the lands or areas so quitclaimed and surrendered, save and except as to any then accrued monetary obligations or royalty obligations of Lessee then payable as to which Lessee shall remain liable to Lessor.

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10. In the event Lessor at the time of making this lease owns a less interest in the leased land than One Hundred Percent (100%) of the rights and interests herein granted or leased to Lessee, then the rentals and royalties accruing hereunder shall be paid to Lessor only in the proportions which Lessor's interest bears to a One Hundred Percent (100%) interest therein in the leased land. Notwithstanding the foregoing, should Lessor hereafter acquire any additional right, title or interest in or to the leased land, it shall be subject to the provisions hereof to the same extent as if owned by Lessor at the date hereof, and any increase in payments of money hereunder necessitated thereby shall commence with the payment next following receipt by Lessee of satisfactory evidence of Lessor's acquisition of such additional interest.

11. Lessor hereby warrants and agrees to defend title to the leased land and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, trust deeds or other liens or encumbrances existing, levied or assessed on or against the leased land, and in the event Lessee exercises such option, Lessee shall be subrogated to the rights of any holder or holders thereof, and shall have, among other rights, the right of applying to the discharge of any such mortgage, tax or other lien or encumbrance any royalties or rentals accruing to Lessor hereunder.

12. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee. Lessee shall pay 90% and the Lessor shall pay 10% of any taxes assessed against any Leased Substances stored on the leased land. In the event any taxes are levied or assessed against the right to produce Leased Substances from the leased land or in the event any increase in the taxes levied or assessed against the leased land shall be based upon the production from the leased land of Leased Substances, then in either such event prior to the date Lessor receives from Lessee its first royalty payment, Lessee will pay all such taxes without right of recoupment; after which date Lessee shall pay 90% of any such taxes or increase as the case may be, and Lessor shall pay 10% thereof. Lessor shall pay all taxes levied or assessed against the leased land as such without reference to the production of Leased Substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this lease and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessor.

13. The rights of either party hereunder may be assigned in whole or in part, and the right and privilege so to do is hereby reserved by each party, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee may continue to operate the leased land and to pay and settle rentals or royalties as an entirety, and no such change in ownership shall be binding upon Lessee until the expiration of

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thirty (30) days after Lessee is furnished with satisfactory written evidence thereof. In the event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold

owners hereunder.

14. The obligations of Lessee hereunder shall be suspended and the term of this lease shall be extended, as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, actions of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations of any federal, state, municipal or other governmental agency, authority or representative, or other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters herein specifically enumerated.

If at any time after the expiration of fifteen (15) years from date hereof the production of all Leased Substances ceases for any cause other than one or more of the causes hereinabove enumerated, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year from cessation and thereafter if, and so long as, Lessee commences and continues diligently and in good faith the steps, operations or procedures to cause a resumption of such production (either through the existing wells or the drilling of new wells), until such production be resumed.

15. All statements of production and royalty and all payments to be made by Lessee to Lessor hereunder shall be sent to persons hereinafter set forth, respectively, at the addresses indicated and each such person shall be entitled to receive that portion of the total rentals and royalty payable hereunder as is hereinafter set forth after the name of such person:

Holly Oberly Thomson
3278 Wilshire Boulevard
Los Angeles, California 90005

100%

Tax Payer Identification No.
569-03-0771

Lessee shall, upon notification of change of ownership in the lands or in rentals or royalties hereunder, as provided in Paragraph 13 hereof, divide and distribute the same to the new owners of such interests; provided, however, that if at any time there are three or more persons entitled to rentals or royalties hereunder, Lessee may, at its option, withhold payment of such rentals or royalties until a majority in interest of such persons designate in writing in a recordable instrument delivered to Lessee, a bank, trust company or corporation, as a common agent and depository, to receive all payments due hereunder to such persons. Such designation may be changed at any time in the same manner. Delivery of all statements and payments hereunder may be made by depositing the same

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in the United States mail duly addressed to Lessor at the above address or addresses or to such agents and depository which shall constitute full performance of Lessee's obligation to make such delivery. In the event that the amount payable under this lease shall result in a payment of less than Five Dollars (\$5.00) becoming due Lessor, Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due Lessor exceeds Five Dollars (\$5.00).

16. Any notice herein required or permitted to be given or furnished by one party to the other shall be in writing. Delivery of such written notice to Lessor shall be made by depositing the same in the United States mail duly certified and addressed to Lessor at 3278 Wilshire Boulevard, Los Angeles, California 90005 and delivery of such written notice to Lessee shall be made by depositing the same in the United States mail duly certified and addressed to Lessee at Union Oil Center, 461 South Boylston Street, Los Angeles, California 90017. Either party hereto may by written notice to the other party change its address to any other location.

17. In the event any part or portion or provision of this instrument shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction or any governmental agency having authority thereover then, and in such event only such part, portion or provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or conditions hereof, which said remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties hereto, it being specifically understood and agreed that the provisions hereof are severable for the purposes of the provisions of this clause. In this connection, this lease shall not in any event extend beyond such term as may be legally permissible under present applicable laws, and should any such applicable law limit the term hereof to less than that herein provided, then this lease shall not be void but shall be deemed to be in existence for such term and no longer.

18. If more than one person is named as a Lessor herein and one or more of them fails to execute this lease, said lease shall nevertheless (when accepted by Lessee) become effective as a lease from such of said named parties Lessor as may have executed the same.

19. This lease may be executed in any number of counterparts and all such counterparts shall be deemed to constitute a single lease and the execution of one counterpart by any party Lessor shall have the same force and effect as if such party had signed all the other counterparts.

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20. This Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to the benefit of and be binding upon the respective heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date hereinabove first written.

Subscribing Witness

/s/ Holly Oberly Thomson

Holly Oberly Thomson, also known as
Holly F. Oberly Thomson, also known
Holly Felicia Thomson

Subscribing Witness

Lessor

UNION OIL COMPANY OF CALIFORNIA

By /s/ indecipherable

Lessee

AMENDMENT TO GEOTHERMAL LEASE AND AGREEMENT

THIS AGREEMENT made and entered into as of this 21st day of June, 1976, by and between HOLLY OBERLY THOMSON, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson hereinafter called "Lessor" and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter called "Lessee";

W I T N E S S E T H:

THAT WHEREAS, Lessee presently holds all of the Lessee's right, title and interest under that certain Geothermal Lease and Agreement dated January 1, 1972, entered into by and between Lessor and Lessee herein, covering 540.72 acres, more or less, situate in Imperial County, California, more particularly described in said lease, a Memorandum of which was recorded April 11, 1972, in Book 1325, at Page 1037, Official Records of said County and State; and

WHEREAS, it is the desire of the parties hereto to amend said lease by modifying the primary term, rental rider, royalty rider and quitclaim clause thereof as hereinafter provided;

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) in hand paid by Lessee to Lessor and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor does hereby lease said land to Lessee

Heber 603422

for the same purposes and upon all the same terms, provisions and conditions, as contained in said lease of January 1, 1972, and the parties hereto agree:

1. That the first paragraph of the habendum clause which appears on Page 2 of said lease is hereby deleted in its entirety and the following is hereby substituted therefor:

"This lease shall be for a term of ten (10) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land and for so long as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth or this lease is continued in force by reason of any other provision hereof."

2. The rental payments due hereunder have been paid by Lessee and received by Lessor and operate to defer the commencement of drilling operations until January 1, 1977.
3. That the rental clause rider which appears on Page 2 of said lease is hereby deleted in its entirety and the following is hereby substituted therefor:

"It is understood and agreed that the initial consideration paid upon the execution hereof covers not only the privileges granted to the date when a rental is payable as hereinafter provided, but any and all other rights conferred hereunder. If on or before one (1) year from January 1, 1976 Lessee has not drilled such well or wells on the leased land as to indicate or establish to the satisfaction of Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities, then, but subject to Lessee's right of surrender, on or before said anniversary date, Lessee shall pay or tender to Lessor an annual rental in the amount of *** Dollars (\$***)

which shall constitute rental until the next anniversary date hereof, and thereafter Lessee shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender to Lessor an annual rental in the

*** Confidential material redacted and filed separately with the Commission.

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aforesaid amount, this until such time as from the drilling of well or wells on the leased land, there has been established to the satisfaction of the Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities. Upon such establishing as aforesaid, Lessee may nevertheless continue to pay or tender annual rental payments on or before each anniversary date, this until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect, even though thereby extended past the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid each well or wells shall be deemed to be actually producing one or more Leased Substances in commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally, should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder."

4. That the royalty clause rider which appears on Page 3 of said lease is hereby deleted in its entirety and the following is hereby substituted therefor:

"Royalties payable hereunder shall never be less than Fifteen Dollars (\$15.00) per acre per year for the lands then covered by this Lease plus the amount of taxes levied or assessed against production or the right to produce Leased Substances from the lands covered by this Lease that are paid by Lessor pursuant to Paragraph 12 hereof."

5. That the quitclaim clause which appears on Page 4 of said lease is hereby deleted in its entirety and the following is hereby substituted therefor:

"9. Notwithstanding any other provisions of this lease, and in consideration of the payment made by the Lessee to the Lessor for the execution of this lease, Lessee shall have the right at any time prior to or after default hereunder, to quitclaim and surrender to Lessor all right, title

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and interest of Lessee in and to the leased land, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as to the lands or areas so quitclaimed and surrendered, save and except as to any then accrued monetary obligations or royalty obligations of Lessee then payable as to which Lessee shall remain liable to Lessor.

As hereby amended said lease shall be and remain in full force and effect

as to all its terms and provisions.

This agreement shall be binding upon and shall inure to the benefit of the heirs personal representatives, successors and assigns of the parties hereto.

This agreement may be executed in any number of counterparts with the same force and effect as though all parties signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first hereinabove written.

/s/ Holly Oberly Thomson

Holly Oberly Thomson, also known as
Holly F. Oberly Thomson, also know
Holly Felicia Thomson
LESSOR

UNION OIL COMPANY OF CALIFORNIA

By _____
Its Attorney in Fact
LESSEE

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CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

EXHIBIT 10.4.20

Lease and Agreement
Union Oil Company of California

[UNION LOGO]

THIS LEASE AND AGREEMENT, made and entered into as of this 14th day of June, 1971, by and between FITZHUGH LEE BREWER, JR., a married man as his separate property, DONNA HAWK, a married woman as her separate property, and TED DRAPER and HELEN DRAPER, husband and wife hereinafter referred to as "Lessor", whether one or more, and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter referred to as "Lessee".

WITNESSETH: That Lessor, for and in consideration of Ten Dollars (\$10.00) in hand paid to Lessor by Lessee, the rentals provided for hereinafter, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed. Lessor has granted, leased, let and demised and by these presents does grant, lease, let and demise to Lessee, its grantees, successors and assigns, upon and subject to the terms and conditions hereinafter set forth, all that certain land (herein sometimes referred to as the "leased land") situate in the County of Imperial, State of California, and more particularly described as follows, to-wit:

Tract 47-1/2 and Lot 7, Subdivision of Tract 48, Township 16 South, Range 14 East, S.B.M., as per Licensed Surveyor's Map filed in Book 2, Page 7, Record of Surveys, in the office of the County Recorder of said County.

(deemed to contain, for the purposes hereof, 640.00 acres, whether there be more or less) with the sole and exclusive right to Lessee to explore for (by

such methods as it may desire), drill for, produce, extract, take, remove and sell hot water, steam and thermal energy and extractable minerals from, and to store, utilize, process, convert and otherwise treat such hot water, steam and thermal energy upon, said land, and to extract any extractable minerals during the term hereof, and to inject or reinject in the leased land effluence from wells located on the leased land or on lands in the vicinity thereof, with the right of entry on the leased land and use and occupancy thereof at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon and to remove therefrom structures, facilities and installations, pipe lines, utility lines, power and transmission lines. Further, the Lessee is hereby granted the use of roads and ponds on said land together with such rights of way and easements across said land for the construction of roads, ponds, pipe lines, power and telephone transmission lines as are necessary or convenient for the exploration, operation and development of Leased Substances on the leased land or in the vicinity thereof. In the event this lease should terminate with respect to all other rights for any reason, the rights herein granted with respect to such roads, ponds, rights of way and/or easements as are being used at the time of such termination shall remain in effect so long as such roads, ponds, rights of way and/or easements are being used by the Lessee, its successors and assigns. Following such termination, Lessee agrees to pay an annual rental during the period of use at the rate of ten per cent (10%) of the then current value used in tax assessments of the land occupied by such roads, ponds, rights of way and/or easements being used. The possession by Lessee of the leased land shall be sole and exclusive for the purposes hereof and for purposes incident or related thereto, excepting that

Lessor reserves the right to use and occupy said land, or to lease or otherwise deal with the same, without unreasonable interference with Lessee's rights, for mining or extraction and utilization of minerals lying on the surface of or in vein deposits on or in said land, or for the extraction of oil, natural hydrocarbon gas and other hydrocarbon substances, or for any and all uses other than the use and rights permitted to Lessee hereunder. Lessee agrees to conduct its activities in a manner which will not unreasonably interfere with the rights reserved to Lessor. The leased land includes also any rights of Lessor, presently owned or hereafter acquired, in and under roads, underlying ditches, and rights of way traversing or adjacent to said land.

For the purposes hereof the following definitions shall apply:

(a) The terms "hot water", "steam" and "thermal energy" shall mean natural geothermal water and/or steam, and shall also mean the natural heat of the earth and the energy present in, resulting from or created by, or which may be extracted from, the natural heat of the earth or the heat present below the surface of the earth, in whatever form such heat or energy occurs;

(b) The term "extractable minerals" shall mean any minerals in solution in the well effluence and all minerals and gases produced from or by means of any well or wells on the leased land or by means of condensing steam or processing water produced from or the effluence from any such well or wells; said term shall also include any water so produced or obtained from condensation of steam; and further provided that the term "gases" shall not include hydrocarbon gases that can be produced separately from the hot water, steam and associated minerals;

(c) The term "Leased Substances" shall collectively refer to the matter, substances and resources, defined in (a) and (b) above, that are the subject of this lease;

(d) The term "power potential" as used herein with respect to any well or wells shall mean the quantity, or units, of energy capable of being recovered from the hot water, steam or thermal energy produced therefrom by means of any energy conversion or utilization facility (including, but not limited to, electrical generating facilities) or equipment designed for use thereof;

(e) The term "sufficient power potential" as used herein shall be deemed to mean that power potential which, in the judgment of Lessee shall be sufficient for the commercial sale or utilization thereof, or shall warrant the construction of facilities for the commercial sale or other utilization thereof, or shall justify additional drilling or other operations on the leased land;

(f) The word "commercial" used in connection with various phrases herein shall mean those quantities of Leased Substances produced, sold or used, the value of which, after deducting Lessee's operating costs (or extraction costs in case of extractable minerals), will provide to Lessee a net return over such costs sufficient to cause Lessee to continue production thereof or to elect to proceed with further development or exploratory operations on the leased land.

The terms and conditions of this Lease and Agreement are as follows, to-wit;

1. This lease shall be for a term of ten (10) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land or lands pooled or combined therewith,

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and for so long, as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth.

If at the expiration of the primary term Lessee has not completed one or more wells on the leased land, or land pooled therewith, separately or collectively producing or being capable of producing steam of sufficient power potential and/or extractable minerals in commercial quantities but Lessee is then engaged in operations for drilling or reworking of any well on the leased land or land pooled therewith, this lease shall remain in force so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than six (6) months, and if they result in production or the establishment to the satisfaction of the Lessee of the existence of sufficient power potential and/or extractable minerals in commercial quantities, such well or wells will be deemed to have been completed and such existence so established during the primary term of this lease.

2. It is understood and agreed that the initial consideration paid upon the execution hereof covers not only the privileges granted to the date when a rental is payable as hereinafter provided, but any and all other rights conferred hereunder. If on or before one (1) year from the date hereof Lessee has not drilled such well or wells on the leased land or land pooled therewith as to indicate or establish to the satisfaction of Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities, then, but subject to Lessee's right of surrender, on or before said anniversary date, Lessee shall pay or tender to Lessor an annual rental in the amount of *** Dollars (\$***), which shall constitute rental until the next anniversary date hereof, and thereafter Lessee shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender to Lessor an annual rental in the aforesaid amount, this until such time as from the drilling of well or wells on the leased land, or land pooled therewith, there has been established to the satisfaction of the Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities. Upon such establishing as aforesaid, Lessee may nevertheless continue to pay or tender annual rental payments on or before each anniversary date, this until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect, even though thereby extended past the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid each well or wells shall be

deemed to be actually producing one or more Leased Substances in commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally, should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder.

3. Lessee shall pay to Lessor as royalty ***

*** Confidential material redacted and filed separately with the Commission.

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*** Lessee shall pay to Lessor on or before the twenty-fifth day of each month the royalties accrued and payable for the preceding calendar month, or on or before the twenty-fifth day of the month next following that in which Lessee receives payment therefor from the purchaser thereof, whichever method shall apply, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for computation and determination of such royalty.

Lessee shall not be required to account to Lessor for or to pay any royalty on hot water, steam, thermal energy or extractable minerals produced by Lessee on the leased land which are not utilized, saved and sold, or which are used by Lessee in its operations on or with respect to the leased land for or in connection with the developing, recovering, producing, extracting and/or processing of hot water, steam and/or minerals in solution or in facilities used in connection therewith, including operations of facilities for the generation of electric power, or which are unavoidably lost.

Lessee shall have the right, from time to time and at any time, to commingle (for purposes of storing, transporting, utilizing, selling or processing, or any of them) the or any of the Leased Substances produced or extracted from production from the leased land or lands pooled therewith with like Leased Substances, or any of them, produced from other lands or units in the vicinity of the leased land, and in the event of such commingling Lessee shall meter, gauge or measure the production from the leased land, or from the unit or units including same or other units or lands, as the case may be, and compute and pay Lessor's royalty payable under the provisions hereof on the basis of such production so determined or allocated, as the case may be.

4. Lessee may, at any time or from time to time as a recurring right, either before or after production but within twenty (20) years from the date hereof, for drilling, development, or operating purposes, pool, unitize or combine all or any part of the leased land into a unit with any other land or lands or lease or leases (whether held by Lessee or others) adjacent, adjoining or in the immediate vicinity of the leased land which Lessee desires to develop or operate as a unit, provided that the total acreage to be embraced within any such drilling, development, or operating unit shall not exceed one thousand nine hundred twenty (1,920) acres, plus an acreage tolerance of Ten Percent (10%). Such a unit shall become in existence upon Lessee's filing in the office of the County Recorder in the county in which the leased land is situated a notice of such unitization, describing said unit. Lessee shall also mail a copy of such notice to Lessor. Any well (whether or not Lessee's well) commenced, drilled, drilling and/or producing or being capable of producing in any part of such unit shall for all purposes of this lease be deemed a well commenced, drilled, drilling and/or producing on the leased land, and Lessee shall have the same rights and obligations with respect thereto and to drilling and producing operations upon the

*** Confidential material redacted and filed separately with the Commission.

lands from time to time included within any such unit as Lessee would have if such lands constituted the leased land; provided, however, that notwithstanding this or any other provision or provisions of this lease to the contrary:

(1) production as to which royalty is payable from any such well or wells drilled upon any such unit, whether located upon the leased land or other lands, shall be allocated to the leased land in the proportion that the surface acreage of the leased land in such unit bears to the total surface acreage of such unit, and such allocated portion thereof shall for all purposes of this lease be considered as having been produced from the leased land, and the royalty payable under this lease with respect to the leased land included in such unit shall be payable only upon that proportion of such production so allocated thereto, and,

(2) if any taxes of any kind are levied or assessed (other than taxes on the land and on Lessor's improvements), any portion of which is chargeable to Lessor under Paragraph 12 hereof, then the share of such taxes to be borne by Lessor as provided in this lease, shall be in proportion to the share of the production from such unit allocated to the leased land.

Allocation as aforesaid of production from any such unit, whether to the leased land or in like manner to other lands therein, shall continue notwithstanding any termination, either in whole or in part (by surrender, forfeiture or otherwise), of this or any other lease covering lands in such unit until such time as the owner of such lands so terminated shall enter into an agreement to drill for or produce or shall drill for or produce or permit or cause the drilling for or production from any part of such lands, whereupon all such lands formerly included in such unit and as to which the lease covering the same shall have terminated shall be excluded in determining the production to be allocated to the respective lands in such unit; additionally, in the event of the failure of Lessor's, or any other owner's, title as to any portion of the land included in any such unit, such portion of such land shall likewise be excluded in allocating production from such unit; provided, however, Lessee shall not be held to account for any production allocated to any lands excluded from any such operating unit unless and until Lessee has actual knowledge of the aforesaid circumstances requiring such exclusion. Any exclusion shall be deemed effective the first day of the month next following the date upon which such exclusion becomes finally established.

Lessee may, at its sole option, at any time when there is no production in such unit of Leased Substances in quantities deemed paying by Lessee, terminate such unit by a written declaration thereof, in the same manner in which it was created.

5. At such time as Lessee shall have drilled and completed such well or wells on the leased land or land pooled therewith which shall indicate to the satisfaction of Lessee a sufficient power potential, or the existence of extractable minerals in commercial quantities, Lessee may at any time thereafter construct and install on the leased land facilities for the commercial sale or use of hot water, steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith, or for the extraction of extractable minerals, or for development of electric power from the use of steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith.

6. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable for the purposes hereof, including wells for injection or re-injection purposes; provided, however, that Lessee agrees to utilize to such purpose or purposes only so much of the leased land as shall be

reasonably necessary for Lessee's operations and activities thereon. No well shall be drilled within one hundred (100) feet of any residence or barn now on said land without Lessor's consent. Lessee shall have free use of water from said land for all operations thereon or on land pooled therewith, provided that such free use shall not interfere with Lessor's own use for domestic, commercial, stock or agricultural purposes, nor interfere with any contractual commitments of Lessor relating thereto and existing on the date hereof. Lessee shall not be entitled to free use of any water which has been or is being purchased by Lessor.

Lessee agrees to fence all sump holes or other excavations, and upon abandonment of any well on the leased land, or the termination of the lease, Lessee shall level and fill all sump holes and excavations, shall remove all debris and shall leave the locations or premises used by Lessee in a clean and sanitary condition.

Lessee shall protect said land against liens of every character arising from its operations thereon. Lessee, at its own ex-_____ shall obtain and thereafter while this lease is in effect shall main-_____

6A Notwithstanding anything to the contrary contained herein, Lessee agrees to hold Lessor harmless as to all losses of agricultural rental and all claims and demands of any nature whatsoever, including damages, expenses, costs and attorneys' fees, in any claim against or loss by Lessor based upon or caused by Lessee's activities on the leased land.

7. Lessor, or its agents, at Lessor's sole risk, may at all times examine said land and the workings, installations and structures thereon and operations of Lessee thereon, and may at reasonable times inspect the books and records of Lessee with respect to matters pertaining to the payment of royalties to Lessor.

8. Upon the violation of any of the terms and conditions of this lease by Lessee (including but not limited to payment of rental and/or advance royalty) and the failure of Lessee to, as to monetary matters, make payment, and as to other violations begin in good faith to remedy the same, within sixty (60) days after written notice from Lessor so to do, specifying in said notice the nature of such default, then at the option of Lessor this lease shall forthwith cease and terminate and all rights of Lessee in and to the leased land shall be at an end, save and excepting five (5) acres surrounding each and any well then producing or capable of producing or being drilled, and in respect to which Lessee shall not be in default, together with the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease, and together with rights granted Lessee in Paragraph 5, hereof.

9. Notwithstanding any other provisions of this lease, and in consideration of the payment made by the Lessee to the Lessor for the execution of this lease, Lessee shall have the

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right at any time prior to or after default hereunder, to quitclaim and surrender to Lessor all right, title and interest of Lessee in and to the leased land or any part thereof, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as to the lands or areas so quitclaimed and surrendered, save and except as to any then accrued monetary obligations or royalty obligations of Lessee then payable as to which Lessee shall remain liable to Lessor, and save and except the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease, and provided that in the event of a partial quitclaim and surrender, any future rentals will be reduced proportionately by the number of acres in the area so quitclaimed and surrendered.

10. In the event Lessor at the time of making this lease owns a less interest in the leased land than One Hundred Percent (100%) of the rights and

interests herein granted or leased to Lessee, then the rentals and royalties accruing hereunder shall be paid to Lessor only in the proportions which Lessor's interest bears to a One Hundred Percent (100%) interest therein in the leased land. Notwithstanding the foregoing, should Lessor hereafter acquire any additional right, title or interest in or to the leased land, it shall be subject to the provisions hereof to the same extent as if owned by Lessor at the date hereof, and any increase in payments of money hereunder necessitated thereby shall commence with the payment next following receipt by Lessee of satisfactory evidence of Lessor's acquisition of such additional interest.

11. Lessor hereby warrants and agrees to defend title to the leased land and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, trust deeds or other liens or encumbrances existing, levied or assessed on or against the leased land, and in the event Lessee exercises such option Lessee shall be subrogated to the rights of any holder or holders thereof, and shall have, among other rights, the right of applying to the discharge of any such mortgage, tax or other lien or encumbrance any royalties or rentals accruing to Lessor hereunder.

12. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee. Lessee shall pay 90% and the Lessor shall pay 10% of any taxes assessed against any Leased Substances stored on the leased land. In the event any taxes are levied or assessed against the right to produce Leased Substances from the leased land or in the event any increase in the taxes levied or assessed against the leased land shall be based upon the production from the leased land of Leased Substances, then in either such event Lessee shall pay 90% of any such taxes or increase, as the case may be, and Lessor shall pay 10% thereof. Lessor shall pay all taxes levied or assessed against the leased land as such without reference to the production of Leased Substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this lease and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessor.

13. The rights of either party hereunder may be assigned in whole or in part, and the right and privilege so to do is hereby reserved by each party, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee may continue to operate the leased land and to pay and settle rentals or royalties as an entirety, and no such change in ownership shall be binding upon Lessee until the expiration of thirty (30) days after Lessee is furnished with

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satisfactory written evidence thereof. In the event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder.

14. The obligations of Lessee hereunder shall be suspended and the term of this lease shall be extended, as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, actions of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations of any federal, state, municipal or other governmental agency, authority or representative or other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters herein specifically enumerated.

If at any time after the expiration of fifteen (15) years from date hereof the production of all Leased Substances cease for any cause other than one or

more of the causes hereinabove enumerated, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year from cessation and thereafter if, and so long as, Lessee commences and continues diligently and in good faith the steps, operations or procedures to cause a resumption of such production (either through the existing wells or the drilling of new wells), until such production be resumed.

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15. All statements of production and royalty and all payments to be made by Lessee to Lessor hereunder shall be sent to the persons hereinafter set forth, respectively, at the addresses indicated and each such person shall be entitled to receive that portion of the total rentals and royalty payable hereunder as is hereinafter set forth after the name of such person:

Lessee shall, upon notification of change of ownership in the lands or in rentals or royalties hereunder, as provided in Paragraph 13 hereof, divide and distribute the same to the new owners of such interests; provided, however, that if at any time there are three or more persons entitled to rentals or royalties hereunder, Lessee may, at its option, withhold payment of such rentals or royalties, until a majority in interest of such persons designate in writing in a recordable instrument delivered to Lessee, a bank, trust company or corporation, as a common agent and depository, to receive all payments due hereunder to such persons. Such designation may be changed at any time in the same manner. Delivery of all statements and payments hereunder may be made by depositing the same in the United States mail duly addressed to Lessor at the above address or adds or to such agent and depository which shall constitute full performance of Lessee's obligation to make such delivery. In the event that the amount payable under this lease shall result in a payment of less than Five Dollars (\$5.00) becoming due Lessor, Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due Lessor exceeds Five Dollars(\$5.00).

16. Any notice herein required or permitted to be given or furnished by one party to the other shall be in writing. Delivery of such written notice to Lessor shall be made by depositing the same in the United States mail duly certified and addressed to Lessor at 1121 North Cerritos, Fullerton California and delivery of such written notice to Lessee shall be made by depositing the same in the United States mail duly certified and addressed to Lessee at Union Oil Center, 461 South Boylston Street, Los Angeles, California 90017. Either party hereto may by written notice to the other party change its address to any other location.

17. In the event any part or portion or provision of this instrument shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction or any governmental agency having authority thereover, then and in such event only

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such part, portion or provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or condition hereof, which said remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties hereto, it being specifically understood and agreed that the provisions hereof are severable for the purposes of the provisions of this clause. In this connection, this lease shall not in any event extend beyond such term as may be legally permissible under present applicable laws, and should any such applicable law limit the term hereof to less than that herein provided, then this lease shall not be void but shall be deemed to be in existence for such term and no longer.

18. If more than one person is named as a Lessor herein and one or more of them fails to execute this lease, said lease shall nevertheless (when accepted by Lessee) become effective as a lease from such of said named parties Lessor as may have executed the same.

19. This lease may be executed in any number of counterparts and all such counterparts shall be deemed to constitute a single lease and the execution of one counterpart by any party Lessor shall have the same force and effect as if such party had signed all the other counterparts.

20. This Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to the benefit of and be binding upon the respective heirs, successors and assigns of the parties hereto.

21. Any portion of the surface of the leased land used by Lessee in its operations shall be subject to an annual rental payment, payable in advance on the date the use begins and yearly thereafter until the use is terminated, equal to rentals paid for comparable lands in the area for agricultural purposes, but such rental shall not exceed \$100.00 per acre per year. Further, the Lessee recognizes that surface of the leased land is now subject to an unrecorded lease for agricultural purposes, and agrees to recognize the rights of the Lessee of said agricultural lease so long as his present lease is valid together with any extensions of the lease period and/or amendments thereto. The Lessee herein agrees with the Lessor to enter into negotiations with the Lessee of said agricultural lease regarding the use of the surface prior to any operations on the leased land by the Lessee herein.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date hereinabove first written.

/s/ Indecipherable

____ Harris, Subscribing Witness to the
signature of Fitzhugh Lee Brewer, Jr.

/s/ Fitzhugh Lee Brewer, Jr.

Fitzhugh Lee Brewer, Jr.

/s/ Indecipherable

____ Harris, Subscribing Witness to the
signature of Donna Hawk

/s/ Donna Hawk

Donna Hawk

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/s/ Indecipherable

____ Harris, Subscribing Witness to the
signature of Ted Draper

/s/ Ted Draper

Ted Draper

/s/ Indecipherable

____ Harris, Subscribing Witness to the
signature of Helen Draper

/s/ Helen Draper

Helen Draper
Lessor

UNION OIL COMPANY OF CALIFORNIA

By /s/ B.J. Taylor

LESSEE

B.J. TAYLOR
ITS ATTORNEY-IN-FACT

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

Exhibit 10.4.21

Lease and Agreement
Union Oil Company of California

[COMPANY LOGO]

THIS LEASE AND AGREEMENT, made and entered into as of this 13th day of May, 1971, by and between MATHEW J. LA BRUCHERIE and JANE E. LA BRUCHERIE, HUSBAND AND WIFE; and ROBERT T. O'DELL and PHYLLIS M. O'DELL, husband and wife hereinafter referred to as "Lessor", whether one or more, and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter referred to as "Lessee",

WITNESSETH: That Lessor, for and in consideration of Ten Dollars (\$10.00) in hand paid to Lessor by Lessee, the rentals provided for hereinafter, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed, Lessor has granted, leased, let and demised and by these presents does grant, lease, let and demise to Lessee, its grantees, successors and assigns, upon and subject to the terms and conditions hereinafter set forth, all that certain land (herein sometimes referred to as the "leased land") situate in the County of IMPERIAL, State of CALIFORNIA, and more particularly described as follows, to-wit:

PARCEL 1: Lot 29, subdivision of Tract 48, Township 16 South, Range 14 East,
----- S.B.B. & M., 71.30 Acres, more or less, lying Southwesterly of
Southern Pacific Railroad.

PARCEL 2: Lot 28, subdivision of Tract 48, Township 16 South, Range 14 East,
----- S.B.B. & M., 82.20 Acres, more or less, lying Northwesterly of
Southern Pacific Railroad.

(deemed to contain, for the purposes hereof, 154 acres, whether there be more or less) with the sole and exclusive right to Lessee to explore for (by such methods as it may desire), drill for, produce, extract, take, remove and sell hot water, steam and thermal energy and extractable minerals from, and to store, utilize, process, convert and otherwise treat such hot water, steam and thermal energy upon, said land, and to extract any extractable minerals during the term hereof, and to inject or reinject in the leased land effluence from wells located on the leased land or on lands in the vicinity thereof, with the right of entry on the leased land and use and occupancy thereof at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon and to remove therefrom structures, facilities and

installations, pipe lines, utility lines, power and transmission lines. Further, the Lessee is hereby granted the use of roads and ponds on said land together with such rights of way and easements across said land for the construction of roads, ponds, pipe lines, power and telephone transmission lines as are necessary or convenient for the exploration, operation and development of Leased Substances on the leased land or in the vicinity thereof. In the event this lease should terminate with respect to all other rights for any reason, the rights herein granted with respect to such roads, ponds, rights of way and/or easements as are being used at the time of such termination shall remain in effect so long as such roads, ponds, rights of way and/or easements are being used by the Lessee, its successors and assigns. Following such termination, Lessee agrees to pay an annual rental during the period of use at the rate of ten per cent (10%) of the then current value used in tax assessments of the land occupied by such roads, ponds, rights of way and/or easements being used. The possession by Lessee of the leased land shall be sole and exclusive for the purposes hereof and for purposes incident or related thereto, excepting that Lessor reserves the right to use and occupy said land, or to lease or otherwise deal with the same, without unreasonable interference with Lessee's rights, for mining or extraction and utilization of minerals lying on the surface of or in vein deposits on or in said land, or for the extraction of oil, natural hydrocarbon gas and other hydrocarbon substances, or for any and all uses other than the use and rights permitted to Lessee hereunder. Lessee agrees to conduct its activities in a manner which will not unreasonably interfere with the rights reserved to Lessor. The leased land includes also any rights of Lessor, presently owned or hereafter acquired, in and under roads, underlying ditches, and rights of way traversing or adjacent to said land.

For the purposes hereof the following definitions shall apply:

(a) The terms "hot water", "steam" and "thermal energy" shall mean natural geothermal water and/or steam, and shall also mean the natural heat of the earth and the energy present in, resulting from or created by, or which may be extracted from, the natural heat of the earth or the heat present below the surface of the earth, in whatever form such heat or energy occurs;

(b) The term "extractable minerals" shall mean any minerals in solution in the well effluence and all minerals and gases produced from or by means of any well or wells on the leased land or by means of condensing steam or processing water produced from or the effluence from any such well or wells; said term shall also include any water so produced or obtained from condensation of steam; and further provided that the term "gases" shall not include hydrocarbon gases that can be produced separately from the hot water, steam and associated minerals;

(c) The term "Leased Substances" shall collectively refer to the matter, substances and resources, defined in (a) and (b) above, that are the subject of this lease;

(d) The term "power potential" as used herein with respect to any well or wells shall mean the quantity, or units, of energy capable of being recovered from the hot water, steam or thermal energy produced therefrom by means of any energy conversion or utilization facility (including, but not limited to, electrical generating facilities) or equipment designed for use thereof;

(e) The term "sufficient power potential" as used herein shall be deemed to mean that power potential which, in the judgment of Lessee shall be sufficient for the commercial sale or

utilization thereof, or shall warrant the construction of facilities for the commercial sale or other utilization thereof, or shall justify additional

drilling or other operations on the leased land;

(f) The word "commercial" used in connection with various phrases herein shall mean those quantities of Leased Substances produced, sold or used, the value of which, after deducting Lessee's operating costs (or extraction costs in case of extractable minerals), will provide to Lessee a net return over such costs sufficient to cause Lessee to continue production thereof or to elect to proceed with further development or exploratory operations on the leased land.

The terms and conditions of this Lease and Agreement are as follows, to-wit;

1. This lease shall be for a term of ten (10) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land or lands pooled or combined therewith, and for so long, as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth.

If at the expiration of the primary term Lessee has not completed one or more wells on the leased land, or land pooled therewith, separately or collectively producing or being capable of producing steam of sufficient power potential and/or extractable minerals in commercial quantities but Lessee is then engaged in operations for drilling or reworking of any well on the leased land or land pooled therewith, this lease shall remain in force so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than six (6) months, and if they result in production or the establishment to the satisfaction of the Lessee of the existence of sufficient power potential and/or extractable minerals in commercial quantities, such well or wells will be deemed to have been completed and such existence so established during the primary term of this lease.

2. It is understood and agreed that the initial consideration paid upon the execution hereof covers not only the privileges granted to the date when a rental is payable as hereinafter provided, but any and all other rights conferred hereunder. If on or before one (1) year from the date hereof Lessee has not drilled such well or wells on the leased land or land pooled therewith as to indicate or establish to the satisfaction of Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities, then, but subject to Lessee's right of surrender, on or before said anniversary date, Lessee shall pay or tender to Lessor an annual rental in the amount of *** Dollars (\$***), which shall constitute rental until the next anniversary date hereof, and thereafter Lessee shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender to Lessor an annual rental in the aforesaid amount, this until such time as from the drilling of well or wells on the leased land, or land pooled therewith, there has been established to the satisfaction of the Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities. Upon such establishing as aforesaid, Lessee may nevertheless continue to pay or tender annual rental payments on or before each anniversary date, this until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect, even though thereby extended past the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid each well or wells

*** Confidential material redacted and filed separately with the Commission.

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shall be deemed to be actually producing one or more Leased Substances in commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally,

should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder.

3. Lessee shall pay to Lessor as royalty ***. Lessee shall pay to Lessor on or before the twenty-fifth day of the month next the royalties accrued and payable for the preceding calendar month, or on or before the twenty-fifth day of the month next following that in which Lessee receives payment therefore from the purchaser thereof, whichever method shall apply, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for computation and determination of such royalty.

Lessee shall not be required to account to Lessor for or to pay any royalty on hot water, steam, thermal energy or extractable minerals produced by Lessee on the leased land which are not utilized, saved and sold, or which are used by Lessee in its operations on or with respect to the leased land for or in connection with the developing, recovering, producing, extracting and/or processing of hot water, steam and/or minerals in solution or in facilities used in connection therewith, including operations of facilities for the generation of electric power, for its own consumption, or which are unavoidably lost.

Lessee shall have the right, from time to time and at any time, to commingle (for purposes of storing, transporting, utilizing, selling or processing, or any of them) the or any of the Leased Substances produced or extracted from production from the leased land or lands pooled therewith with the Leased Substances, or any of them, produced from other lands or units in the vicinity of the leased land, and in the event of such commingling Lessee shall meter, gauge or measure the production from the leased land, or from the unit or units including same or other units or lands, as the case may be, and compute and pay Lessor's royalty payable under the provisions hereof on the basis of such production so determined or allocated, as the case may be.

*** Confidential material redacted and filed separately with the Commission.

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4. Lessee may, at any time or from time to time as a recurring right, either before or after production but within twenty (20) years from the date hereof, provided this lease is then in effect and Lessee is not in default, for drilling, development, or operating purposes, pool, utilize or combine all of the leased land into a unit with any other land or lands or leased or leases (whether held by Lessee or others) adjacent, adjoining or in the immediate vicinity of the leased land which Lessee desires to develop or operate as a unit, provided that the total acreage to be embraced within any such drilling, development, or operating unit shall not exceed one thousand nine-hundred twenty (1,920) acres, plus an acreage tolerance of Ten Percent (10%). Such a unit shall become in existence upon Lessee's filing in the office of the County Recorder in the county in which the leased land is situated a notice of such unitization, describing said unit. Lessee shall also mail a copy of such notice to Lessor. Any well (whether or not Lessee's well commenced, drilled, drilling and/or producing or being capable of producing in any part of such unit shall for all purposes of this lease be deemed a well commenced, drilled, drilling and/or producing on the leased land, and Lessee shall have the same rights and obligations with respect thereto and to drilling and producing operations upon the lands from time to time include within any such unit as Lessee would have if such lands constituted the leased land; provided, however, that notwithstanding this or any other provision or provisions of this lease to the contrary:

(1) production as to which royalty is payable from any such well or wells drilled upon any such unit, whether located upon the leased land or other lands, shall be allocated to the leased land in the proportion that the surface acreage of the leased land in such unit bears to the total surface acreage of such unit, and such allocated portion thereof shall for all purposes of this lease be considered as having been produced from the leased land, and the royalty payable under this lease with respect to the leased land included in

such unit shall be payable only upon that proportion of such production so allocated thereto, and

(2) if any taxes of any kind are levied or assessed (other than taxes on the land and on Lessor's improvements), and a portion of which is chargeable to Lessor under Paragraph 12 hereof, then the share of such taxes to be borne by Lessor as provided in this lease, shall be in proportion to the share of the production from such unit allocated to the leased land.

Allocation as aforesaid of production from any such unit, whether to the leased land or in like manner to other land therein, shall continue notwithstanding any termination, either in whole or in part (by surrender, forfeiture or otherwise), on this or any other lease covering lands in such unit until such time as the owner of such lands so terminated shall enter into an agreement to drill for or produce or shall drill for or produce or permit or cause the drilling for or production from any part of such lands, whereupon all such lands formerly included in such unit and as to which the lease covering the same shall have terminated shall be excluded in determining the production to be allocated to the respective lands in such unit; additionally, in the event of the failure of Lessor's, or in any other owner's, title as to any portion of the land included in any such unit, such portion of such land shall likewise be excluded in allocating production from such unit; provided, however, Lessee shall not be held to account for any production allocated to any lands excluded from any such operating unit unless and until Lessee has actual knowledge of the aforesaid circumstances requiring such exclusion. Any exclusion shall be deemed effective the first day of the month next following the date upon which such exclusion becomes finally established.

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Lessee may, at its sole option, at any time when there is no production in such unit of Leased Substances in quantities deemed paying by Lessee, terminate such unit by a written declaration thereof, in the same manner in which it was created.

5. At such time as Lessee shall have drilled and completed such well or wells on the leased land or land pooled therewith which shall indicate to the satisfaction of Lessee a sufficient power potential, or the existence of extractable minerals commercial quantities, Lessee may at any time thereafter construct and install in the leased land facilities for the commercial sale or use of hot water, steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith, or for the extraction of extractable minerals, or for development of electric power from the use of steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith.

6. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable for the purposes hereof, including wells for injection or re-injection purposes; provided, however, that Lessee agrees to utilize for such purpose or purposes only so much of the leased land as shall be reasonably necessary for Lessee's operations and activities thereon. No well shall be drilled within one hundred (100) feet of any residence or barn now on said land without Lessor's consent. Lessee shall have free use of water from said land for all operations thereon or on land pooled therewith, provided that such free use shall not interfere with Lessor's own use for domestic, commercial, stock or agricultural purposes, nor interfere with any contractual commitments of Lessor relating thereto and existing on the date hereof. Lessee shall not be entitled to free use of any water which has been or is being purchased by Lessor, Lessee shall not allow the fluid level of any effluence it may inject or re-inject hereunder to be less than a depth of 200 feet below the present surface of the leased land.

Lessee agrees to fence all sump holes or other excavations, and upon abandonment of any well on the leased land, the termination of the lease, Lessee shall level and fill all sump holes and excavations, shall remove all

debris and shall leave the locations or premises used by Lessee in a clean and sanitary condition. Abandonment of any well drilled by Lessee on the leased land shall be accomplished in accordance with all applicable laws or regulation of the governing municipality

Lessee shall protect said land against liens of every character arising from its operations thereon. Lessee, at its own expense, prior to commencing operations on the leased land, shall obtain, and thereafter while this lease is in effect shall maintain, adequate Workmen's Compensation Insurance. Lessee shall protect Lessor against damages of every kind and character arising out of the operations or working of Lessee or those under Lessee's control upon the leased land, but Lessee shall not be liable hereunder in the event of the negligence or willful misconduct of parties other than Lessee. In the event any building or personal property be damaged or destroyed, or grazing or agricultural lands be damaged or destroyed by Lessee's operations, then Lessee shall be liable for, and to the extent of, the reasonable value thereof.

Lessee shall have the right at any time and from time to time to remove from the leased land any and all casing, machinery, equipment, structures, installations and property of every kind and character placed upon said leased land by or pursuant to permission of Lessee,

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provided that if such removal should occur after termination hereof same shall be completed within a reasonable time thereafter.

7. Lessor, or its agents, at Lessor's sole risk, may at all times examine said land and the workings, installations and structures thereon and operations of Lessee thereon, and may at reasonable times inspect the books and records of Lessee with respect [MISSING TEXT]

6-a Any provision contained in Paragraph 6 hereof notwithstanding, Lessee shall drill no well from the, surface of the leased land except from drillsites thereon to be designated by Lessor. Lessor agrees to designate, with fifteen (15) days after receiving Lessee's written request to do so, one (1) such drillsite for every forty (40) acres or major fraction thereof of the leased land together with adequate rights of way from such drill site to a public roadway. Such drillsites shall be, as near as practicable in the form of a square containing five (5) acres. In the event pipelines, utility lines, power and/or transmission lines are deemed necessary, Lessee agrees to secure Lessor's consent as to the location of same.

6-b Lessee agrees that upon entering upon the surface of the leased land as provided in Paragraph 6-a hereof, it shall pay Lessor a rental in an amount equal to rentals paid for comparable lands in the area for agricultural purposes but not to exceed *** Dollars (\$**) per acre per year. Such rentals shall be payable annually in advance until Leased Substances are produced from the leased land in commercial quantities, until Lessee shall quitclaim its right to enter upon the surface of said land or until this lease shall terminate, whichever shall first occur.

12. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee. Lessee shall pay 90% and the Lessor shall pay 10% of any taxes assessed against any Leased Substances stored on the leased land. In the event any taxes are levied or assessed against the

right to produce Leased Substances from the leased land or in the event any increase in the taxes levied or assessed against the leased land shall be based upon the production from the leased land of Leased Substances, then in either such event Lessee shall pay 90% of any such taxes or increase, as the case may be, and Lessor shall pay 10% thereof. Lessor shall pay all taxes levied or assessed against the leased land as such without reference to the production of Leased Substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this lease and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessor.

13. The rights of either party hereunder may be assigned in whole or in part, and the right and privilege so to do is hereby reserved by each party, provided, however, that the Lessee shall not assign all or any part of its interest except to a major oil or utility company, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall

*** Confidential material redacted and filed separately with the Commission.

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operate to enlarge the obligations or diminish the rights of Lessee, and Lessee may continue to operate the leased land and to pay and settle rentals or royalties as an entirety, and no such change in ownership shall be binding upon Lessee until the expiration of thirty (30) days after Lessee is furnished with satisfactory written evidence thereof. In the event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder.

14. The obligations of Lessee hereunder shall be suspended and the term of this lease shall be extended, as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, actions of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations of any federal, state, municipal or other governmental agency, authority or representative, or other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters herein specifically enumerated.

If any time after the expiration of fifteen (15) years from date hereof the production of all Leased Substances ceases for any cause other than one or more of the causes hereinabove enumerated, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year from cessation and thereafter if, and so long as, Lessee commences and continues diligently and in good faith the steps, operations or procedures to cause a resumption of such production (either through the existing wells or the drilling of new wells), until such production be resumed.

15. All statements of production and royalty and all payments to be made by Lessee to Lessor hereunder shall be sent to the persons hereinafter set forth, respectively, at the addresses indicated and each such person shall be entitled to receive that portion of the total rentals and royalty payable hereunder as is hereinafter set forth after the name of such person:

Mathew J. LaBrucheri and Jane E. LaBrucherie	50%	Taxpayer's Indent
Robert T. O'Dell and Phyllis M. O'Dell	50%	No. 558 24 7862

P.O. Box 1420

Taxpayer's Indent

Lessee shall, upon notification of change of ownership in the lands or in rentals or royalties hereunder, as provided in Paragraph 13 hereof, divide and distribute the same to the new owners of such interests; provided, however, that if at any time there are three or more persons entitled to rentals or royalties hereunder, Lessee may at its option, withhold payment of such rentals or royalties until a majority in interest of such persons designate in writing in a recordable instrument delivered to Lessee, a bank, trust company or corporation, as a common agent and depository to, receive all payments due hereunder to such persons. Such designation may be changed at any time in the same manner. Delivery of all statements and payments hereunder may be made by depositing the same in the United States mail duly addressed to Lessor at the above address or addresses or to such agent and depository which shall constitute full performance of Lessee's obligation to make such delivery. In the event that the amount payable under this lease shall result in a payment of less than Five Dollars (\$5.00) becoming due Lessor,

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Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due Lessor exceeds Five Dollars (\$5.00).

16. Any notice herein required or permitted to be given or furnished by one party to the other shall be in writing, Delivery of such written notice to Lessor shall be made by depositing the same in the United States mail duly certified and addressed to Lessor at P.O. Box 1420 El Centro, California, 92243 and delivery of such written notice to Lessee shall be made by depositing the same in the United States mail duly certified and addressed to Lessee at Union Oil Center, 461 South Boylston Street, Los Angeles, California 90017. Either party hereto may by written notice to the other party change its address to any other location.

17. In the event any part or portion or provision of this instrument shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction or any governmental agency having authority thereover, then and in such event only such part, portion or provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or condition hereof, which said remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties hereto, it being specifically understood and agreed that the provisions hereof are severable for the purposes of the provisions of this clause. In this connection, this lease shall not in any event extend beyond such term as may be legally permissible under present applicable laws, and should any such applicable law limit the term hereof to less than that herein provided, then this lease shall not be void but shall be deemed to be in existence for such term and no longer.

18. If more than one person is named as a Lessor herein and one or more of them fails to execute this lease, said lease shall nevertheless (when accepted by Lessee) become effective as a lease from such of said named parties Lessor as may have executed the same.

19. This lease may be executed in any number of counterparts and all such counterparts shall be deemed to constitute a single lease and the execution of one counterpart by any party Lessor shall have the same force and effect as if such party had signed all the other counterparts.

20. This Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to the benefit of and be binding upon the respective heirs, successors and assigns of the parties hereto.

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IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date hereinabove first written.

/s/ Stanley Harris

Stanley Harris, Subscribing Witness to the
Signature of Mathew J. LaBrucherie

/s/ Matthew J. LaBrucherie

Matthew J. LaBrucherie

/s/ Stanley Harris

Stanley Harris, Subscribing Witness to the
Signature of Jane E. LaBrucherie

/s/ Jane E. LaBrucherie

Jane E. LaBrucherie

/s/ Stanley Harris

Stanley Harris, Subscribing Witness to the
Signature of Robert T. O'Dell

/s/ Robert T. O'Dell

Robert T. O'Dell

/s/ Stanley Harris

Stanley Harris, Subscribing Witness to the
Signature of Phyllis M. O'Dell

/s/ Phyllis M. O'Dell

Phyllis M. O'Dell

LESSOR

UNION OIL COMPANY OF CALIFORNIA

By:

LESSEE

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AMENDMENT TO GEOTHERMAL LEASE AND AGREEMENT

THIS AGREEMENT made and entered into as of this fifth day of April, 1976, by and between MATHEW J. LA BRUCHERIE and JANE E. LA BRUCHERIE, husband and wife; and ROBERT T. O'DELL and PHYLLIS M. O'DELL, husband and wife, hereinafter called "Lessor" and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter called "Lessee";

W I T N E S S E T H:

THAT WHEREAS, Lessee presently holds all of the Lessee's right, title and interest under that certain Geothermal Lease and Agreement dated May 13, 1971, entered into by and between Lessor and Lessee herein, covering 154.00 acres, more or less, situate in Imperial, more particularly described in said lease; a Memorandum of which was recorded July 1, 1971 in Book 1311, at Page 996, Official Records of said County and State; and

WHEREAS, it is the desire of the parties hereto to amend said lease by modifying the primary term and rental clause thereof as hereinafter provided;

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) in hand paid by Lessee to Lessor and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor does hereby lease said land to Lessee for the same purposes and upon all the same terms, provisions and conditions, as contained in said lease of May 13, 1971, and the parties hereto agree:

1. That the first paragraph of the habendum clause which appears on Page 2 of said lease is hereby deleted in its entirety and the following is hereby substituted therefor:

"This lease shall be for a term of ten (10) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land or lands pooled or combined therewith, and for so long, as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth or this lease is continued in force by reason of any other provision hereof."

2. The words and numbers "****" appearing in the 6th and 7th printed lines of Paragraph 2 are hereby deleted and the words and numbers "****" are hereby substituted therefor.
3. The rental payments due hereunder have been paid by Lessee and received by Lessor and operate to defer the commencement of drilling operations until May 13, 1977.

As hereby amended said lease shall be and remain in full force and effect as to all its terms and provisions.

This agreement shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties hereto.

This agreement may be executed in any number of counterparts with the same force and effect as though all parties signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first hereinabove written.

/s/ Mathew J. La Brucherie

MATHEW J. LA BRUCHERIE

/s/ Jane E. La Brucherie

JANE E. LA BRUCHERIE

*** Confidential material redacted and filed separately with the Commission.

/s/ Robert T. O'Dell

ROBERT T. O'DELL

/s/ Phyllis M. O'Dell

PHYLLIS M. O'DELL

LESSOR

UNION OIL COMPANY OF CALIFORNIA

By:

Its Attorney in Fact

LESSEE

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CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

EXHIBIT 10.4.22

Lease and Agreement
Union Oil Company of California

UNION

THIS LEASE AND AGREEMENT, made and entered into as of this 2nd day of June 1971, by and between DOROTHY GISLER, a widow, JOAN C. HILL and JEAN C. BROWNING

hereinafter referred so as "Lessor", whether one or more, and UNION OIL COMPANY OF CALIFORNIA, a California corporation, hereinafter referred to as "Lessee".

WITNESSETH: That Lessor, for and in consideration of Ten Dollars (\$10.00) in hand paid to Lessor by Lessee, the rentals provided for hereinafter, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed. Lessor has granted, leased, let and demised and by these presents does grant, lease, let and demise to Lessee, its grantees, successors and assigns, upon end subject to the terms and conditions hereinafter set forth, all that certain land (herein sometimes referred to as the "leased land") situate in the County of Imperial, State of California, and more particularly described as follows, to-wit:

(deemed to contain, for the purposes hereof, 204.52 acres, whether there be more or less) with the sole and exclusive right to Lessee to explore for (by such methods as it may desire), drill for, produce, extract, take, remove and sell hot water, steam and thermal energy and extractable

Lease No. Weber 602051

minerals from, and to store, utilize, process, convert and otherwise treat such hot water, steam and thermal energy upon, said land, and to extract any extractable minerals during the term hereof, and to inject or reinject in the leased land effluence from wells located on the leased land or on lands in the vicinity thereof, with the right of entry on the leased land and use and occupancy thereof-at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon and to remove therefrom structures, facilities and installations, pipe lines, utility lines, power and transmission lines. Further, the Lessee is hereby granted the use of roads and ponds on said land together with such rights of way and easements across said land for the construction of roads, ponds, pipe lines, power and telephone transmission lines as are necessary or convenient for the exploration, operation and development of Leased Substances on the leased land or in the vicinity thereof. In the event this lease should terminate with respect to all other rights for any reason, the rights herein granted with respect to such roads, ponds, rights of way and/or easements as are being used at the time of such termination shall remain in effect so long as such roads, ponds, rights of way and/or easements are being used by the Lessee, its successors and assigns. Following such termination, Lessee agrees to pay an annual rental during the period of use at the rate of ten per cent (10%) of the then current value used in tax assessments of the land occupied by such roads, ponds, rights of way and/or easements being used. The possession by Lessee of the leased land shall be sole and exclusive for the purposes hereof and for purposes incident or related thereto, excepting that Lessor reserves the right to use and occupy said land, or to lease or otherwise deal with the same, without unreasonable interference with Lessee's rights, for mining or extraction and utilization of minerals lying on the surface of or in vein deposits on or in said land, or for the extraction of oil, natural hydrocarbon gas and other hydrocarbon substances, or for any and all uses other than the use and rights permitted to Lessee hereunder. Lessee agrees to conduct Its activities in a manner which will not unreasonably interfere with the rights reserved to Lessor. The leased land includes also any rights of Lessor, presently owned or hereafter acquired, in and under roads, underlying ditches, and rights of way traversing or adjacent to said land.

For the purposes hereof the following definitions shall apply:

(a) The terms "hot water", "steam" and "thermal energy" shall mean natural geothermal water and/or steam, and shall also mean the natural heat of the earth and the energy present in, resulting from or created by, or which may be extracted from, the natural heat of the earth or the heat present below the surface of the earth, in whatever form such heat or energy occurs;

(b) The term "extractable minerals" shall mean any minerals in solution in the well effluence and all minerals and gases produced from or by means of any

well or wells on the leased land or by means of condensing steam or processing water produced from or the effluence from any such well or wells; said term shall also include any water so produced or obtained from condensation of steam; and further provided that the term "gases" shall not include hydrocarbon gases that can be produced separately from the hot water, steam and associated minerals;

(c) The term "Leased Substances" shall collectively refer to the matter, substances and resources, defined in (a) and (b) above, that are the subject of this lease;

(d) The term "power potential" as used herein with respect to any well or wells shall mean the quantity, or units, of energy capable of being recovered from the hot water, steam or thermal energy produced therefrom by means of any energy conversion or utilization facility (including, but not limited to, electrical generating facilities) or equipment designed for use thereof;

(e) The term "sufficient power potential" as used herein shall be deemed to mean that power potential which, in the judgment of Lessee shall be sufficient for the commercial sale or utilization thereof, or shall warrant the construction of facilities for the commercial sale or other utilization thereof, or shall justify additional drilling or other operations on the leased land;

(f) The word "commercial" used in connection with various phrases herein shall mean those quantities of Leased Substances produced, sold or used, the value of which, after deducting Lessee's operating costs (or extraction costs in case of extractable minerals), will provide to Lessee a net return over such costs sufficient to cause Lessee to continue production thereof or to elect to proceed with further development or exploratory operations on the leased land.

The terms and conditions of this Lease and Agreement are as follows, to-wit:

1. This lease shall be for a term of ten (10) years from and after the date hereof (herein called "primary term") and so long thereafter as Leased Substances, or any of them, be derived or produced in commercial quantities from the leased land or lands pooled or combined therewith, and for so long, as well, as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth.

If at the expiration of the primary term Lessee has not completed one or more wells on the leased land, or land pooled therewith, separately or collectively producing or being capable of producing steam of sufficient power potential and/or extractable minerals in commercial quantities but Lessee is then engaged in operations for drilling or reworking of any well on the leased land or land pooled therewith, this lease shall remain in force so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than six (6) months, and if they result in production or the establishment to the satisfaction of the Lessee of the existence of sufficient power potential and/or extractable minerals in commercial quantities, such well or wells will be deemed to have been completed and such existence so established during the primary term of this lease.

2. It is understood and agreed that the initial consideration paid upon the execution hereof covers not only the privileges granted to the date when a rental is payable as hereinafter provided, but any and all other rights conferred hereunder. If on or before one (1) year from the date hereof Lessee has not drilled such well or wells on the leased land or land pooled therewith as to indicate or establish to the satisfaction of Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities, then, but subject to Lessee's right of surrender, on or before said anniversary date, Lessee shall pay or tender to Lessor an annual rental in the amount of One Thousand Twenty-Two and 60/100 - - - - - Dollars (\$1,022.60), which shall constitute rental until the next anniversary date hereof, and thereafter Lessee

shall, on or before each succeeding anniversary date during the primary term hereunder, pay or tender

to Lessor an annual rental in the aforesaid amount, this until such time as from the drilling of well or wells on the leased land, or tend pooled therewith, there has been established to the satisfaction of the Lessee the existence of sufficient power potential and/or extractable minerals in commercial quantities. Upon such establishing as aforesaid, Lessee may nevertheless continue to pay or tender annual rental payments on or before each anniversary date, this until Lessee has commenced the actual sale of one or more Leased Substances, and so long as such annual rental payments be so paid or tendered this lease shall remain in force and effect, even though thereby extended past the primary term, and all payments so paid or tendered after the expiration of said primary term shall be deemed advance royalties, and so long as same are paid each well or wells shall be deemed to be actually producing one or more Leased Substances in commercial quantities under the terms hereof; provided, however, that if within five (5) years from the date of expiration of the primary term hereof Lessee shall have failed to make, or make arrangements for by executed contract or contracts, a bona fide commercial sale of one or more Leased Substances then Lessor, at its option, may consider Lessee in default hereunder. Additionally, should Lessee fail to make any annual payment herein provided for on or before a particular anniversary date, Lessor may, at its option, consider Lessee in default hereunder.

3. Lessee shall pay to Lessor a royalty Ten Percent (10%) of the gross proceeds received by Lease from the sale of hot water, steam or thermal energy, as such, produced from the leased land at and as of the point of origin on the leased land; royalty on steam may be computed and paid for on the basis of pounds of steam produced, saved and sold by Lessee, or may be computed on the basis of the number of kilowatt hours of electric power generated by the use of such steam, but shall be computed and paid for on whatever basis which shall properly reflect the royalty portion of the gross proceeds received by Lessee from sale of hot water, steam and thermal energy, as such, produced from the leased land at and as of the point of origin on the leased land. With respect to extractable minerals, a royalty Lessee shall pay to Lessor Ten Percent (10%) of the net proceeds received by Lessee from the sale of any gas (as herein defined) and from the sale of effluence (containing minerals and/or minerals in solution) produced and sold from any well or walls on the leased land, or, in the event Lessee extracts from the effluence minerals and/or minerals in solution Ten Percent (10%) of the proceeds received by Lessee from the sale of minerals and/or minerals in solution contained in and extracted from the effluence produced and sold from such well or wells less costs of transportation and extraction. Lessee shall pay to Lessor on or before the twenty-fifth day of each month the royalties accrued and payable for the preceding calendar month, or on or before the twenty-fifth day of the month next following that in which Lessee receives payment therefor from the purchaser thereof, whichever method shall apply, and in making such royalty payments Lessee shall deliver to Lessor statements setting forth the basis for computation and determination of such royalty.

Lessee shall not be required to account to Lessor for or to pay any royalty on hot water, steam, thermal energy or extractable minerals produced by Lessee on the leased land which are not utilized, saved and sold, or which are used by Lessee in its operations on or with respect to the leased land for or in connection with the developing, recovering, producing, extracting and/or processing of hot water, steam and/or minerals in solution or in facilities used in connection therewith, including operations of facilities for the generation of electric power, or which are unavoidably lost.

Lessee shall have the right, from time to time and at any time, to commingle (for purposes of storing, transporting, utilizing, selling or

processing, or any of them) the or any of the Leased Substances produced or extracted from production from the leased land or lands pooled therewith with like Leased Substances, or any of them, produced from other lands or units in the vicinity of the leased land, and in the event of such commingling Lessee shall meter, gauge or measure the production from the leased land, or from the unit or units including same or other units or lands, as the case may be, and compute and pay Lessor's royalty payable under the provisions hereof on the basis of such production so determined or allocated, as the case may be.

4. Lessee may, at any time or from time to time as a recurring right, either before or after production but within twenty (20) years from the date hereof, for drilling, development, or operating purposes, pool, unitize or combine all or any part of the leased land into a unit with any other land or lands or lease or leases (whether held by Lessee or others) adjacent, adjoining or in the immediate vicinity of the leased land which Lessee desires to develop or operate as a unit, provided that the total acreage to be embraced within any such drilling, development, or operating unit shall not exceed one thousand nine hundred twenty (1,920) acres, plus an acreage tolerance of Ten Percent (10%). Such a unit shall become in existence upon Lessee's filing in the office of the County Recorder in the county in which the leased land is situated a notice of such unitization, describing said unit. Lessee shall also mail a copy of such notice to Lessor. Any well (whether or not Lessee's well) commenced, drilled, drilling and/or producing or being capable of producing in any part of such unit shall for all purposes of this lease be deemed a well commenced, drilled, drilling and/or producing on the leased land, and Lessee shall have the same rights and obligations with respect thereto and to drilling and producing operations upon the lands from time to time included within any such unit a Lessee would have if such lands constituted the leased land; provided, however, that notwithstanding this or any other provision or provisions of this lease to the contrary:

(1) production as to which royalty is payable from any such well or wells drilled upon any such unit, whether located upon the leased land or other lands, shall be allocated to the leased land in the proportion that the surface acreage of the leased land in such unit bears to the total surface acreage of such unit, and such allocated portion thereof shall for all purposes of this lease be considered as having been produced from the leased land, and the royalty payable under this lease with respect to the leased land included in such unit shall be payable only upon that proportion of such production so allocated thereto, and,

(2) if any taxes of any kind are levied or assessed (other than taxes on the land and on Lessor's improvements), any portion of which is chargeable to Lessor under Paragraph 12 hereof, then the share of such taxes to be borne by Lessor as provided in this lease, shall be in proportion to the share of the production from such unit allocated to the leased land.

Allocation as aforesaid of production from any such unit, whether to the leased land or in like manner to other lands therein, shall continue notwithstanding any termination, either in whole or in part (by surrender, forfeiture or otherwise), of this or any other lease covering lands in such unit until such time as the owner of such lands so terminated shall enter into an agreement to drill for or produce or shall drill for or produce or permit or cause the drilling for or production from any part of such lands, whereupon all such lands formerly included in such unit and as to which the lease covering the same shall have terminated shall be excluded in

determining the production to be allocated to the respective lands in such unit; additionally, in the event of the failure of Lessor's, or any other owner's, title as to any portion of the land included in any such unit, such portion of such land shall likewise be excluded in allocating production from such unit; provided, however, Lessee shall not be held to account for any production allocated to any lands excluded from any such operating unit unless and until Lessee has actual knowledge of the aforesaid circumstances requiring such exclusion. Any exclusion shall be deemed effective the first day of the month

next following the date upon which such exclusion becomes finally established.

Lessee may, at its sole option, at any time when there is no production in such unit of Leased Substances in quantities deemed paying by Lessee, terminate such unit by a written declaration thereof, in the same manner in which it was created.

5. At such time as Lessee shall have drilled and completed such well or wells on the leased land or land pooled therewith which shall indicate to the satisfaction of Lessee a sufficient power potential, or the existence of extractable minerals in commercial quantities, Lessee may at any time thereafter construct and install on the leased land facilities for the commercial sale or use of hot water, steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith, or for the extraction of extractable minerals, or for development of electric power from the use of steam or thermal energy produced from the leased land or lands in the vicinity thereof or pooled therewith.

6. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable for the purposes hereof, including wells for injection or re-injection purposes; provided, however, that Lessee agrees to utilize for such purpose or purposes only so much of the leased land as shall be reasonably necessary for Lessee's operations and activities thereon. No well shall be drilled within one hundred (100) feet of any residence or barn now on said land without Lessor's consent. Lessee shall have free use of water from said land for all operations thereon or on land pooled therewith, provided that such free use shall not interfere with Lessor's own use for domestic, commercial, stock or agricultural purposes, nor interfere with any contractual commitments of Lessor relating thereto and existing on the date hereof. Lessee shall not be entitled to free _____ which has been or is being purchased by Lessor.

6-a. Notwithstanding any provisions to the contrary contained herein, this lease and all rights granted to Lessee hereunder are expressly limited to those depths lying below 500 feet below the surface of the leased lands and Lessee shall not have the right to enter upon or use any portion of said leased lands lying above said depth.

Lessee shall protect said land against liens of every character arising from its operation thereon. Lessee, at its own expense, prior to commencing operations on the leased land, shall obtain, and thereafter while this lease is in effect shall maintain, adequate Workmens Compensation Insurance. Lessee shall protect Lessor against damages of every kind and character arising out of the operations or working of Lessee or those under Lessee's control upon the leased land, but Lessee shall not be liable hereunder in the event of the negligence or willful misconduct of parties other than Lessee. In the event any building or personal property be

damaged or destroyed, or grazing or agricultural lands be destroyed by Lessee's operations, then Lessee shall be liable for, and to the extent of, the reasonable value thereof.

Lessee shall have the right at any time and from time to time to remove from the leased land any and all casing, mach-

6-a. Notwithstanding any provisions to the contrary contained herein, this lease and all rights granted to Lessee hereunder are expressly limited to those depths lying below 500 feet below the surface of the leased lands and Lessee shall not have the right to enter upon or use any portion of said leased lands lying above said depth.

then producing or capable of producing or being drilled, and in respect to which Lessee shall not be in default, together with the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of

this lease, and together with rights granted Lessee in Paragraph 5, hereof.

9. Notwithstanding any other provisions of this lease, and in consideration of the payment made by the Lessee to the Lessor for the execution of this lease, Lessee shall have the right at any time prior to or after default hereunder, to quitclaim and surrender to Lessor all right, title and interest of Lessee in and to the leased land, or any part thereof, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as to the lands or areas so quitclaimed and surrendered, save and except as to any then accrued monetary obligations or royalty obligations of Lessee then payable as to which Lessee shall remain liable to Lessor, and save and except the rights, rights of way and easements which may be retained by Lessee by virtue of the granting clause of this lease, and provided that in the event of a partial quitclaim and surrender, any future rentals will be reduced proportionately by the number of acres in the area so quitclaimed and surrendered.

10. In the event Lessor at the time of making this lease owns a less interest in the leased land than One Hundred Percent (100%) of the rights and interests herein granted or leased to Lessee, then the rentals and royalties accruing hereunder shall be paid to Lessor only in the proportions which Lessor's interest bears to a One Hundred Percent (100%) interest therein in the leased land. Notwithstanding the foregoing, should Lessor hereafter acquire any additional right, title or interest in or to the leased land, it shall be subject to the provisions hereof to the same extent as if owned by Lessor at the date hereof, and any increase in payments of money hereunder necessitated thereby shall commence with the payment next following receipt by Lessee of satisfactory evidence of Lessor's acquisition of such additional interest.

11. Lessor hereby warrants and agrees to defend title to the leased land and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, trust deeds or other liens or encumbrances existing, levied or assessed on or against the leased land, and in the event Lessee exercises such option, Lessee shall be subrogated to the rights of any holder or holders thereof, and shall have, among other rights, the right of applying to the discharge of any such mortgage, tax or other lien or encumbrance any royalties or rentals accruing to Lessor hereunder.

12. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee. Lessee shall pay 90% and the Lessor shall pay 10% of any taxes

assessed against any Leased Substances stored on the leased land. In the event any taxes are levied or assessed against the right to produce Leased Substances from the leased land or in the event any increase in the taxes levied or assessed against the leased land shall be based upon the production from the leased land of Leased Substances, then in either such event Lessee shall pay 90% of any such taxes or increase, as the case may be, and Lessor shall pay 10% thereof. Lessor shall pay all taxes levied or assessed against the leased land as such without reference to the production of Leased Substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this lease and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessor.

13. The rights of either party hereunder may be assigned in whole or in part, and the right and privilege so to do is hereby reserved by each party, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee may continue to operate the leased land and to pay and settle rentals or royalties as an entirety, and no such change in ownership shall be binding upon Lessee until the expiration of thirty (30) days after Lessee is furnished with satisfactory written evidence thereof. In the event of assignment of this lease as to a segregated portion of said

land, the rentals payable hereunder shall be apportionable between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder.

14. The obligations of Lessee hereunder shall be suspended and the term of this lease shall be extended, as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, actions of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations of any federal, state, municipal or other governmental agency, authority or representative, or other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters herein specifically enumerated.

If at any time after the expiration of fifteen (15) years from date hereof the production of all Leased Substances ceases for any cause other than one or more of the causes hereinabove enumerated, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year from cessation and thereafter if, and so long as, Lessee commences and continues diligently and in good faith the steps, operations or procedures to cause a resumption of such production (either through the existing wells or the drilling of new wells), until such production be resumed.

15. All statements of production and royalty and all payments to be made by Lessee to Lessor hereunder shall be sent to the persons hereinafter set forth, respectively, at the addresses indicated and each such person shall be entitled to receive that portion of the total rentals and royalty payable hereunder as is hereinafter set forth after the name of such person:

Lessee shall, upon notification of change of ownership in the lands or in rentals or royalties hereunder, as provided in Paragraph 13 hereof, divide and distribute the same to the new owners of such interests; provided, however, that if at any time there are three or more persons entitled to rentals or royalties hereunder, Lessee may, at its option, withhold payment of such rentals or royalties until a majority in interest of such persons designate in writing in a recordable instrument delivered to Lessee, a bank, trust company or corporation, as a common agent and depository, to receive all payments due hereunder to such persons. Such designation may be changed at any time in the same manner. Delivery of all statements and payments hereunder may be made by depositing the same in the United States mail duly addressed to Lessor at the above address or addresses or to such agent and depository which shall constitute full performance of Lessee's obligation to make such delivery. In the event that the amount payable under this lease shall result in a payment of less than Five Dollars (\$5.00) becoming due Lessor, Lessee may, at its option, withhold and accrue sufficient periodic payments until the total due Lessor exceeds Five Dollars (\$5.00).

16. Any notice herein required or permitted to be given or furnished by one party to the other shall be in writing. Delivery of such written notice to Lessor shall be made by depositing the same in the United States mail duly certified and addressed to Lessor at c/o James R. Moore, Rutan & Tucker, 401 Civic Center Drive West, Santa Ana, California 92701 and delivery of such written notice to Lessee shall be made by depositing the same in the United States mail duly certified and addressed to Lessee at Union Oil Center, 461 South Boylston Street, Los Angeles, California 90017. Either party hereto may by written notice to the other party change its address to any other location.

17. In the event any part or portion or provision of this instrument shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction or any governmental agency having authority thereover, then and in such event only such part, portion or provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or

condition hereof, which said remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties hereto, it being specifically understood and agreed that the provisions hereof are severable for the purposes of the provisions of this clause. In this connection, this lease shall not in any event extend beyond such term as may be legally permissible under present applicable laws, and should any such applicable law limit the term hereof to less than that herein provided, then this lease shall not be void but shall be deemed to be in existence for such term and no longer.

18. If more than one person is named as a Lessor herein and one or more of them fails to execute this lease, said lease shall nevertheless (when accepted by Lessee) become effective as a lease from such of said named parties Lessor as may have executed the same.

19. This lease may be executed in any number of counterparts and all such counterparts shall be deemed to constitute a single lease and the execution of one counterpart by any party Lessor shall have the same force and effect as if such party had signed all the other counterparts.

20. This Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to the benefit of and be binding upon the respective heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date hereinabove first written.

-----	/s/	-----
	Dorothy Gisler	
-----	/s/	-----
	John C. Hill	
-----	/s/	-----
	Jean C. Browning	
-----		-----
Subscribing Witness		Lessor
	UNION OIL COMPANY OF CALIFORNIA	
	By	-----
		Lessee

THIS LEASE AND AGREEMENT is made this 15th day of February, 1977, by and between the undersigned WALTER J. HOLTZ, as Lessor, and MAGMA ENERGY, INC., a corporation, as Lessee.

1. WITNESSETH: For and in consideration of ten dollars (\$10.00) to the Lessor paid and other good and valuable consideration, the receipt of which is hereby acknowledged and in consideration of the covenants and agreements as herein provided, the Lessor does grant, lease, let and demise unto the Lessee, its successors and assigns, the land and premises hereinafter described, with the sole and exclusive right to the Lessee to enter upon and to use and occupy the said land to explore for, drill for, develop, mine, produce and utilize geothermal steam, geothermal fluids, hot water, brines, electric energy and the heat and energy of the Earth in all its forms (hereinafter called "Geothermal Resources"), and by-products thereof and products associated therewith (except oil, gas and other hydrocarbons), and to take, store, remove, dispose of and use same and for uses and purposes incidental thereto, together with the right to utilize the leased land and to construct, maintain and use any and all facilities thereon and therein as may be necessary for Lessee's operations on the leased land or other land in the vicinity of the leased land and for utilization of the geothermal resources and other products produced therefrom, including but not limited to well sites, pipelines, power stations and transmission lines, roads, structures and installations relating thereto, service facilities,

tanks, ponds, wells for injection or reinjection of waste geothermal resources, gases and other residual products.

2. Lessor reserves the exclusive right to utilize said land for all other purposes which do not unreasonably interfere with Lessee's operations. If Lessee's operations on the land cause damage or loss of stock, crops, or property, Lessee shall compensate the injured party for such loss within 90 days after demand therefore, Lessee agrees to indemnify and hold Lessor harmless from any loss or injury to any party not a party hereto, by reason of any act or omission of Lessee during its tenancy hereunder. Lessee before commencing any operations on the leased land shall procure public liability and property damage insurance with limits not less than \$500,000.00 as to public liability and \$100,000.00 as to property damage, naming Lessor as a co-insured and shall deliver a certificate of such insurance to Lessor. Lessee through its actions shall not permit any mechanics lien, or other claim of any kind to become an encumbrance upon Lessor's title to the leased land. If Lessee fails to take action to remove any lien or claim that may be filed within 30 days after demand by Lessor, Lessor at its option, may terminate this lease upon 10 days written notice.

3. This lease shall be for a period of five (5) years from the date hereof (hereinafter called "primary term") and so long thereafter as rent or royalty is being paid hereunder or any of the aforesaid substances is produced therefrom or from land pooled or unitized therewith, or drilling, development, testing or producing operations are conducted thereon, or excused under the terms hereof.

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4. In addition to the initial consideration, the first year's rental of \$*** will be paid to Lessor upon the execution of this Lease. Thereafter, commencing with the first anniversary of the term hereof, Lessee shall pay to Lessor as rental yearly in advance the sum of *** dollars (\$***) per acre per year for so much of said land as may then still be under this Lease, until such time as royalties paid to Lessor are equal to or greater than *** dollars (\$***) per acre per year.

5. The land covered hereby is described in Exhibit "A" attached hereto and made a part hereof.

6. Notwithstanding any other provision of this Lease, it is specifically understood and agreed that if at the end of five (5) years from date of expiration of the primary term hereof, Lessee has not commenced production and sale in commercial quantities of geothermal resources, or any other upon which royalty is payable to Lessor hereunder, or if after commencing production and sale of such substances, Lessee shall discontinue same for a period of six months in any calendar year, then Lessee shall default under this Lease and at Lessor's Option, this Lease may be terminated if Lessee shall fail to remedy such default as herein provided or written notice of default from Lessor to Lessee; provided, however, that no default shall be deemed to exist where such discontinuance of production or sale is caused by governmental regulations or restrictions, shutdown for repairs, maintenance, modification or enlargement of Lessee's electric generating facilities, or because of any of the conditions as set forth in paragraph 15 below.

*** Confidential material redacted and filed separately with the Commission.

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7. Any lands required by Lessee for location of well or wells, easements, rights of way, egress, ingress, pipelines, or other surface or subsurface facilities of any kind, hereinafter called "Occupied Land", excepting, however, those facilities referred to in paragraph 9 below, shall be submitted to Lessor for his consent and approval before operations on such lands or use thereof are commenced. Unless Lessor dissents to the location or locations submitted within five days, and offers a substitute location within 10 days of receiving notice of Lessee's proposed location, Lessee may consider the request as submitted approved and may proceed with its planned locations on such lands or use thereof. Lessor shall not be unreasonable or arbitrary as to the selection or approval of such sites.

Should Lessor cause the leased land or any portion thereof to be used for other than agricultural purposes he shall have the right, at his expense, with the exception of any well or wells, to cause the aforesaid easements, _____ to be relocated. Any well site shall consist of not more than two sites and there shall be a limit of one site per 40 acres of leased land. _____ Lessee shall continue to pay all royalties attributable to Occupied site.

8. Lessee shall pay Lessor yearly rental for Occupied Land adjusted annually, equal to farming rentals being paid per acre to owners of adjacent or adjoining farm land, but in no case less than \$*** per acre per year. The parties acknowledge that said farming rental is presently \$*** per acre per year.

*** Confidential material redacted and filed separately with the Commission.

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9. Lessor shall also make available to the Lessee one site of not more than five acres in size for a facility or facilities for the generation of electric power and/or the processing of geothermal resources or by-products thereof. The location of said site shall be submitted to Lessor for his consent and approval as provided for in paragraph 7 above in the same manner as though said site constituted "Occupied Land". In such event, Lessee shall purchase said site, paying to the Lessor the fair market value thereof. Said fair market value shall be based upon the highest and best use of said site notwithstanding the fact that the same may then be devoted to agricultural purposes. If the parties cannot agree upon the fair market value of such land within 30 days after exercise of Lessee's option, such value shall be determined by three qualified appraisers, one to be selected by each of the parties and the third by any judge of the Imperial County Superior Court. The rules of the American Arbitration Association shall apply and be binding upon the parties as to any such valuation. In the event of such sale Lessor shall retain all geothermal and

mineral rights under said site.

10. Lessee shall pay to Lessor as royalty *** hereof. Should Lessee process its *** before sale, Lessor's royalties shall bear its proportionate share of ***. Lessee shall pay to Lessor said royalty on the 25th day of each month for accrued royalties for the preceding calendar month. Lessee shall have the right to co-mingle the geothermal resources and other substances produced from the leased land or lands pooled therewith with such substances produced from other lands

*** Confidential material redacted and filed separately with the Commission.

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and to pay Lessor's royalty on the basis of production allocable to the leased land as determined by metering or gauging same. Lessee shall not be required to account to the Lessor for, or pay royalty on, any product produced by Lessee from said land and used by it in its operations hereunder. Except for taxes chargeable to Lessor no deduction from royalties due Lessor will be made without written approval of Lessor, except as herein provided.

11. It is understood and agreed by and between the parties hereto that at any time during the primary term of this Agreement if Lessee shall acquire by purchase or assignment an interest in any lease executed after the date of this Agreement and covering lands located within five miles of the land covered hereby, which lease shall contain a greater Lessor's royalty or a greater annual per acre rental than is provided by this Agreement, the Lessee shall immediately increase the corresponding terms of this Agreement so as to afford the Lessor herein equal terms. In the event of such increase, the Lessee shall promptly tender to the Lessor for his execution an instrument in writing which shall contain such increased terms.

12. In valuing amounts realized or received by Lessee for any thing or substance sold, utilized or disposed of by Lessee upon which royalty is payable to Lessor, such amount in no event shall be less than would be obtained as between parties dealing at arms length and not under substantial common control.

13. If the Lessor or any party Lessor owns a less interest in the geothermal resources or by-products hereunder than the entire and undivided fee estate therein, then

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the royalty and rental herein provided shall be paid the Lessor or such party Lessor only in the proportion which his ownership bears to the whole and undivided fee.

14. Lessee may, at any time during the life of this Lease, pool, unitized or combine all or any part of the leased land into a unit (hereinafter called "Unit") with any other land or lands or leases adjacent, adjoining or in the immediate vicinity of the leased land for drilling, development, producing or operating purposes, provided that the total acreage within any such drilling or operating unit shall not exceed 5,120 acres, plus or minus 10%. Such a Unit shall be created upon Lessee's filing with the County Recorder, in the county where the leased land is located, a notice or declaration of creation of such unit, describing the lands and acreage to be embraced there, and the names of the lessors and the dates of the respective leases covering such lands. Notice of and a copy of the creation of a Unit shall be sent to Lessor.

15. Production as to which royalty is payable from any wells drilled upon any such Unit, whether located upon the leased land or other lands, shall be credited to the leased land in the proportion that the acreage of the leased

land in such Unit bears to the total acreage of such Unit. The royalty paid as herein provided shall be deemed to be the royalty payable to Lessor with respect to the leased lands hereunder, and all drilling, developing, producing or other operation by Lessee on any of the unitized land shall for purposes of this Lease, be deemed to be performed on the leased land.

16. The obligations of Lessee hereunder shall be suspended, and the Primary Term shall be extended until expiration of ninety (90) days after removal of cause for

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suspension, while the Lessee is prevented or delayed from complying therewith, in whole or in part, by strikes, lockouts, actions of the elements, accidents, inability to obtain services or equipment, rules, regulations or restrictions of any federal, state, municipal or other governmental entity or agency, procedures relating to environmental matters, the delay in issuance of permits to Lessee required with respect to any of Lessee's operations hereunder, provided that application for any such permits shall have been made not less than 30 days prior to the time for performing any act required of Lessee hereunder or matters or conditions beyond the reasonable control of the Lessee (including, but not limited to, inability to obtain a market for the geothermal resources produced from the leased land) whether or not similar to the matters or conditions herein specifically enumerated.

17. Lessee will keep Occupied Land in a clean and weed-free condition at all times. If Lessor so desires, he may do the work required and bill Lessee for his actual costs.

18. Lessee agrees to put forward its best efforts in overcoming obstacles that may prevent or delay the expeditious and successful geothermal development of the leased lands.

19. The Lessee shall pay all property taxes on its improvements and property and ninety percent (90%) of the taxes if any, levied against Geothermal Resources rights and rights as to other products covered by this lease. Lessor shall pay all taxes levied and assessed against the land as such and Lessor's property and ten percent (10%) of the taxes

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levied and assessed against Geothermal Resources rights and rights as to other products covered by this lease. In the event the State, United States, or any municipality or other governmental agency levies a license, severance, production or other tax on the products hereunder, or on Lessee's right to operate or produce or sell products, then and in that event the Lessee shall pay ninety percent (90%) of such tax and Lessor shall pay ten percent (10%) thereof. Lessee is hereby authorized to pay any taxes and assessments on behalf of Lessor and may, if it so desires, deduct the amount so paid from royalties or monies due Lessor hereunder. Any taxes (other than taxes on the leased land as such and Lessor's improvements), a portion of which are chargeable to Lessor under this Lease, which are levied against the Unit or the pooled lands as a Unit, shall be chargeable to Lessor only in the proportion thereof that the share of production from such Unit is allocated to the leased land.

20. In the event any taxes are levied or assessed against Geothermal Resources rights or rights as to other products covered by this lease prior to the production and sale of geothermal resources or by-products thereof, then Lessee shall pay all said taxes levied and assessed against said rights for Lessor's account, until such time as geothermal resources or any of the substances covered by the lease are produced and sold in commercial quantities.

21. The Lessee or the owner thereof shall have the right at any time to remove from said land all machinery, equipment, pipes, casing, structures and other property and improvements belonging to or placed on the land by or under agreement with the Lessee,

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providing that such removal shall be completed no later than a reasonable time after the termination of this lease. Lessee agrees after termination of this lease to return said land to as near its original condition as is practical.

22. If Lessee shall violate any provision, condition or covenant hereof, Lessee shall take corrective action to diligently remedy such violation within 60 days of written notice thereof by Lessor. If Lessee shall fail to do so, Lessor at his option may cancel this lease by written notice to Lessee, and all rights of the Lessee in and to said land shall be at an end, save and excepting each well completed or being drilled and one surrounding each such well, and saving and excepting rights of way, easements, surface areas and ingress and egress to surface areas necessary for Lessee's operation for operation and maintenance of such wells and operation and maintenance of electric generating and power transmission facilities or other facilities for utilization or processing of other products covered hereby, and as to which the person or persons owning or operating such facilities are not in default under the agreement or agreements pursuant to which such facilities were installed on the leased land. If, upon termination of this lease, Lessee does not, within 30 days thereafter, leave the leased land in a clean and farmable condition and remove from said land all machinery, equipment, pipes, structures and other property or improvements placed on the land by Lessee and not permitted to remain thereon, then Lessor shall have the right to remove all such items and Lessee will pay to Lessor actual cost for such removal and disposal.

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23. Lessee may, at any time and upon payment of the sum of \$10.00 to Lessor as and for fixed and liquidated damages, quitclaim to the Lessor all of the right, title and interest of Lessee in and to the leased lands or any part thereof, and thereupon all rights and obligations of the parties hereto one to the other shall cease and terminate as to the premises quitclaimed, except:

a. No quitclaim shall relieve Lessee of any debt or obligation for the payment of money due Lessor at time of quitclaim, or any indemnity or old harmless obligation in Lessor's favor or any obligation of Lessee to restore or repair the land quitclaimed in accordance with the provisions of this lease.

b. Quitclaims will not reduce Lessor's percentage in a unit formed prior to date of quitclaim; and, in the event no Unit has been created, will not reduce the royalty payments to which he would otherwise be entitled.

24. In the event of any litigation under this lease, the prevailing party shall be entitled to reasonable attorney's fees and costs of suit as fixed by the court.

25. This Lease and Agreement supersedes that certain lease and agreement between the parties dated December 10, 1971, a short form of which was recorded in Book 1321, Page 1194, Official Records of Imperial County, California. It is understood and agreed that the wells, property, facilities and improvements heretofore drilled or placed on the leased land by Lessee under said lease and agreement dated December 10, 1971, are and shall continue to be the property of Lessee and subject to the provisions of this Lease and Agreement.

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27. Any notice from the Lessor to the Lessee must be given by sending the same by registered or certified mail, postage prepaid, addressed to the office of Lessee at 631 South Witmer Street, Los Angeles, California 90017; and any notice from the Lessee to Lessor must be given in the same manner addressed to the Lessor at 1550 Orange Avenue, El Centro, California 92243. The parties may, upon notice, change their said respective addresses for notice.

Walter J. Holtz

B.C. McCabe President

Joseph W. Aidlin Secretary

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Recording Requested by

NEW ALBION RESOURCES CO.

When Recorded Return To:

NEW ALBION RESOURCES CO.

P.O. Box 168

San Diego, California 92112

Fee

\$7.00

AMENDMENT TO GEOTHERMAL LEASE AND AGREEMENT

This Amendment to Geothermal Lease and Agreement ("Amendment") is entered into this 14th day of April, 1982, by and between WALTER J. HOLTZ ("Holtz") and NEW ALBION RESOURCES CO., a California corporation ("NARCO"), with reference to the following facts:

A. On February 15, 1977, Holtz entered into a "Geothermal Lease and Agreement" (the "Holtz Lease") with Magma Energy, Inc , a corporation, for the lands therein described, to explore for, drill for, develop, mine, produce and utilize geothermal resources and by-products and products associated therewith. A short form of the Holtz Lease was recorded April 29, 1977, at Book 1400, Page 1487 of Official Records of Imperial County, California. The Holtz Lease was assigned by Magma Energy, Inc , to NARCO by "Assignment of Interest in Lease," dated February 15, 1978, and recorded February 22, 1978, at Book 1412, Page 1083 of Official Records of Imperial County, California.

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B. The "primary term" of the Holtz Lease is for a period of five years, commencing February 15, 1977.

C. The parties desire to extend the primary term of the Holtz Lease for an additional one-year period, commencing February 15, 1982, and amend the Holtz Lease in other respects.

NOW, THEREFORE, in consideration of the promise of rent to be paid, the mutual covenants of the parties herein contained, and other good and valuable consideration, the parties agree as follows:

1. The "primary term" of the Holtz Lease, set forth in Paragraph 3 of said lease, is hereby extended for a twelve-month period commencing February 15, 1982, and terminating at Midnight, February 14, 1983.

2. The following is hereby added to the Holtz Lease as Paragraph 28 thereof:

"28. Subject to Lessor's right under Paragraph 6 hereof and notwithstanding anything else to the contrary contained herein, or in the Holtz Lease, if Lessee completes a well or wells or a processing plant on the leased lands or on the Unit area capable of producing or processing Geothermal Resources in quantities and quality deemed paying quantities by Lessee, Lessee may continue to pay or tender to Lessor, annually in advance of each lease anniversary date, rental until Lessee has made a sale of Geothermal Resources produced from or allocated to the leased lands. So long as such annual rental payments are paid or tendered, this Lease shall remain in force and effect even though extended thereby beyond the primary term, and all payments so paid or tendered after the expiration of said primary

term shall be deemed advance royalties, and so long as same are paid, each well or wells shall be deemed to be actually producing Geothermal Resources in paying

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quantities under the terms hereof. The entire amount of any such advance royalty(ies) paid to Lessor may be retained by Lessor and shall not be subject to recapture by Lessee. Lessee agrees to exercise due diligence in the development and drilling of wells and the production of Geothermal Resources in paying quantities; provided, however, that Unit Operations conducted under the terms of the Heber Geothermal Unit Agreement, recorded in Book 1437, Page 1272, Imperial County, California, without a cessation of 180 consecutive days for reasons other than those stated in Article 14 of said Unit Agreement, shall be considered as due diligence under this Paragraph 28.

3. Notwithstanding any provision herein or in the Holtz Lease to the contrary, and notwithstanding extension hereby of the "primary term" of the Holtz Lease (i) the five (5) year period described in Paragraph 6 of the Holtz Lease shall not be hereby extended beyond February 15, 1987, as originally set forth in the Holtz Lease, and (ii) Paragraph 11 of the Holtz Lease shall remain in full force and effect throughout the primary term as extended hereby.

4. The signature original of this Amendment may be filed for recordation by either party in the Office of the County Recorder for Imperial County, California.

5. This Amendment to Geothermal Lease and Agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

6. The Holtz Lease as hereby amended is confirmed.

The parties have executed this Amendment to Geothermal Lease and Agreement at San Diego, California, as of the date set forth at the beginning hereof.

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/s/ Walter J. Holtz

WALTER J. HOLTZ

NEW ALBION RESOURCES CO.,
a California corporation

By: /s/ Indecipherable

Vice President

Attest:

/s/ Indecipherable

AMENDMENT of GEOTHERMAL LEASE AND AGREEMENT

THIS AGREEMENT, made this 14th day of March, 1986, between the party or parties whose names are subscribed hereto under the designation of "Lessor", hereinafter called "Lessor" (whether one or more), and CHEVRON GEOTHERMAL COMPANY OF CALIFORNIA AND UNION OIL COMPANY OF CALIFORNIA, hereinafter called "Lessee",

W I T N E S S E T H :

THAT, REFERENCE IS HEREBY HAD to that certain Geothermal Lease and Agreement dated February 15, 1977 (a short form of such lease being of record in the Office of the County Recorder of Imperial County, California, in Book 1400, at Page 1487 et seq., of Official Records), whereby Lessor did grant, let and lease unto Magma Energy, Inc., a predecessor in interest to Lessee for the purposes therein described certain lands situate in said County and State particularly described in such lease and agreement, such lease and agreement being hereinafter referred to as "said lease";

AND, WHEREAS, by assignment dated February 15, 1978, recorded in Book 1412, Page 1083 of said official records, Magma Energy, Inc. assigned its interest in said lease to New Albion Resources Co. ("NARCO");

AND, WHEREAS, by assignment dated April 14, 1982, recorded in Book 1483, page 678 of said official records, said lease was amended;

AND, WHEREAS, by assignment dated April 14, 1982, a memorandum of which was recorded in Book 1488, Page 1749 of said official records, Narco assigned its interest in said lease to Union Oil Company of California, ("UNION");

AND, WHEREAS, by assignment dated September 1, 1982, a memorandum of which was recorded in Book 1493, Page 601 of said official records, Union assigned a 67,238 percent undivided interest in said lease to Chevron Geothermal Company of California;

AND, WHEREAS, Lessor and Lessee have agreed to further amend said lease in the particulars hereinafter set forth:

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and other valuable consideration paid to Lessor by Lessee, receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. The last sentence of Paragraph 8 of said lease which now reads as follows: shall be and hereby is amended to read as follows:

"The parties acknowledge that said farming rental is \$*** per acre effective February 15, 1985. Commencing with the rental period that begins in 1986, the annual rental payment for occupied land for succeeding annual periods shall be determined by the increase, if any, in the *** as compared to the calendar month in which the 1985 rental payment was made ("Beginning Index"). In the event the Ending Index is a number greater than the Beginning Index, the amount of said rental payment shall be increased in the same ratio that the Ending Index bears to the Beginning Index."

*** Confidential material redacted and filed separately with the Commission.

2. To implement the foregoing, Lessor does hereby grant, demise, lease and let unto Lessee all those certain lands particularly described in said lease for the term and purposes and subject to all of the other provisions of said lease as hereby amended. Lessor agrees that said lease as hereby amended is in good standing and in full force and effect. Lessor acknowledges receipt of rental in full under said lease to February 15, 1988.

3. This agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement has been executed as of the day and year first herein written.

LESSEE

CHEVRON GEOTHERMAL COMPANY OF CALIFORNIA

By /s/ J.W. Davis

J.W. Davis, Vice-President

UNION OIL COMPANY OF CALIFORNIA

By /s/ Carol Otte

ITS ATTORNEY-IN-FACT
CAREL OTTE

LESSOR

/s/ Walter J. Holtz

WALTER J. HOLTZ

/s/ Toni F. Holtz

TONI F. HOLTZ

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

EXHIBIT 10.4.24

GEOTHERMAL LEASE

THIS LEASE is made this 31st day of August, 1983, by and between MAGMA ENERGY, INC., ("Lessor") a Nevada corporation, as Lessor, and HOLT GEOTHERMAL COMPANY, ("Lessee") a California corporation, as Lessee.

Recitals

Lessor has heretofore drilled certain wells and developed certain geothermal resources on the land and premises hereinafter described. Lessee desires to undertake to develop additional geothermal resources on said land and to construct thereon facilities to utilize geothermal resources for the generation of electric power, utilizing the Magmamax power process, a proprietary and patented process owned by Lessor for generating electric power utilizing geothermal resources, the U.S. patent number thereon being 3,757,516, Lessee desires, in addition to a non-exclusive license to utilize on and limited to the leased land the Magmamax power process, to use a portion of said land for electric power generating facilities and to obtain, on a continuing basis and subject to License Agreement, the benefit of Lessor's continuing knowledge and experience with respect to the Magmamax process and to have the non-exclusive right to utilize any new developments or improvements of the Magmamax process on and limited to the leased land.

1. WITNESSETH: that in consideration of the agreements contained herein, the parties hereby enter into a lease of the hereinafter described land (the "leased land") by Lessor to Lessee and concurrently herewith, and as part of one integrated transaction, the parties shall enter into a License Agreement with respect to the leased land and with respect to the use by Lessee of the Magmamax power process. In consideration of the agreements contained herein, the Lessor does grant, lease, let and demise unto the Lessee, its successors and assigns, the leased land with the sole and exclusive right to the Lessee to enter upon and to use and occupy the leased land to explore for, drill for, develop, mine, produce and use the natural heat of the earth, the energy, in whatever form, below the surface of the earth present in, resulting from, or created by, or which may be extracted from, such natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases, and steam, in whatever form, found below the surface of the earth ("geothermal resources") and to take, store, remove, dispose of and use same and for uses and purposes incidental thereto, together with the right to use the leased land and to construct and maintain any and all facilities thereon and therein as may be necessary for Lessee's operations on the leased land or other lands in the vicinity of the leased land, and for use of the geothermal resources including but not limited to well sites, pipelines, power plants, power transmission lines, power stations, tanks, ponds, wells for injection or reinjection of waste water, gases and other residual products, roads, and other structures and installations. Lessor retains all rights to use and occupy the surface and subsurface of the leased land for all purposes, provided that such use or occupancy shall not unreasonably interfere with the rights of Lessee under this Lease.

2. Description. The leased land is described in Exhibit "A" attached hereto and made a part hereof. In addition to the above-described leased land, this Lease also covers

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accretions and any small strips or parcels of land now or here after owned by Lessor which are contiguous or adjacent to the above-described leased land. Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

3. Term. TO HAVE AND TO HOLD the leased land for a period of thirty (30) years from the date hereof ("primary term") and so long thereafter as any geothermal resources are produced therefrom, or are capable of being produced therefrom, or drilling or producing operations are conducted thereon, or excused under the terms hereof.

4. Commencement of Operations. Within eighteen (18) months after the effective date of this Lease, Lessee shall Commence and diligently continue the drilling of one or more wells for production of geothermal resources from the

leased land until Lessee shall have satisfied itself that sufficient geothermal resources are obtainable to supply the needs of a Power plant or power plants of a gross capacity of ten (10) or more megawatts. If, within six (6) months after commencement of drilling the first well on the leased land, Lessee determines in its sole judgment that it is not able to develop on the leased land a sufficient quantity of geothermal resources to warrant installation of one or more power plants for generating electricity therefrom, Lessee may, upon notice given to Lessor within thirty (30) days after expiration of such six (6) month period, terminate and be freed of all obligations under this Lease. If Lessee elects not to so terminate this Lease, Lessee shall proceed with the drilling of such well or wells as it deems appropriate to supply the requisite quantity of geothermal resources for operation of a power plant or power plants and shall proceed diligently and in good faith with construction of a power plant or power plants on the leased land for generation of electricity utilizing the geothermal resources.

5. Royalty. Lessee shall pay to Lessor as royalty during the full term of this Lease compensations as follows: (a) As to ***, Lessee shall pay to Lessor *** received by Lessee. The said payment shall be deemed to embrace a payment of *** and *** as payment for the said non-exclusive license, for surface land use and for Lessee's agreement to make available to Lessor subject to License Agreement its continuing knowledge and experience with respect to the *** and the right to utilize new developments or improvements thereof on the leased land; (b) ***, Lessee shall pay to Lessor *** received by Lessee. The said payment shall be deemed to embrace a payment of *** as payment for the said non-exclusive license, for surface land use and for Lessor's agreement to make available to Lessee subject to License Agreement its continuing knowledge and experience with respect to the *** and the right to utilize new developments or improvements thereof on the leased land; (c) The payment by Lessee to Lessor of the total compensations provided for in subparagraphs (a) and (b) hereof, when due, for the full term of this Lease is a condition to the continuation of Lessee's rights under this Lease and its right to use or occupy the leased land or any part thereof. In the event Lessee Shall

*** Confidential material redacted and filed separately with the Commission.

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default under any covenant or condition of this Lease and fail to remedy such default or to commence in good faith remedy such default, if such default cannot be remedied within the notice period, Lessor shall have the right, upon expiration of sixty (60) days written notice of default, to terminate this Lease and all of Lessee's rights hereunder. The term ***. Lessee shall pay to Lessor royalty on the last day of each month for accrued royalties for the preceding calendar month. If the geothermal resources produced from the leased land are insufficient for operation of Lessee's plant or plants at a ***, at the request of Lessee, Lessor may supply geothermal resources from other land and the ***% royalty rate shall apply to ***. If Lessor is unable to provide sufficient geothermal resources, Lessee may secure geothermal resources from other lands without paying royalty to Lessor on the geothermal resources so secured. Lessee shall have the right to *** and to pay Lessor's royalty ***. Lessee shall not be required to pay royalty on any ***.

6. License Agreement. Lessor agrees to grant to Lessee, by separate agreement entered into concurrently herewith, a non-exclusive license to utilize on and limited to the leased land for the term of this Lease Lessor's patented Magmamax power process and improvements thereof. Together with said license, Lessor will agree to make available to Lessee without additional consideration, Lessor's continuing knowledge and experience with respect to said process. In the event Lessee shall develop any patentable improvements to the Magmamax power process, Lessor shall be entitled to a non-exclusive royalty free license with respect thereto.

7. Plant Expansion. Lessee shall have the right to increase the capacity of its plant or build additional plants on the leased land if

operations under this Lease demonstrate the availability of an adequate supply of geothermal resources on the same terms and conditions as set forth herein. Lessee shall have the right of first refusal for the development of electricity available from geothermal resources on adjacent or nearby lands leased or otherwise controlled by Lessor, in the event Lessee's operation proves the adequacy of the geothermal resources and the commercial feasibility of producing electricity therefrom. Lessee shall have four (4) years from the date of firm operation of the plant to determine if an increase in plant and production capacity is warranted by the geothermal resources underlying the leased land on the basis of its operations. Lessee will notify Lessor of its determination on or before the fourth anniversary of said date. If an increase in the size of the plant or construction of additional plants is not warranted in Lessee's sole judgment, Lessee will relinquish its rights to the surface area not actually used for the original plant or plants, gathering and injection lines, and wells, Lessor shall assume full responsibility for compliance with any necessary governmental approvals of such a relinquishment by Lessee. A release of surface rights to any part of the leased land shall not constitute a release of any part of the geothermal resources underlying the leased land.

8. Reinjection. Lessee shall have the right to drill such well or wells on the leased land as Lessee may deem desirable, including wells for injection or reinjection purposes, and shall have the right to dispose in any such wells waste brine, water and other substances, waste

*** Confidential material redacted and filed separately with the Commission.

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products from a well, or wells, power plants or other facilities, located on the leased land or from wells, power plants or other facilities, located in the vicinity of the leased land. Lessee shall have the right to freely transfer geothermal resources from wells located on the leased land, or other lands in the vicinity of the leased land, to and from the leased land and to inject geothermal resources into a well or wells located on the leased land.

9. Inspection by Lessor. Lessor, or its agents, at Lessor's sole risk, may during hours of operation examine the leased land and the workings, installations and structures thereto and operations of Lessee thereon, and may at reasonable times inspect the books and records of Lessee with respect to production and operations and matters pertaining to the payment of royalties to Lessor. Lessee shall make available to Lessor all of Lessee's information and operating experience as to producing and injection wells and the installed electric generating facilities. Lessee shall also furnish to Lessor all drilling, engineering and geological reports, tests and logs as to all wells drilled on said land. Lessor retains the right to utilize the leased land for any and all purposes provided that such use shall not unreasonably interfere with Lessee's operations thereon. Lessor, its employees, representatives and permittees retain the right at all times to enter upon the leased land and to view all operations and activities of Lessee thereon, provided that Lessee shall not be liable to Lessor or to any such persons for personal injury or property damage not resulting from any negligent act or omission of Lessee. Lessor shall maintain all information gained by such inspection in strict confidence and shall not disclose any of such information to third parties without advance written permission of Lessee.

10. Warranty of Title. Lessor hereby warrants that it has clear title to the leased land and the geothermal resources contained therein, agrees to defend title conveyed to Lessee under this Lease, and agrees that Lessee, at Lessee's option, may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased land. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made to the extent of all payments costs and expenses, including attorneys' fees, and, in addition to its other rights, may reimburse itself out of any royalties otherwise payable to Lessor. In the event Lessee is made aware of any

claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties under this Lease, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

11. Lesser Interest. If the Lessor or any party Lessor owns a lesser interest in the geothermal resources under this Lease than the entire and undivided fee estate herein, then the royalty herein provided as to geothermal resources shall be paid to the Lessor or such party Lessor only in the proportion which his ownership bears to the whole and undivided fee. Lessor shall bear the entire cost of any underlying royalty interest in the fee estate or otherwise.

12. Removal. Lessee shall have the right at any time and from time to time to remove from the leased land any and all casing, machinery, equipment, structures, installations and property of every kind and character placed upon the leased land by or pursuant to permission of Lessee, provided that if such removal should occur after termination of all rights granted herein, it shall be completed within a reasonable time thereafter. Lessee agrees after termination of this Lease to leave the leased land in a clean condition and to level sump holes or excavations.

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13. Implied Covenants. This Lease constitutes and expresses the entire agreement between the parties and no implied covenant of any kind shall be read into it and in particular there shall not be read into it any implied covenant requiring Lessee to commence or to continue to conduct more drilling or other operations on the leased land or to drill more wells thereon or fixing any greater measure of diligence than Lessee has herein expressly agreed to.

14. Ancillary Rights. In exploring for, developing, producing, using and marketing geothermal resources on the leased land, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased land as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations and plants, and other facilities deemed necessary by Lessee to discover, produce, store, treat or transport geothermal resources and easements necessary thereto. Lessee may use in such operations, free of cost, any water or other substances produced on the leased land. The right of ingress and egress granted hereby shall apply to the entire leased land described, notwithstanding any partial release or other termination of this Lease with respect thereto.

15. Breach or Default. In the event at any time after four (4) years from the date hereof Lessee shall sell electrical power from said leased land in any amount less than two (2) megawatts gross generating capacity and if such condition continues for a period of one (1) year (the generating output would be computed on an average for said one year), Lessor shall have the right to consider the aforesaid event a default under this Lease, provided that Lessee shall not be required to produce and sell electricity in excess of the reservoir capability of the leased land. If Lessee at any time during the term of this Lease and Agreement determines in good faith that it is uneconomic or not feasible to continue its operations on the leased land, Lessee shall have the right to terminate this Lease and to relinquish its rights under this lease. In the event of termination Lessee shall execute and deliver appropriate instruments to clear title to the leased land and shall remove surface facilities and provide for wells as herein provided in the event of termination due to Lessee's default. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee under this Lease, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to begin to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach has occurred, this Lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a

reasonable time after such judicial determination to remedy the breach or default and Lessee fails to do so.

16. Forbearance by Lessor. If any default shall occur which entitles Lessor to terminate this Lease, Lessor shall have no right to terminate this Lease unless, following the expiration of the period of time given to Lessee to cure such default, Lessor shall notify any beneficiary under a deed of trust covering all or any part of the leased land ("Mortgagee") of Lessor's intent to so terminate at least thirty (30) days in advance of the proposed effective date of such termination (the "Termination Notice"). Lessor shall have no right to terminate this Lease if after delivering the Termination Notice to Mortgagee any of the following occurs: (a) In the case of a default in the payment of royalties, Mortgagee shall notify Lessor of Mortgagee's desire to cure such default, and Mortgagee shall pay or cause to be paid all royalties, and any other payments then due and in arrears as specified in the Termination Notice, as well as such

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sums which may become due during such thirty day period, or extended period as provided in subsection (c) below; (b) In the case of a default which does not involve the payment of money but is reasonably susceptible of being cured by Mortgagee, Mortgagee shall notify Lessor of Mortgagee's desire to cure such default, and Mortgagee shall comply, or in good faith and with reasonable diligence commence to comply, with all such nonmonetary requirements of this Lease then in default and diligently pursue such cure to completion, subject to paragraph 17; (a) In the case of a default not reasonably susceptible of being cured by Mortgagee, including failure of production, or in the event Mortgagee is complying with the requirements of subsections (a) or (b) above, this Lease shall not terminate provided (i) within ninety (90) days after the giving by Lessor of the Termination Notice, Mortgagee gives written notice to Lessor of Mortgagee's intention to foreclose its deed of trust, and (ii) Mortgagee, within ninety (90) days after the giving of the Termination Notice commences foreclosure or similar proceedings under its deed of trust for the purpose of acquiring Lessee's interest in this Lease and thereafter diligently prosecutes the same (provided however, that if Mortgagee is restrained by a court of competent jurisdiction from so proceeding, the time periods set forth above shall be tolled), and (iii) either Mortgagee or any other purchaser of Lessee's interest under this Lease, within a reasonable time after the acquisition of such interest, commences production, or otherwise cures all defaults hereunder susceptible of being cured by Mortgagee or such purchaser. No cancellation, surrender or modification of this Lease shall be effective unless consented to in writing by any Mortgagee.

17. Force Majeure. Lessee's obligations under this Lease shall be suspended until expiration of ninety (90) days after removal of cause for suspension and the term of this Lease and the period for removal of Lessee's property in the event of termination shall be extended while Lessee is prevented from complying therewith by strikes, lockouts, riots, action of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules, or regulations of any Federal, State, Municipal or other governmental agency, authority, or representative having jurisdiction, inability to secure or absence of a market for commercial sale of geothermal resources from the leased land; or by other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters specifically enumerated in this Paragraph.

18. Liens, Taxes and Insurance. Lessee shall hold harmless, indemnify and defend Lessor against all claims, demands, actions and causes of action for injury or death to persons, damage or destruction of property unless caused by the negligence or misconduct of Lessor, mechanic's and material man's liens arising out of or by virtue of Lessee's rights or exercise of any rights under this Lease, operations on the leased land or any acts or omissions by Lessee, and Lessee undertakes and agrees to obtain and maintain insurance coverage,

naming Lessor as additional insured, in an amount not less than ten million dollars (\$10,000,000) principal amount to protect Lessor against any such claims. Lessee shall pay all taxes levied and assessed against all structures, improvements and personal property placed upon the leased land by Lessee. Lessor shall pay all taxes levied and assessed against the leased land as such including the geothermal resources and the right to production thereof and against any rights therein not covered by this Lease and shall pay all taxes levied and assessed against all structures and improvements placed on the leased land by Lessor. Lessee, at its own expense, prior to commencing operations on the leased land, shall obtain, and thereafter while this Lease is in effect shall maintain, adequate Workers' Compensation Insurance.

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19. Assignment. Except as provided in this Paragraph, the interest of either Lessor or Lessee under this Lease may be assigned, devised or otherwise transferred in whole or in part, by area and by depth or zone and the rights and obligations shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee under this Lease and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee, Lessee shall not transfer, assign or reassign its interest in whole or in part in this Lease without the consent of Lessor, which consent shall not be unreasonably withheld, provided that this Lease may be hypothecated for the benefit of any creditor of Lessee or Lessee's successor in interest. If Lessee transfers its interest under this Lease in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred.

20. Notice. Any notice from the Lessor to the Lessee must be given by sending the same by registered or certified mail, postage prepaid, addressed to its office at 1301 Chelton Way, South Pasadena, California 91030, and any notice from the Lessee to the Lessor must be given in the same manner addressed to the Lessor at 631 South Witmer Street, Los Angeles, California 90017. The parties may, upon notice, change their said respective addresses for notice.

21. Severability. If any provision of this Lease shall be found or declared to be null, void or unenforceable for any reason whatsoever by any Court of competent jurisdiction, then and in such event only such provision shall be affected thereby, and such finding, ruling or decision shall not in any way affect the remainder of this instrument or any of the other terms or conditions hereof, which remaining terms and conditions shall remain binding, valid and subsisting and in full force and effect between the parties, it being specifically understood and agreed that the provisions of this Lease are severable for the purposes of the provisions of this Paragraph. This Lease shall not in any event extend beyond such term as may be legally permissible under applicable laws, and should any such applicable law limit the term to less than that provided in Paragraph 3, then this Lease shall not be void but shall be deemed to be in existence for such term and no longer.

22. Integration. This Lease constitutes the entire agreement between the parties and supersedes all other agreements and understandings, whether oral or written, the parties may have in connection therewith, including the March 3, 1982, Letter of Intent to enter into this Lease, and say be modified or terminated only by a writing signed by the parties.

23. Binding Effect. This Lease shall extend to and be binding upon the heirs, executors, administrators, grantees, successors and assigns of the parties.

IN WITNESS WHEREOF the parties hereto have executed this Lease effective as of the date first written above.

HOLT GEOTHERMAL COMPANY

MAGMA ENERGY, INC.

By: /s/ Indecipherable

By: /s/ Indecipherable

President

Chairman

Attest: /s/ W.E. Viney

Attest: /s/ Indecipherable

Secretary

Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On 31 August 1983 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Ben Holt, known to me to be the President, and W.E. Viney, known to me to be the Secretary of Holt Geothermal Company, the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or resolution of its board of directors.

/s/ Betty J. Peterson

Betty J. Peterson

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On August 31, 1983 before me, the undersigned, a Notary Public in and for said County and State, personally appeared B.C. McCabe, known to me to be the Chairman, and Joseph W. Aidlin, known to me to be Secretary of Magma Energy, Inc., the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or resolution of its board of directors.

WITNESSETH my hand and official seal.

/s/ April L. Wogatzke

April L. Wogatzke

FIRST AMENDMENT
TO GEOTHERMAL LEASE

THIS FIRST AMENDMENT TO GEOTHERMAL LEASE (the "Amendment") is made and entered into effective as of April 30, 1987 (the "Effective Date") by and between Magma Energy, Inc., a Nevada corporation (the "Lessor") and Mammoth-Pacific, a California general partnership (the "Lessee"), collectively referred to herein as the "Parties".

Recitals

WHEREAS, the Parties made and entered into that certain Geothermal Lease dated the 31st day of August, 1983, by and between Lessor and Holt Geothermal Company, to which Lessee is the successor-in-interest as Lessee (the "Lease"), a copy of which is attached as Exhibit "A" to this Amendment and incorporated by reference herein; and

WHEREAS, the Parties now desire to modify the Lease with respect to the royalties to be paid by Lessee to Lessor in connection with the operation of one or more electric power plants fueled by geothermal resources underlying the leased land, the expansion of the existing electric power plant and the construction of additional electric power plants, and any other matters referred to herein.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree to amend the Lease as follows:

1. Paragraph 3 of the Lease is hereby deleted in its entirety and a new Paragraph 3, reading as follows, is substituted in its place instead:

3. Term. TO HAVE AND TO HOLD the leased land for a period of thirty (30) years from the date hereof (the "primary term") and so long thereafter as electricity is produced on the leased land from the geothermal resources therein, or excused under the terms of Paragraph 17 of this Lease.

2. Paragraph 5 of the Lease is hereby deleted in its entirety and a new Paragraph 5, reading as follows, is substituted in its place instead:

5. Royalty. Lessee shall pay to Lessor as royalty during the balance of the full term of this Lease compensation as follows:

5.1 *** Royalty. As to electricity or other energy generated by *** Lessee shall pay to Lessor as royalties during the balance of the full term of the Lease the following percentage of the "****", as such term is defined below, received by Lessee from ***, together with *** as such term is defined at Subparagraph 5.3 below:

*** Confidential material redacted and filed separately with the Commission.

(a) From April 1, 1987, and for a period of twenty-four (24) consecutive months thereafter, *** as such term is defined at Subparagraph 5.3 below, and applicable "****" as such term is defined at Subparagraph 5.3 below;

(b) From the date following the conclusion of the period set out in Subparagraph 5.1(a), above, and for a period of twelve (12) consecutive months thereafter, *** as such term is defined at Subparagraph 5.3 below, and applicable "****" as such term is defined at Subparagraph 5.3 below;

(c) From the date following the conclusion of the period set out in Subparagraph 5.1(b), above, and for a period of twelve (12) consecutive months thereafter, *** and applicable "****" as such term is defined at Subparagraph 5.3 below; and,

(d) From the date following the conclusion of the period set out in Subparagraph 5.1(c), above, and for the balance of the term of this Lease, *** as such term is defined at Subparagraph 5.3 below.

For all purposes herein, the term "Gross Proceeds" shall mean (i) with respect to the Existing Plant, all accounts received by Lessee, directly or indirectly, from the sale to others of electricity, including energy and

capacity payments, or energy in any other form, produced on the leased land from the geothermal resources therein or, if applicable, the "Adjacent Lease", as such term is defined at Subparagraph 5.8 below, and (ii) with respect to the "New Plants", as such term is defined at Subparagraph 5.2 below, all accounts received by Lessee, directly and indirectly, from the sale to others of electricity, including energy and capacity payments, or energy in any other form produced from any lands or geothermal resources without regard to ownership thereof.

5.2 *** Royalty. As to electricity or other energy generated by all additional plants utilizing the *** Lessee shall pay to Lessor for the balance of the full term of the Lease *** together with applicable "****" as such term is defined at Subparagraph 5.3 below.

5.3 *** Royalties. The *** payable by Lessee to Lessor with respect to the Existing Plant and each new Plant pursuant to Subparagraphs 5.1 and 5.2 above, shall be augmented by additional *** attached to this Amendment and incorporated by reference herein. Except as otherwise provided at Subparagraph 5.1(a), (b) and (c) above, the *** shall be applied to ***. The term "****" for each such plant shall mean the forecasts of ***

*** Confidential material redacted and filed separately with the Commission.

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determined as set forth in *** to this Amendment. For all *** from the *** and each of the ***, respectively in excess of the *** (the "****") for such plants, the Bonus Royalties shall be applied to calculate the total amount of royalty payable to Lessor.

5.4 Inflation Adjustment. The applicable Baseline Revenue for each of the plants shall not be subject to adjustment during the fixed price period of any power purchase agreement associated with such plant. The Baseline Revenue for each of the plants shall be adjusted annually for all years after expiration of the period of firm prices provided in the power purchase agreement associated with such plant to account for the difference between an assumed inflation rate of five percent (5%) per annum and the actual inflation experienced (the "Inflation Adjustment"). For the purpose of the Inflation Adjustment, the "Actual Inflation" shall be determined from comparison of the value of the Producer Price Index for Finished Goods Excluding Food (the "Inflation Index") on December 31st of the then current year to the value of the Inflation Index on December 31, 1986. The Actual Inflation shall be equal to the ratio of the value of the Inflation Index on December 31, of the then current year to the value of the Inflation Index on December 31, 1986. The "Assumed Inflation" shall be equal to one and five hundredths ("1.05") raised to a power equal to the number of years between 1986 and the then current year. The "Inflation Adjustment Factor" shall be equal to the Actual Inflation divided by the Assumed Inflation. The "Adjusted Baseline Revenue" for each year shall be determined by multiplying the Baseline Revenue for each year by the Inflation Adjustment Factor.

In determining the foregoing Inflation Adjustment, the percentage of increase or decrease in the Inflation Index shall be calculated to the nearest one hundredth of one percent (1/100th of 1%). Percentage changes in the Inflation Index shall be calculated based on the original released United States Department of Labor, Bureau of Labor Statistics published data with the base "1967-100" until a new base period is established. Calculations shall be made based on data on the new base period from that time forward. If, for any reason, the statistics compiled by the United States Department of Labor, Bureau of Labor Statistics and referred to above, are not available for use for the foregoing adjustment, an adjustment shall be made by mutual agreement of Lessor and Lessee. If the United States Department of Labor, Bureau of Labor Statistics designates an index with a new title and/or code number as being continuous with the Inflation Index then such new index shall be used for the foregoing adjustment.

5.5 Consequences of Default by Lessee. The payment when due by Lessee to Lessor of the total compensation provided for in this Paragraph 5, for the balance of the full term of the Lease, is a condition to the continuation of Lessee's rights under the Lease and its right to use or occupy the leased land or any part thereof. In the event that Lessee shall default under any covenant or condition of the Lease and shall fail to remedy such default or to commence in good faith to remedy such default, if such default cannot be remedied within the notice period, Lessor shall have the right, upon expiration of sixty (60) days written notice of default, to terminate the Lease and all of Lessee's rights hereunder.

5.6 Payment of Royalties. Lessee shall pay to Lessor the Base Royalties, and any applicable Bonus Royalties, on the last day of each month for accrued royalties for the preceding calendar month. Lessee shall calculate the amount of actual Bonus Royalties due under the Lease at the end of each calendar year during the term of the Lease, and shall make payment of

*** Confidential material redacted and filed separately with the Commission.

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any underpayment to Lessor or Lessor shall make payment of any overpayment to Lessee, as the case may be, for any amount due (the "Additional Royalties") and payable no later than forty-five (45) days after the end of each calendar year during the term of the Lease. When applicable under Subparagraph 5.4 above, Inflation Adjustments to the Baseline Revenue resulting from application of the Inflation Index shall be made on a dollar basis by each January 31st during the term of the Lease before calculating the actual Bonus Royalties. The Baseline Revenue for the first year of operation for any New Plant shall be prorated from the date of first delivery to the end of the calendar year to adjust for differences in actual and forecasted revenue set forth in the schedules of Baseline Revenue established for such plant.

5.7 Insufficiency of Geothermal Resources. (a) With respect to both the Existing Plant and any New Plants or any "Additional Plants," as such term is defined at Subparagraph 5.9 below, built on the leased land or the "Adjacent Lease", as such term is defined at Subparagraph 5.8 below, Lessee shall utilize geothermal resources produced from the leased land and/or the "Adjacent Lease". If the geothermal resources obtainable from the leased land and the Adjacent Lease are insufficient for operation of the Existing Plant, any New Plant, or any Additional Plant at their respective average capacity during the preceding three (3) calendar years, Lessor may, but shall not be obligated to, make available geothermal resources from other lands at the applicable royalty rates provided in Subparagraphs 5.1, 5.2 and 5.3 above. In such cast, Lessor shall pay all underlying, overriding, or other form of royalty or production payment, net revenue interest, or other form of compensation payable to the United States of America or any other third party on geothermal resources supplied from such other land. If Lessor is unwilling or unable, as provided above, to make available sufficient geothermal resources for the Existing Plant or for any such New Plant or any such Additional Plant, Lessee may secure geothermal resources from other lands ("Other Lands") for any such plant without paying royalty to Lessor on the geothermal resources so secured. In such a case, Lessee shall have the right to commingle the geothermal resources provided with geothermal resources provided from such Other Lands and to pay Lessor's royalty on the basis of production allocable to the leased land and the Adjacent Lease, and the Other Lands made available by Lessee, as determined by metering or gauging same.

(b) With respect to any New Plant built on land other than the leased land or the Adjacent Lease, Lessee shall pay Lessor the full royalty due under Subparagraphs 5.2 and 5.3 above regardless of the source of the geothermal resources, in accordance with definition of Gross Proceeds in Subparagraph 5.1 above and the last sentence of Subparagraph 7.1 below, and the provisions of Subparagraph 5.7 (a) above shall have no application.

5.8 Unitization of Geothermal Resources. Lessor may not voluntarily commit federal Geothermal Lease Number CA-11667-A (the "Adjacent Lease") to any unit or cooperative agreement without the prior written consent of Lessee and shall cooperate fully with Lessee, at no cost to Lessor, in accepting or opposing, as determined by Lessee any attempt to compel unitization or other form of joinder, of the Adjacent Lease pursuant to applicable laws and regulations including, but not limited to, the Geothermal Steam Act of 1970, and implementing regulations published at Title 43 Code of Federal Regulations, Part 3200, et seq., with all reasonable expenses thereof to be borne by Lessee. In the event that the Adjacent Lease becomes unitized or otherwise joined with any other land leased or otherwise controlled by Lessee, Lessor may not propose, or make any election with respect to, any "Participating Area",

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as such term is defined in applicable laws and regulations without the prior written consent of Lessee.

5.9 Additional Plants. As to electricity or other energy generated by all additional plants built on the leased land or, if applicable, the Adjacent Lease from geothermal resources therein, other than the Existing Plant or the New Plants (the "Additional Plants"), Lessee shall pay to Lessor during the remainder of the full term of the Lease, royalties as provided at Subparagraphs 5.2, 5.3, 5.4, 5.6 and 5.7 above.

5.10 Minimum Royalty. Notwithstanding Subparagraph 5.7 hereof, Lessee shall pay to Lessor during the remainder of the full term of the Lease, a minimum royalty of 3% of gross proceeds from the sale to others of electricity, including energy and capacity payments, or energy in any other form generated by plants built on the leased land or when applicable, the Adjacent Lease.

5.11 No Guaranteed Internal Rate of Return. Lessor shall not be deemed to have guaranteed Lessee a minimum internal rate of return with respect to the Existing Plant, any New Plant, or any Additional Plant.

3. Paragraph 7 of the Lease is hereby deleted in its entirety and a new Paragraph 7, reading as follows, is substituted in its place instead.

7. Plant Expansion. Lessee shall have the right to expand its operations on the leased land, the Adjacent Lease, or any other lands without regard to ownership thereof beyond the capacity of the Existing Plant as follows:

7.1 Plant Expansion. Subject to the provisions of Subparagraph 7.2 below, Lessee shall have the right to increase the capacity of the Existing Plant or build the New Plants on the leased land, if operations under the Lease demonstrate the availability of an adequate supply of geothermal resources, on the terms and conditions set forth herein. Subject to the provisions of Subparagraph 7.2 below and the first and second provisos to this sentence, Lessee shall have the right of first refusal for the development of electricity available from utilization of geothermal resources underlying the Adjacent Lease; provided that Lessee's operation proves the adequacy of the geothermal resources and the commercial feasibility of producing electricity therefrom; and provided further, that Lessee shall have committed to construction of or more of the New Plants associated with the Standard Offer Number Four Power Purchase Contracts between Lessee and Southern California Edison Company bearing Document Numbers 2433H and 2435H (the "Standard Offer Number Four Contracts") or expanded the Existing Plant in an amount of no less than ten (10) megawatts nameplate rating prior to the expiration of the Standard Offer Number Four Contracts.

Lessee hereby agrees to exercise good faith efforts to obtain all necessary governmental permits, authorizations, and approvals to build and operate two (2) New Plants on the leased land or on adjacent land leased or otherwise controlled by Lessor and, if it obtains governmental permits, authorizations, and approvals which, in its sole discretion, are such that make

construction of the two New Plants economically viable, agrees to seek all necessary internal corporate and partnership authorizations, and sufficient financing for the construction of such

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two New Plants. In the event that Lessee is unable, in the exercise of good faith efforts, to obtain all necessary external and internal permits, authorizations, approval and financing to build and operate any New Plants or determine not to build any New Plants for any reason or no reason, Lessee shall proceed in accordance with the terms of Subparagraph 7.2, below. Regardless of ownership of the land or geothermal resource dedicated to any New Plant, Lessee shall pay Lessor royalties on the Gross Proceeds of such New Plants as provided in Subparagraphs 5.2 and 5.3, above.

7.2 Consequences of Failure to Expand. If Lessee shall fail to complete prior to the expiration of the Standard Offer Number Four Contracts an increase in the capacity of the Existing Plant of no less than ten (10) megawatts nameplate rating or the construction of at least one (1) New Plant, Lessee shall relinquish to Lessor its rights under the Lease to the surface and subsurface area not actually used for the Existing Plant, gathering and injection lines, and wells and shall further relinquish its right to use the geothermal resource underlying the leased land or the Adjacent Lease for any purpose other than operating the Existing Plant as provided herein. If Lessee so relinquishes its rights to the surface and subsurface area and the geothermal resource, with respect to the surface and subsurface actually used for the Existing Plant, gathering and injection lines and wells, Lessee and Lessor shall jointly hold such rights on a non-interference basis. If Lessee so relinquishes the foregoing rights, Lessor shall have the right to utilize (i) the surface and subsurface not actually used for the Existing Plant, gathering and injection lines, and wells and the geothermal resources underlying the leased land, and (ii) the Adjacent Lease, for any purpose; provided, however, Lessor may not exercise any of the foregoing reserved rights which, in the reasonable opinion of Lessee, might interfere with the operation of the Existing Plant.

4. A new Paragraph number 24 is hereby added to the Lease as follows:

24. Upon request, Lessee shall provide Lessor with full access to review, and, with respect to Lessor operations on the leased land or Adjacent Lease, to use without charge all geotechnical data, geotechnical reports, and documents containing geotechnical information of any kind related to Lessee's operations on the leased land.

5. A new Paragraph number 25 is hereby added to the Lease as follows:

25. Lessee hereby waives, discharges and releases Lessor from any and all claims of Lessee against Lessor, its directors, officers, employees or agents which have accrued prior to April 1, 1987 and which arose out of, in connection with, or relate to the negotiations of Lessees entering into, or Lessor's performance or nonperformance of the Lease.

6. As modified or added to by the terms of this Amendment, all terms and conditions of the Lease shall remain in full force and effect. All capitalized terms contained herein, unless otherwise defined, shall have the meaning ascribed to such terms in the Lease.

IN WITNESS WHEREOF, this Amendment has been executed on the first date written above by the duly authorized representatives of the parties.

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By: PACIFIC GEOTHERMAL COMPANY,
general partner of MAMMOTH-PACIFIC

By: /s/ Indecipherable

By: /s/ Indecipherable

Title: President & CEO

Title: President

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RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

RALPH B. KOSTANT, ESQ.
WEISSBURG and ARONSON, INC.
2049 Century Park East, 32nd Floor
Los Angeles, California 90067-3271

SECOND AMENDMENT TO GEOTHERMAL LEASE

THIS AMENDMENT TO GEOTHERMAL LEASE ("Amendment") is made and entered into effective as of January 1, 1990, by and among MAGMA POWER COMPANY, a Nevada corporation ("Lessor") and MAMMOTH-PACIFIC, L.P., a California limited partnership ("Lessee"), with reference to the following facts:

A. Magma Energy, Inc., a Nevada corporation, and Holt Geothermal Company, a California corporation, entered into that certain Geothermal Lease dated August 31, 1983, and recorded in memorandum form on September 6, 1983, in Book 389, Page 37 of Official Records of Mono County, California (the "Lease").

B. Magma Energy, Inc. has merged with and into Lessor, and Lessor is the successor-in-interest to Magma Energy, Inc., by operation of law, as fee owner of the real property covered by the Lease.

C. By an Assignment of Lease dated August 31, 1983, and recorded in memorandum form on September 20, 1983, in Book 390, Page 90 of Official Records of Mono County, California, Holt Geothermal Company assigned all of its right, title and interest in the Lease to Mammoth-Pacific, a California general partnership.

D. The Lease was previously amended by the First Amendment to Geothermal Lease dated April 30, 1987 between Magma Energy, Inc. and Mammoth-Pacific, a California general partnership.

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E. Pacific Geothermal Company, a California corporation and a general partner of Lessee, subsequently succeeded to all of Mammoth-Pacific, a California general partnership's right, title and interest in the Lease. By an assignment dated January 29, 1990 and recorded in memorandum form on January 29, 1990 as Instrument No. 665, Official Records of Mono County, California, Pacific Geothermal Company assigned an undivided 50% of all of its right, title and interest in the Lease to Lessee, and the remaining undivided fifty percent (50%) of all of its right, title and interest in the Lease in equal shares to CD

Mammoth Lakes I, Inc., a Maryland corporation and _____ Mammoth Lakes II, Inc., a Maryland corporation (collectively, the CD Companies); and the CD Companies in the same assignment subsequently assigned all of such right, title and interest in the Lease to Lessee.

F. Exhibit "A" to the Lease contains the following exception in the description of Parcel B of the leased premises EXCEPTING THEREFROM the surface of the Southwesterly three (3) acres, more or less, occupied by a lumberyard as of the date of this Lease.

The area covered by this exception is referred to in this Amendment as the "Excepted Acreage."

G. Lessor and Lessee desire to amend the Lease to include the Excepted Acreage in the leased premises, without, however, any warranty of title by Lessor.

NOW, THEREFORE, in consideration of the above-referenced facts, the agreements of Lessor and Lessee contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. The following language is deleted from Exhibit "A" to the Lease:

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EXCEPTING THEREFROM the surface of the Southwesterly three (3) acres, more or less, occupied by a lumberyard as of the date of this Lease.

2. From and after the date of this Amendment, the Excepted Acreage shall be part of the leased premises covered by the Lease, subject to all of the terms and conditions of the Lease, as amended, except as provided in paragraph 3 below.

3. Notwithstanding anything set forth in the Lease, Lessor is leasing the Excepted Acreage to Lessee without any warranties or representations of title whatsoever, including, without limitation, any warranty or representation that the Excepted Acreage is free and clear of leases and tenancies by others.

EVIDENCING their agreement, Lessor and Lessee have executed this Amendment as of the date first written above.

LESSOR:

MAGMA POWER COMPANY, a Nevada corporation

By: /s/ Jon R. Peele
Name: (print): Jon R. Peele
Title: Senior Vice President

By: /s/ Wallace C. Dieckmann
Name: (print) Wallace C. Dieckmann
Title: Assistant Secretary

LESSEE:

MAMMOTH-PACIFIC, L.P., a California limited partnership

By Pacific Geothermal Company, a California corporation, its Managing General Partner

By: /s/ Claude Harvey
Name: (print) Claude Harvey
Title: Sr. Vice President

THIRD AMENDMENT TO GEOTHERMAL LEASE

THIS THIRD AMENDMENT TO GEOTHERMAL LEASE (the "Third Amendment") is made and entered into as of April 12, 1991, by and between MAGMA POWER COMPANY, a Nevada corporation ("Lessor") and MAMMOTH-PACIFIC, L.P., a California limited partnership ("Lessee") with reference to the foregoing facts:

A. Magma Energy, Inc., a Nevada corporation, and Holt Geothermal Company, a California corporation, entered into that certain Geothermal Lease dated August 31, 1983, and recorded in memorandum form on September 6, 1983, in Book 389, Page 37 of Official Records of Mono County, California (the "Original Lease").

B. Magma Energy, Inc. has merged with and into Lessor, and Lessor is the successor-in-interest to Magma Energy, Inc., by operation of law, as fee owner of the real property covered by the Original Lease.

C. By an Assignment of Lease dated August 31, 1983, and recorded in memorandum form on September 20, 1983, in Book 390, Page 90 of the Official Records of Mono County, California, Holt Energy Company assigned all of its right, title and interest in the Original Lease to Mammoth-Pacific, a California general partnership ("MPGP").

D. The Original Lease was previously amended by the First Amendment to Geothermal Lease dated as of April 30, 1987 between Magma Energy, Inc and MPGP (the "First Amendment") and by the Second Amendment to Geothermal Lease dated as of January 1, 1990 between Lessor and MPGP (the "Second Amendment") (the Original Lease, the First Amendment and the Second Amendment are referred to collectively herein as the "Lease").

E. MPGP has dissolved and, as a result of such dissolution, Pacific Geothermal Company, a California corporation ("PGC"), succeeded to 100% of MPGP's interest in the Lease.

F. PGC is a general partner of Lessee, holding not less than 50% interests in both partnership capital and profits.

G. By an Assignment and Assumption Agreement dated as of January , 1990 (the "Assignment Agreement"), PGC assigned an undivided 50% interest in the Lease to Lessee and an undivided 50% in the Lease to the CD Companies (as defined in the Assignment Agreement) (the "CD Companies"). Said Assignment Agreement was recorded in memorandum form on January 29, 1990 in Book 548, Page 592 of the Official Records of Mono County, California.

H. Concurrently with the Assignment to the CD Companies described in Recital G, the CD Companies assigned their entire interest in the Lease to Lessee.

I. Lessor and Lessee now desire to modify the Lease for purpose of, among other things, modifying and/or clarifying certain rights and obligations of Lessor and Lessee under the Lease.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree to amend

the Lease as follows:

1. Definitions. All capitalized terms contained herein, unless otherwise defined, shall have the meanings ascribed to such terms in the Lease.

2. Modification of Exhibit "A-1". Lessor and Lessee agree to amend Exhibit "A-1" to the First Amendment promptly upon the occurrence of "firm operation" of each New Plant, which amendment(s) shall be prepared on the basis of the same assumptions used for purposes of initially preparing said Exhibit "A-1", but which amendment(s) shall accurately reflect the appropriate commencement date for the effectiveness thereof.

3. Modification of Exhibit "A-2". Exhibit "A-2" to the First Amendment is hereby deleted in its entirety and Exhibit "A-2" hereto is substituted in its place.

4. Property Taxes. Paragraph 18 of the Lease is hereby amended by adding the following before the last sentence of Paragraph 18:

In this regard, all property taxes assessed by the Assessor on the respective property interests of the parties hereunder in respect of the leased land shall be shared by Lessee and Lessor in proportion to which the Assessor allocates the assessment of value among structures, improvements and personal property made or placed upon the leased land by Lessee, on the one hand, and the leased land as such (including the geothermal resources and the right to production thereof), on the other hand; provided, however, that any increase in tax assessments which arise after the date hereof by reason change in control of or ownership interests in Lessee shall be paid by "Lessee", and/"Lessee" shall indemnify and hold Lessor harmless therefor, including, without limitation, changes in control or of ownership interests in Lessee arising by reason of redemptions or transfers of interest. In addition, from and after January 1, 1990, Lessor and Lessee shall cooperate in good faith to pursue a joint strategy of settling on an agreed-upon methodology with the Assessor for valuation and allocation of property taxes, both historically and prospectively during the term of this Lease. Lessor and Lessee agree that each party shall represent its own interests as they shall appear and shall bear its own fees and costs, but shall seek, in good faith and to the extent reasonably practicable, to present a common position to the Assessor in a good faith effort to achieve the lowest overall property tax assessment applicable to both parties.

5. Indemnification. Paragraph 18 of the Lease is hereby further amended by adding the following after the first sentence of Paragraph 18:

Without limiting the generality of the foregoing or any other provision of this Lease (including, without limitation, Paragraphs 12 and 15 hereof) and in furtherance thereof, Lessee acknowledges that Lessor has not itself utilized or monitored Lessee's activities on the leased land and Lessee (i) acknowledges and agrees that Lessee is relying solely on its own investigation of the leased land with respect to the effect of (a) the presence, if any, of any underground tanks on the leased land or of any "hazardous substances", "hazardous materials" or "hazardous wastes" (as defined under federal or California Law) (collectively, the "Hazardous Materials"), (ii) assumes the risk of all liabilities, claims, demands, actions and causes of action arising out of any such storage tanks or Hazardous Materials on, at, in, under or about the leased

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land whether placed there now or at any point in the future while this Lease is in affect and, (iii) agrees to hold harmless, indemnify and defend Lessor against all claims with respect to the foregoing.

6. Assignment of BLM Lease. Concurrently with the execution and delivery hereof, Lessor is assigning to Lessee all of Lessor's right, title and interest in and to that certain Geothermal Resource Lease (Mono-Long Valley Parcel #12)

dated March 1, 1982, between the United States and Magma Energy, as assigned to Lessor (the "BLM Lease"). In consideration for such Assignment, Lessee shall pay to Lessor, on the date hereof, the amount of \$89,468.06 by wire transfer of immediately available funds.

7. BLM Approval. Lessee shall, within 180 days following the date hereof, obtain from the Department of Interior, Bureau of Land Management ("BLM") such approvals to the Assignment of the BLM Lease described in Paragraph 6 of this Third Amendment as may be required in accordance with 43 C.F.R. 3241.2, and either (a) Lessee shall post a bond satisfactory to BLM if required thereby or (b) if Lessor has heretofore posted a bond with BLM, then Lessee shall replace such bond and cause such bond to be released to Lessor. In the event Lessee fails to perform its obligations under this Paragraph 7, Lessee shall, upon request of Lessor, assign the BLM Lease to Lessor.

8. Cross Default. Lessee shall be deemed to be in material breach of the Lease, as amended hereby, in the event Lessee fails for any reason whatsoever to pay within five (5) days when due all royalties payable by Lessee for Lessor under the Lease, as amended hereby, in respect of the BLM Lease, including without limitation in the event the payment of all or any part of said royalties are determined to constitute impermissible overriding royalties. If Lessee or any lender or other party holding a beneficial interest in the BLM Lease fails to pay any royalty due under the ELM Lease within sixty (60) days after such royalty comes due, Lessor shall have the right to terminate the Lease upon written notice to Lessee.

9. BLM Lease Property Taxes. From and after the date hereof, Lessee shall pay all property taxes payable in respect of the BLM Lease property and all rental and royalties payable under the BLM Lease, as though Lessee were the direct and original lessee thereunder, and lessee shall indemnify and hold harmless Lessor for all losses, liabilities, costs and expenses (including without limitation reasonable attorneys' fees) in respect thereof.

10. Matters Concerning the BLM Leases. To the best of Lessor's knowledge, without any review of title reports but based solely on Lessor's not having received any notice, certificate or document to the contrary, Lessor has no reason to believe there are any defects in Lessor's title to the BLM Lease. In addition, Lessor represents that all rental Payments and taxes attributable to the BLM Lease which have become due and payable have been paid in full.

11. Effectiveness of Third Amendment. This Third Amendment shall be effective and become of full force and effect only upon receipt by Lessor of insurance binders or certificates in a form reasonably satisfactory to Lessor evidencing the maintenance by Lessee of all policies of insurance required to be maintained pursuant to Paragraph 18 of the Lease.

12. Continued Effectiveness. Except as specifically provided in this Third Amendment, the Lease shall remain in full force and effect in accordance with its original terms

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and conditions, except that the term "Lease" as used in the Lease shall hereafter mean the Lease as amended hereby.

13. Counterparts. This Third Amendment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single original instrument.

14. Entire Agreement-Amendments. This Third Amendment, together with the Lease and those certain letter agreements date of even date herewith, between Lessor and Lessee, constitute the entire agreement of the parties with respect to the matters set forth herein, and the provisions hereof, together with the

other documents enumerated in this Paragraph 14, shall supersede any and all prior agreements or understandings relating to the same subject matter. The Lease, as amended hereby, may be further amended only by a writing signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be signed by their duly authorized officers as of the day and year first above written.

LESSOR:

MAGMA POWER COMPANY, a Nevada
corporation

By: /s/ Jon R. Peele

Name: Jon R. Peele
Its: Senior Vice President

By: /s/ Wallace C. Dieckmann

Name: Wallace C. Dieckmann
Its: Assistant Secretary

LESSEE:

MAMMOTH-PACIFIC, L.P., a California
limited partnership

By: Pacific Geothermal Company,
a California corporation,
General Partner

By: /s/ Claude Harvey

Name: Claude Harvey

Title: Sr. Vice President

Recording Requested By and
When Recorded Return To:

WILLIAM E. VINEY, ESQ.
530 West 6th Street, Suite 623
Los Angeles, California 90014

By: CD Mammoth Lakes I Inc.,

a Maryland Corporation

General Partner

By: /s/ Terry L. Ogletree

Name: Terry L. Ogletree

Its: President

UNPROTECTED LEASE AGREEMENT

Made in Yavne, Israel as of this 15th day of July, 2004
BY AND BETWEEN:

Ormat Industries Ltd.
Public Company No. 52-003671-6
Of the Industrial Area of Yavne
(hereinafter: "OIL")

OF THE FIRST PART;

AND:

Ormat Systems Ltd.
Private Company No. 51-159723-9
Of the Industrial Area of Yavne
(hereinafter: "OSL")

OF THE SECOND PART;

WHEREAS OIL leases from the Israeli Land Administration (hereinafter: "ILA") a 65,655 sqm of land in the Industrial Area of Yavneh, known as Block no. 5403 Plots 8 & 9 (in part), Block 4921 Plots D & 10 (in part) and Block no. 5170 Plot 107 (hereinafter: "THE REAL ESTATE"), under lease contracts expiring between 2018 through 2047 (hereinafter: "THE LEASE CONTRACTS") and on which OIL's production and manufacturing facilities, headquarters, the technical school and other permanent constructions and fixtures used by OIL are located as well as the plot on which the Guest House is located at 7 Brosh St., Yavne (hereinafter, together: "THE PLANT"); and

WHEREAS OIL and OSL have agreed on the sale of certain assets and liabilities of OIL to OSL, including the activities of the Plant but excluding the Real Estate and the Plant, and for that purpose are entering, simultaneously with their entering into this Agreement, into a Purchase Agreement (hereinafter: "THE PURCHASE AGREEMENT"); and

WHEREAS OSL wishes to lease the Real Estate and the Plant for the Term (as hereinafter defined), and OIL wishes to lease the Real Estate and the Plant to OSL for said period, provided, however that the terms of the Law for the Protection of Tenants [Consolidated Version], 1972 and/or any other law which will replace it or add to it, will not apply to this Agreement and that OSL will not be protected by such laws;

THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE PARTIES, INTENDING TO BE LEGALLY BOUND, AGREE AS FOLLOWS:

1. DEFINITIONS

In this Agreement, except where the context otherwise requires, the following terms shall have the meaning ascribed to them hereunder:

- 1.1 "THE LEASED PROPERTY" - the Real Estate and the Plant, depicted in blue and red respectively in the drawing attached as EXHIBIT A to this Agreement. For the removal of doubt, the Leased Property will include any permanent constructions and fixtures located in the Real Property, which may not under Israeli law be sold apart from the Real Estate, while it is the intention of the Parties that all detachable, removable and/or temporary fixtures and constructions will be sold to OSL under the Purchase Agreement.
- 1.2 "QUARTER" - any three-months-period beginning on January 1st, April 1st, July 1st or October 1st.
- 1.3 "BUSINESS DAY" - a day in which most of the five largest banks in Israel are open to transact business with the public.
- 1.4 "THE REPRESENTATIVE RATE OF EXCHANGE" - the representative rate of exchange of the USD published by the Bank of Israel, and if such rate will not be published, then any rate which will replace it and in the absence of such rate - the average of the two largest banks in Israel buy and sale rates for transfers of USD.
- 1.5 "ASSIGNMENT" - whether by way of assignment, conveyance, transfer, sale, sublet, lease, pledge, lien, or license, whether with or with no consideration.
- 1.6 "PERMITTED TRANSFEREE" - an entity Controlling, under the Control of, or under common Control with, the transferor.
- 1.7 "CONTROL" - the ability to direct the operations and activities of a corporation, except an ability stemming only from the fulfillment of a position of a director or another office in the corporation, and it is presumed that a person controls a corporation if the person holds half or more of the voting rights in the corporation, or half or more of the rights to nominate the directors of the corporation.

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2. LEASE AND TERM

- 2.1 Subject to the conditions specified herein, OIL hereby leases to OSL and OSL hereby leases from OIL, the Leased Property, for a period of 4 years and 11 months, commencing on July 1st, 2004 (hereinafter: the "TERM"). If necessary, OIL will apply to the ILA for its consent to extend the Term to a period of up to a total of 25 years (less one day) and, should such approval be granted or if such an approval is not required, the Term will be extended accordingly. For the purpose of this Agreement, the Term shall include any extension thereof.
- 2.2 If required, the Parties will exert their best efforts to register the Lease with the Land Registry Office and will do so with respect to any other registry where such registration is deemed necessary or beneficial by the Parties.
- 2.3 Possession of the Leased Property will be granted to OSL effective as of July 1st, 2004 (hereinafter: the "EFFECTIVE DATE").

2.4 Should OIL's Lease Contracts, or part thereof, be terminated and/or not be renewed, then the Term with respect to the relevant plot, will terminate, and the provisions of section 12.3 hereunder will apply, accordingly. The parties agree that other than for gross negligence, willful misconduct, or a breach by OIL of its Lease Contracts, OIL shall not be liable to OSL for damage and/or loss which results from the termination of the Lease by the ILA or the denial of any extension by the ILA.

3. USE OF THE LEASED PROPERTY

3.1 OIL hereby leases the Leased Property to OSL for the purpose of operating the Plant and/or any other type of legal activity.

3.2 OSL declares that it is familiar with, and has seen and inspected, the Leased Property, its surroundings and the regulatory framework applicable to the Leased Property (including the plans ("taba") and the designation of the Leased Property thereunder) and has found the Leased Property and its surroundings to be in good and proper condition, and the Leased Property and the regulatory framework suitable for its purposes and needs. Subject to OIL's complying with its obligations hereunder, OSL hereby waives any claim of defect or unsuitability regarding the Leased Property, and any other claim of any kind regarding the Leased Property or this Agreement.

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3.3 The Plant and/or any other business will be operated by OSL in the Leased Property at its sole cost. Beginning on the Effective Date, OSL will be solely responsible for obtaining any licenses, permits and authorizations necessary for the use and operation of its business in the Leased Property. Notwithstanding the above, if required, OIL will assist OSL in obtaining any such authorizations, provided OSL will reimburse OIL for any expenses incurred by it in connection therewith. For the removal of doubt, failure to obtain the necessary authorizations or their termination, shall not grant OSL the right to terminate this Agreement or the lease hereunder, prior to the termination of the Lease Period.

4. OWNERSHIP OF LEASED PROPERTY

OIL hereby declares and warrants that it is the sole legal lessor and holder of the Leased Property and that it is legally entitled to lease the Leased Property pursuant to the terms and conditions of this Agreement.

5. RENT

5.1 In consideration for the lease of the Leased Property, OSL will pay OIL a monthly rent of USD52,250 (hereinafter: "THE RENT"), together with VAT as stated in clause 5.5 hereunder. The Rent will be paid every Quarter in advance, on the first Business Day of such Quarter, with the Rent for the period commencing on the Effective Date to be paid on the date of signing of this Agreement.

5.2 The Rent will be adjusted every year, beginning on January 1st, 2005, by the same rate of increase of the Israeli Consumer Price Index ("CPI") during the previous calendar year. In any event, the Rent with respect to each year during the Term and any extension thereof shall not be lower than the Rent paid during the previous year.

- 5.3 At OSL's choice, Rent will be paid either in USD or in NIS. If Rent is paid in NIS, it will be paid according to the Representative Rate of Exchange most recently published by the Bank of Israel prior to the time of payment.
- 5.4 Payment of Rent will be effected in cash by wire transfer of immediately available funds to an account designated by OIL, in writing, or by check, or in any other manner approved by the Parties' CEOs.

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- 5.5 Value Added Tax, at the appropriate rate, shall be paid by OSL with respect to any Rent payment, and in the same manner and on the same date such payment is made, against issuance of a VAT invoice by OIL.
6. TAXES AND OTHER PAYMENTS IMPOSED ON OSL
- 6.1 OSL shall pay during the Term any tax, levy, charge or other compulsory payments, whether state or municipal and of any kind, imposed on the date hereof and/or in the future, on the lessee and/or occupant and/or possessor of the Leased Property, and/or applicable on the business or operations of OSL in the Leased Property, including municipal tax ("arnona"), business tax, licenses fees etc., but excluding payments which pursuant to this Agreement are the liability of OIL.
- 6.2 OSL will pay all the required payments relating to the operation of the Leased Property, including electricity, water, gas, telephone (including faxes) etc. OIL may demand OSL to register itself during the Term as the debtor of such payments with the appropriate entities, and OSL will do so. Upon the termination of the Lease Agreement, OIL (or whomever it may order) will be re-registered as the debtor.
- 6.3 OSL will timely and fully remit all taxes and other payments imposed on it as aforesaid. Notwithstanding the above, in any event of late payment, OSL will bear any interest (including arrears interest), linkage differences, fines and other costs imposed in connection with such late payment.
- 6.4 Within reasonable time of OIL's demand, OSL will provide it with all the receipts or other certifications proving its full and timely compliance with its payment obligations under this clause. OIL will be entitled, but not obligated, to pay any such payment which has been due for over 60 Business Day and has not been paid by OSL at the time OIL remits such payment, and in such event OSL will reimburse OIL for its expenses, immediately upon OIL's demand, together with interest (as set forth in clause 14.1 hereunder).

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7. TAXES AND OTHER PAYMENTS IMPOSED ON OIL

OSL shall indemnify OIL, immediately upon OIL's demand, for any taxes, levies or charges imposed upon OIL, including any payments to the ILA, in

connection with Leased Property and/or the Rent, but excluding any income taxes or other taxes imposed by reference to revenues of OIL or earnings of OIL derived from the Rent.

8. INAPPLICABILITY OF TENANCY PROTECTION LAWS

OSL hereby declares, warrants and certifies that:

- 8.1 The Tenant Protection Law [Consolidated Version], 1972 (hereinafter: "THE TENANT LAW") does not apply to the lease under this Agreement.
- 8.2 This Agreement, the lease hereunder, OSL, and the Leased Property are not and will not be protected under the provisions of the Tenant Law nor under any other law that may amend or add to or replace the Tenant Law, nor under any other law that now grants or in any time in the future will grant tenants or tenancies protection similar to those mentioned in the Tenant Law. Any such laws, or any regulation, directive or legislation that has been or will be passed or promulgated in the future under such laws, shall not apply to OSL, the Leased Property, this Agreement or the lease hereunder.
- 8.3 OSL has not paid, nor has it been required to pay or undertook to pay OIL any amount whatsoever, directly or indirectly, whether in money or its equivalent, with respect to "key monies" for the lease. OSL hereby warrants and declares that any repair and/or change executed in the Leased Property, if at all, will be executed in the course of ongoing maintenance of the Leased Property and shall not constitute fundamental changes in the Leased Property. Hence, upon surrender of the Leased Property, OSL shall not be entitled to claim or receive any amount or benefit with respect to key monies or goodwill.
- ## 9 OSL'S UNDERTAKINGS
- 9.1 OSL will fully and timely comply with all laws, regulations, directives and other legislation, as well as any licenses, permits and authorizations issued by the authorities or required by them, applicable to the maintenance and operation of the Leased Property, its use and the activities taking place therein.

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- 9.2 OSL will look after the intactness of the Leased Property, will operate its business only within the boundaries of the Leased Property and will not cause or allow its employees, managers, invitees, customers or any one on its behalf to cause any hazard, nuisance, trespassing, noise, shocks, filth, smoke or other unpleasantness to the users of the Leased Property and/or its surroundings, which is unreasonable considering the character of the Leased Property and the character of its surroundings.
- 9.3 OSL will use the Leased Property in a reasonable and careful manner. Without derogating from the generality of the above, OSL:
- 9.3.1 Will keep the Leased Property in a good and proper shape, except for reasonable wear and tear.
- 9.3.2 Will keep the Leased Property clean.

- 9.3.3 Will use the Leased Property for legal activities.
- 9.3.4 Will not act in a manner causing harm to the Leased Property.
- 9.3.5 Will inform OIL of any defect, damage or loss caused to the Leased Property, immediately upon their occurring.
- 9.3.6 Will without delay repair, at its own expense, any loss or damage caused to the Leased Property. Should OSL fail to do so within 10 Business Days of the occurrence of such loss or damage, OIL may (but will not be obligated to) execute such repair works, at OSL's expense, and OSL will reimburse OIL for any out of pocket expenses borne by it with respect thereto immediately upon OIL's demand. The expenses will bear interest, as set forth in clause 14.1 hereunder.
- 9.4 OSL shall obtain and maintain, at its own cost and

responsibility, with financially and professionally reputable insurers, the insurance policies detailed in EXHIBIT B to this Agreement, which will cover the Leased Property and its contents at their full value. Both OIL and OSL shall be named as beneficiaries of such insurance policies. OSL will keep its insurance policies in full force and effect throughout the Lease period and will pay the premiums in full and in a timely manner. Upon OIL's demand, OSL will present it with proof of its compliance with this undertaking. Should OSL fail to obtain or maintain insurance policies as aforesaid, OIL may do so

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at OSL's expense, and OSL shall indemnify OIL, upon its demand, for all its expenses in connection therewith. In any event of damage, OSL shall take reasonable measures to activate the policies and will use any monies received in connection with such policies only to repair, with no delay, the damage covered.

10. OSL INDEMNIFICATION UNDERTAKINGS

- 10.1 In addition to any liability imposed on OSL under law, OSL will repair, at its expense, any damage or loss which results from defective construction of the Plant. Such repair works will be executed by OSL within reasonable time of being notified by OIL of the damage or loss. Should OSL fail to execute any such repair works within 10 Business Days of being notified of the damage or loss, OIL may notify OSL of its intent to repair the damage or loss, and in the absence of action on the part of OSL within 5 Business Days, OIL may (but will not be obligated to) repair any such damage or loss at OSL's expense. OSL will reimburse OIL for any out-of-pocket expenses borne by it with respect thereto immediately upon OIL's demand. The expenses will bear interest as set forth in clause 14.1 hereunder.
- 10.2 Notwithstanding the above, and in addition to any liability imposed on OSL under law as possessor and/or occupant and/or lessee of the Leased Property, OSL will be solely responsible for any damages of any type or kind caused to the Leased Property and/or OIL and/or a third party present in the Leased Property (including bodily injury or damages to property), as a result of OSL's negligent acts or omissions, including the negligent acts or omissions of its employees, invitees or any other person or entity acting on behalf of OSL. OSL hereby releases OIL from any liabilities under any law to indemnify and/or compensate and/or be liable to such damage. OSL will indemnify OIL, immediately upon its

demand, for any loss or expenses (including legal expenses) it paid as a result of OSL's negligence, including loss or expenses incurred by as a result of any demand, motion or law suit derived, directly or indirectly, from OSL's said negligence.

11. MODIFICATIONS AND ALTERATIONS

11.1 Subject to clause 11.4 hereunder, OSL will not build or construct on or otherwise develop, modify, alter or effect a change in the Leased Property (hereinafter: "A CHANGE") without the advance written consent of OIL, which will not be unreasonably withheld.

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11.2 In case of any request or requirement for a Change by OSL, OSL will provide OIL in writing all the information regarding the requested Change, including all information reasonably required by OIL.

11.3 If OIL authorizes a Change, OSL will be permitted to execute such Change, provided it corresponds to the authorization and all other reasonable limitations or restrictions imposed by OIL.

11.4 Notwithstanding the provisions of clause 11.1 above, OSL shall be entitled to remodel, redecorate, refurbish and make improvements and replacements (hereinafter: "IMPROVEMENTS") to the interior structure of the Plant as OSL may deem desirable. OIL will have no objection to the same, provided that none of the Improvements will have any permanent effect whatsoever on the structure or construction of the Plant.

11.5 OSL will bear the responsibility and all costs and expenses involved in executing the Change or Improvement, and the maintenance thereof, and will not be entitled to any compensation, consideration or indemnification for such Change or Improvement, whether upon its execution or any time thereafter, including at the termination of this Agreement. Neither will OSL be entitled to any reduction in the Rent on account of such Change or Improvement. For the removal of doubt, OSL alone will be responsible to obtain any necessary approvals or authorizations for the execution of the Change or Improvement.

11.6 Any Change or Improvement made will be considered an integral part of the Leased Property and deemed owned by OIL for all intents and purposes, and will accordingly be surrendered to OIL, together with the Leased Property, upon termination of this Agreement (for no consideration). Provided however, that subject to clause 13 hereunder, said provision will not apply to equipment and furniture belonging to OSL (including phones and computer systems) which are not permanently attached to the Leased Property and whose detachment will not have a permanent effect on the construction or structure of the Plant.

Notwithstanding the above, OIL shall be entitled at the end of the Term or upon the termination of this Agreement, to demand that OSL remove any Change or Improvement and return the Leased Property to its previous condition, at OSL's expense and OSL will do so, within a

reasonable time after being so demanded. If OSL fails to do so within 30 Business Days of receipt of such a demand, OIL may return the Leased Property to its previous condition, at OSL's expense, and OSL will reimburse OIL for all its expenses in connection therewith, together with interest as set forth in clause 14.1 hereunder, immediately upon OIL's demand.

12. CEASING OF OPERATION AND TERMINATION

- 12.1 OSL may cease its activities in the Leased Property at any time during the Term, provided however, it continues to fully comply with its obligations under this Agreement.
- 12.2 OIL will have the right to terminate this Agreement upon the occurrence of any one of the followings: (i) the dissolution or winding up of OSL (ii) an appointment of a special manager, trustee or receiver, over OSL or its material assets, if such appointment is not cancelled within 90 days (iii) a breach by OSL of any of its payment obligations to OIL under this Agreement which is not remedied within 30 days after being notified in writing of the breach by OIL, or a breach of OSL of any of its other undertakings under this Agreement which is not remedied within 90 days after being notified in writing of the breach by OIL.
- 12.3 Upon OIL request and at OIL's sole discretion, the area of the Leased Property shall be reduced in order to accommodate the needs of OIL; provided, however, that any such reduction does not have an adverse affect on the operation of the business of OSL in the Leased Property. If OIL exercises its aforesaid right, the Rent and all OSL's liabilities with respect to the Leased Property shall be adjusted proportionately to such reduction.

13. SURRENDER OF THE LEASED PROPERTY

- 13.1 OSL undertakes upon expiration or termination of the Agreement to restore possession of the Leased Property to OIL free of any property, equipment and fixtures not belonging to OIL (subject to clause 11 above). The Leased Property will be in as good, clean, orderly, and proper condition as on the date of this Agreement, except for ordinary wear and tear resulting from ordinary and reasonable use of the Leased Property in accordance with the purpose of the lease.

Should OSL fail to comply with its obligation, it will reimburse OIL all the expenses incurred by it in the course of restoring the Leased Property to such condition.

- 13.2 Should OSL fail to vacate as aforesaid the Leased Property at the time set forth above,
- 13.2.1 OSL shall be obligated to pay OIL liquidated damages of USD 3,000 for each day of delay in vacating the Leased Property. Such penalty will not be considered as Rent payment and will not create any lessor-lessee relationship between OIL and OSL.

13.2.2 Upon a 7 days prior written notice, OIL may vacate the Leased Property at OSL's expense, and transfer and store any equipment and furniture belonging to OSL, all at OSL's expense. OIL shall not be liable to any damage to OSL or the Leased Property or the equipment or furniture vacated, caused in connection with such actions on its part, except damage caused willfully or negligently.

All this, without derogating from any other remedies OIL may be entitled to under this Agreement or under law.

14. ARREARS INTEREST

14.1 Any payment imposed on a Party under this Agreement for the benefit of the other Party, which was not remitted by it on the date due for payment, shall bear interest at the rate of Prime plus 5% per annum, for the period during which such payment remained unpaid.

14.2 The right to receive or the payment of arrears interest will not impair OIL's right to receive, in addition to such payment, any other or additional remedy OIL may be entitled to under this Agreement or under law for such delay in payment, and will not constitute any waiver by OIL of its right to such remedies.

15. MISCELLANEOUS

15.1 Each of the Parties hereby declares and confirms, that all actions and resolutions necessary in order to give effect to its entering into this Agreement, have

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been taken, and that there is no restriction and/or limitation and/or hindrance on its signing this Agreement, and such signature and/or the execution of this Agreement by it shall not constitute a breach by it of any applicable contract and/or law and/or its documents of incorporation.

15.2 Each party will cooperate with the other party, in good faith, and exert its best efforts in order to assist the other party in achieving the purposes of this Agreement and complying with the other party's undertakings hereunder.

15.3 Monetary obligations owed by the Parties hereto to one another, which have become due, may be offset by a written notice provided by the offsetting Party to the other Party.

15.4 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by OSL without the prior written consent of OIL. Provided however, such assignment may be made to a Permitted Transferee, without OIL's consent. OIL may, at any time and at its full discretion, assign this Agreement or any of its rights or obligations hereunder, as well as sell, transfer, pledge or otherwise assign its rights (in whole or in part) in the Leased Property or any part thereof, without obtaining OSL's consent, provided however, OSL's rights pursuant to this Agreement will not be impaired. OIL will notify OSL of such act within reasonable time after its being carried out. OSL

will then comply with all its obligations pursuant to this Agreement to any such transferee of OIL. Any assignment maybe subject to the prior consent of the ILA, which the assigning party shall be responsible to obtain.

In any event, the transferee (whether of OSL or of OIL), will sign this Agreement with the remaining Party, or will otherwise affirm its assumption of the transferor's obligations and undertakings under this Agreement in a manner satisfactory to the remaining Party.

Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assignees with no other person having any right, benefit or obligation hereunder.

- 15.5 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by either party to the other shall be in writing and delivered by telecopy or other facsimile (with acknowledged

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receipt), delivered personally or mailed by certified or registered mail, postage prepaid (and by airmail if sent internationally), return receipt requested or by internationally recognized courier (such as Federal Express or DHL) (such mailed or couriered notice to be effective on the date such receipt is acknowledged or refused), as follows:

If to OSL, addressed to:
Ormat Systems Ltd.
Yavne Industrial Area
Attn.: President
Fax: 08-9439901

If to OIL, addressed to:
Ormat Industries Ltd.
Yavne Industrial Area
Attn: CEO
Fax: 08-9439901

or to such other place and with such other copies as either party may designate as to itself by written notice to the other.

- 15.6 Choice of Law; Venue. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Israel. Each of the parties to this Agreement consents to the exclusive jurisdiction and venue of the competent courts of Tel-Aviv-Jaffa over all matters arising in connection with this Agreement.

- 15.7 Entire Agreement; Amendments and Waivers. This Agreement, together with all exhibits and schedules hereto, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties hereto with respect to such subject matter. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any

of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

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15.8 Multiple Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.9 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such provision or provisions shall be judicially reformed consistent with the parties' intentions so as to be valid, legal and enforceable to the maximum extent possible and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

15.10 Titles. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective duly authorized officers, in multiple originals, all as of the day and year first above written.

Ormat Industries Ltd.

By: /s/ Lucien Y. Bronicki

Lucien Y. Bronicki
Chairman of the Board

Ormat System Ltd.

By: /s/ Etty Rosner

Etty Rosner
V.P. Contract Administrator

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EXHIBIT A

[drawing]

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EXHIBIT B

- Employers' Liability Insurance
- Third Party Liability Insurance
- Property Insurance
- Consequential Damage Insurance
- Business Interruption Insurance
- Comprehensive General Liability

Exhibit 10.5.1

ENGINEERING, PROCUREMENT AND
CONSTRUCTION CONTRACT

DATED 23 AUGUST 2002

BY AND BETWEEN

TUAROPAKI POWER COMPANY LIMITED

"OWNER"

AND

ORMAT PACIFIC INC.

"CONTRACTOR"

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LIST OF EXHIBITS

Exhibit A	Scope of Work
Exhibit B	Milestone Payment Schedule
Exhibit C	Drawings and Specifications
Exhibit D	Tests
Exhibit E	Ormat Industries Ltd. Guarantee
Exhibit F	Tuaropaki Trust Guarantee
Exhibit G	Warranty Procedures
Exhibit H	Project Schedule
Exhibit I	Approved Major Subcontractors List
Exhibit J	Form of Performance Bond
Exhibit K	Form of Continuity Guarantee for Subcontractors

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This ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT is made and entered into this [] th day of August, 2002 by and between Tuaropaki Power Company Limited, a New Zealand corporation wholly owned by the Tuaropaki Trust with offices at Taupo, New Zealand ("Owner") and Ormat Pacific Inc., a Delaware corporation acting through its New Zealand branch with offices at Taupo, New Zealand ("Contractor").

RECITALS

1. Owner owns and operates a geothermal power plant at Mokai, New Zealand (Mokai I) using a part of the total geothermal fluid available underlying the land at Mokai.

2. Owner holds or will hold rights to use land at Mokai, New Zealand, administered by the Tuaropaki Trust, and to use all of the geothermal resource underlying the land, resource consents and all other associated rights, consents, commitments and facilities necessary for the construction, testing, generation and maintenance of an additional 39 MW net geothermal power plant.

3. Owner desires Contractor to construct or arrange for the design, engineering, procurement, construction, fabrication, installation, commissioning, start-up and testing of a new 39 MW net geothermal power plant at Owner's site located in Mokai, New Zealand.

4. Ormat Industries Ltd. has agreed to design, manufacture and supply certain equipment necessary for the construction of the geothermal power plant under the terms and conditions of the Supply Contract (as defined below) with Owner entered into contemporaneously with this agreement .

5. Contractor is willing to supply certain other equipment and perform the services set forth herein, upon the terms and conditions hereinafter set

forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter contained, the parties hereby agree as follows:

1

ARTICLE 1 - DEFINITIONS

Unless the context otherwise requires, capitalized terms when used herein shall have the meanings set forth below:

"ASSETS"

The rights to access to and use of land at Mokai, New Zealand administered by the Tuaropaki Trust, and to use of the geothermal resource underlying the land and to reinject brine and condensate, resource consents and all other rights, consents, commitments and facilities necessary for the engineering, construction, testing, generation and maintenance of the Project belonging to Owner and/or the Tuaropaki Trust.

"BBR"

BBR is defined in Section 6.4.

"CHANGE IN LAW"

The enactment, adoption, promulgation, modification or repeal after the date of this EPC Contract of any Law (except regarding taxation) that establishes requirements adversely affecting Contractor's costs or schedule for performing the Work.

"CHANGE IN THE WORK"

A variation, requested and agreed in accordance with Article 8, in the design, quality or quantity of the Work specified or required in Exhibit A and including without limitation:

- (a) additions, omissions, substitutions, alterations in design and changes in quality, form, character, kind, position, dimension, level or line; and
- (b) changes to any part of the Project Site or access thereto.

"DESIGN CONDITIONS"

The design operating conditions for the Project as set forth in Article 1.5 of Exhibit A.

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"DESIGN INFORMATION"

The specifications, drawings, performance specifications and construction field documents for the Project.

"DISPUTE"

Any dispute or difference of any kind whatsoever which shall arise between Owner and Contractor in connection with or arising out of this EPC Contract (including without limitation any disputes or differences concerning the terms of the Supply Contract) or the carrying out of the Work, including any dispute or difference as to any instruction, order, direction, certificate or valuation by the Owner's Representative, whether during the progress of the Work

or after its completion and whether before or after the termination, abandonment or breach of this EPC Contract.

"DRAWINGS AND SPECIFICATIONS"

Drawings, technical specifications, system descriptions and start-up and testing procedures prepared and provided by the Contractor, as described in Exhibits C and D.

"ELECTRICAL INTERCONNECTION FACILITIES"

All means required and apparatus installed to interconnect and deliver power from the Project to the Electric Power Distributor as described in Exhibit C, including, but not limited to, connection, switching, metering, communications, and protection equipment required to protect (1) the Electric Power Distributor's system and its customers from faults occurring at the Project and (2) the Project from faults occurring on the Electric Power Distributor's system or on the systems of others to which the Electric Power Distributor's system is directly or indirectly connected, including any necessary transmission line(s), and step-up transformer(s).

"ELECTRIC POWER DISTRIBUTOR"

The entities selected and designated by Owner to transport and/or receive the electric power generated by the Project.

3

"EPC CONTRACT"

This Engineering, Procurement and Construction Contract together with the Exhibits attached hereto, which shall, taken as a whole, define the rights and obligations of the parties hereunder.

"EPC CONTRACT PRICE"

The total firm fixed lump sum price, , payable to Contractor by Owner as set forth in Section 6.1 hereof and as adjusted pursuant to the provisions of this EPC Contract.

"EQUIPMENT"

The equipment which are to be provided by Supplier to Owner pursuant to the Supply Contract.

"FINAL ACCEPTANCE"

Satisfaction by Contractor or waiver by Owner of the conditions set forth in Section 7.2.

"FINAL ACCEPTANCE TESTS"

The Final Acceptance Performance Test and the Reliability Run of the Project as set forth in Exhibit D hereof.

"FORCE MAJEURE"

Force Majeure is defined in Article 22.

"GEOTHERMAL FLUID"

The geothermal steam and brine to be supplied at the Geothermal Fluid Interface Point in accordance with the interface data set forth in Article 1.4 of Exhibit A.

"GEOTHERMAL FLUID INTERFACE POINT"

The Geothermal Fluid interface point defined in Article 1.4 of Exhibit A.

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"GEOTHERMAL FLUID SPECIFICATIONS"

The specifications for the Geothermal Fluid set forth in Article 1.5 and 1.6.1 and 1.6.2 of Exhibit A.

"GEOTHERMAL WELL CLEANING PERIOD"

The period after completion of Owner's vertical discharges of the Geothermal Fluid production wells for the Project that (a) starts upon the date that the Geothermal Fluid is run through the Project geothermal fluid gathering system, bypassing the power plant, for the initial cleaning of sand, rocks and other debris from the Geothermal Fluid and (b) ends upon the earlier of (i) the declaration of Contractor that the Geothermal Fluid is sufficiently clear of such sand, rock and debris to permit testing and operation of the Project and (ii) the declaration of the Owner's Representative that the Geothermal Fluid is sufficiently clear of such sand, rocks and debris to permit testing and operation of the Project; provided, that if Contractor disagrees with such declaration, the accuracy of such declaration is confirmed by the results of the impact of the steam separated from such Geothermal Fluid on the target plate installed by Contractor in the steam line of the Project before the inlet to the steam turbine after allowing two (2) days for flushing the inlet piping for the steam turbine.

"GUARANTEED CAPACITY"

The level of net electrical generating capacity for the Project guaranteed by Contractor, equal to 39 MW as corrected to the Design Conditions using the correction curves and formulas set forth in Exhibit D, as measured at the high voltage interface point defined in Article 1.4, number 5 of Exhibit A.

"KW"

Kilowatts.

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"LAW"

Statutes, regulations, codes, consents, ordinances, permits, rules, orders, judicial and administrative decisions and interpretations to the extent they have jurisdiction on performance of the Work under this EPC Contract.

"LENDER"

Any entity or entities providing construction or permanent debt financing for the Project that is identified by Owner in a written notice to Contractor in accordance with this EPC Contract.

"LIBID"

LIBID is defined in Section 6.4.

"MILESTONE PAYMENT SCHEDULE"

The milestone payment schedule for payment of the EPC Contract Price, as set forth in Exhibit B hereto.

"MOKAI I"

The existing Mokai geothermal power plant supplied and constructed under the Amended and Restated Supply and EPC Contracts dated December 15 1997.

"MW"

Megawatts.

"NOTICE TO PROCEED"

Owner's written notice to Contractor directing Contractor to commence and complete all Work hereunder, as set forth in Article 5.

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"OWNER'S REPRESENTATIVE"

The person designated by Owner to act as its representative in all respects to this EPC Contract under Section 4.1(k) and having the powers contained in Section 4.2.

"PROJECT"

The power production plant and related equipment to be designed, engineered, and constructed by Contractor and its Subcontractors for Owner at Mokai, New Zealand as set forth herein.

"PROJECT SCHEDULE"

The completion schedule for the Project as set forth in Exhibit H, as it may be amended from time to time as set forth in Section 3.1(k).

"PROJECT SITE"

The site on which the Project will be located, which is on land held and administered by the Tuaropaki Trust in Mokai, New Zealand for its beneficial owners, and as is more specifically described in Article 1.2 of Exhibit A.

"SCHEDULED FINAL ACCEPTANCE DATE"

The date by which the Project is required to achieve Final Acceptance, which shall be the later of (a) ninety seven (97) days from Substantial Completion or deemed Substantial Completion, according to the case, and (b) such later date as may be established in accordance with Section 5.3 and 5.4.

"SCHEDULED SUBSTANTIAL COMPLETION DATE"

The later of (a) nineteen (19) months from the Notice to Proceed, and (b) such later date as may be established in accordance with Section 5.4.

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"SUBCONTRACTOR"

Any party (other than Contractor's employees) engaged by Contractor to perform any of the services or supply any item of goods or material pursuant to this EPC Contract.

"SUBSTANTIAL COMPLETION"

Satisfaction by Contractor or waiver by Owner of all of the conditions set forth in Section 7.1.

"SUPPLIER"

Ormat Industries Ltd., an Israeli corporation.

"SUPPLY CONTRACT"

The Supply Contract of even date herewith, together with the Exhibits attached thereto, by and between Supplier and Owner, as the same may be amended from time to time, under which, among other things, Supplier is providing the Equipment and services to Owner for use in connection with the development, construction, start-up, testing, commissioning and completion of the Project.

"WORK"

Material, goods and services which are the responsibility of Contractor under this EPC Contract.

ARTICLE 2 - EPC CONTRACT DOCUMENTS

2.1 DOCUMENTS INCLUDED

This EPC Contract shall include the documents listed below, which are hereby incorporated herein by reference.

Exhibit A	Scope of Work
Exhibit B	Milestone Payment Schedule
Exhibit C	Drawings and Specifications
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Exhibit D	Tests
Exhibit E	Ormat Industries Ltd. Guarantee
Exhibit F	Tuaropaki Trust Guarantee
Exhibit G	Warranty Procedures
Exhibit H	Project Schedule
Exhibit I	Approved Major Subcontractor List
Exhibit J1 & J2	Form of Performance Bonds
Exhibit K	Form of Continuity Guarantee for Subcontractors

2.2 CONFLICTS

In the event of any conflict between the text of this EPC Contract and any of the Exhibits listed in Section 2.1, the text hereof shall govern.

ARTICLE 3 - CONTRACTOR RESPONSIBILITIES

3.1 GENERAL RESPONSIBILITIES

In order for Contractor to complete the Work, except as provided elsewhere in this EPC Contract, Contractor shall:

(a) Perform, or cause to be performed the Work, including labour, materials, tools, supplies, equipment, transportation, engineering, insurance, technical services and other services necessary and required to satisfactorily design (including the specification of the Equipment and all other goods, materials and plant to be incorporated in the Project), engineer, procure, construct, install, commission, start up and test the Project, all in accordance with the requirements of Exhibit A.

(b) Provide supervisory personnel necessary for commissioning, start-up and performance testing of the Project as described herein.

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(c) Prosecute the Work continuously and diligently in accordance with the Project Schedule, using qualified and competent personnel, and complete the Work in accordance with good engineering practice and prudent electrical and mechanical engineering and in accordance with the provisions of this EPC Contract.

(d) Monitor on behalf of Owner as authorized in the Supply Contract the manufacture and delivery of the Equipment by Supplier, arrange for complete handling of all goods and material supplied under this EPC Contract and for the Equipment after delivery under the Supply Contract including, but not limited to inspection, expediting, shipping, unloading, receiving, customs clearance and customs claims. In connection herewith, Owner hereby grants to Contractor the authority to administer the Supply Contract and to enforce Supplier's obligations there under, and Contractor shall administer the Supply Contract in the same way as if the Supplier was a Subcontractor.

(e) Commission, start-up and performance test the Project in accordance with the acceptance and performance tests herein and in Exhibit D hereto. Any after-tax revenue received from the sale of electricity shall be divided equally between Owner and Contractor (and shall be paid by Owner to Contractor within 10 (ten) days of Owner's receipt of such revenue) until the earlier of the Scheduled Final Acceptance Date and Final Acceptance, when all revenues shall be for the account of Owner.

(f) Designate a project manager who will have full responsibility to oversee prosecution of the Work and to act as a single point of contact with Owner in all matters on behalf of Contractor. Owner may require replacement of Contractor's project manager on reasonable grounds which shall be described to Contractor.

(g) Comply in all material respects with the standards described in Exhibits A or C and with all applicable Laws, relating to the Project and the performance of the Work.

(h) Procure the building consent for the Project and comply in all material respects with such building consent and such other applicable consents and

Owner in accordance with Section 4.1(c).

(i) Provide temporary construction materials, equipment and supplies necessary for operation and maintenance of the Project until Final Acceptance and replace any spare parts used during the construction, start-up, testing and operation and maintenance of the Project until achievement of Final Acceptance.

(j) Pay for construction utilities (electricity only) required to achieve Substantial Completion except for initial connection and disconnection costs.

(k) Amend and update the Project Schedule from time to time, as Contractor deems reasonably necessary or when requested by the Owner's Representative after the occurrence of a material deviation from the Project Schedule.

(l) Clear the Project Site of temporary structures, surplus materials and tools upon completion of field work.

(m) Train up to 16 (sixteen) operating and maintenance personnel, of whom up to 3 (three) are senior personnel, designated by Owner at the Project Site during the commissioning and start-up phase of the Project construction. Such training shall be in conjunction with the normal commissioning and start-up activities employed by Contractor. Each person designated for training by Owner shall be a qualified technician and said trainees shall not be deemed employees or Subcontractors of Contractor.

(n) Use effective quality assurance programs in performing the Work.

(o) Prepare detailed monthly progress reports on progress of the Work for the period ended on the last day of the previous month to Owner as reasonably required by Lender or Owner.

(p) Provide special tools, and operating and commissioning supplies which are required for commissioning, start-up, and performance testing of the Project until Final Acceptance.

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(q) Provide at least 2 (two) copies of job books, operation and maintenance manuals (which shall incorporate manuals of the Equipment), operating data and detailed as-built Drawings and Specifications to Owner prior to Final Acceptance.

(r) Exercise, in the design and specification of the Work and the specification of the Equipment, the skill and care to be expected of a qualified and competent turnkey contractor experienced in work of similar nature and scope as the Work.

(s) Design, install, construct, commission, test and complete the Work using proven up to date good practices which are consistent with the provisions of the Supply Contract and this EPC Contract.

3.2 EMERGENCIES

In emergencies affecting the safety or protection of persons or the Work, Contractor, without special instruction or authorization from Owner, may take all reasonable actions to prevent such threatened damage, injury, or loss. This provision is not intended to limit Contractor's rights under any other provisions hereof, including, without limitation, Article 8 hereof.

3.3 HEALTH AND SAFETY IN EMPLOYMENT ACT ("HSEA")

3.3.1 Contractor warrants to Owner that during Contractor's activity on the Project Site, up to and including Final Acceptance, Contractor shall take all practical steps to ensure that no act or omission:

(a) in contravention of the HSEA causes a significant hazard, harm or serious harm to any employee of Contractor or any person at or in the immediate vicinity of the Project Site; or

(b) is a breach of any duty or obligation of Contractor under the HSEA; or

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(c) does or is likely to give rise to the issue of an improvement or prohibition notice, enforcement proceedings or a prosecution under the HSEA against Owner, Contractor, or the Subcontractor.

The words and phrases used in this clause shall have the same meaning as is ascribed to them in the HSEA.

3.3.2 Contractor undertakes that before a Subcontractor commences work on the Project Site Contractor shall obtain similar warranties as those stated in Subsection 3.3.1 from that Subcontractor in relation to the subcontracted Work.

3.3.3 Contractor shall indemnify and keep indemnified Owner from all costs, damages, fines, penalties and expense incurred or suffered by Owner in respect of any breach of the HSEA and/or conviction or proceedings instigated against Owner pursuant to the HSEA directly or indirectly related to a breach by Contractor of any of the warranties set out in Subsection 3.3.1.

3.3.4 If Contractor becomes aware that it is or may be in breach, or is likely to be in breach of any of the warranties in Subsection 3.3.1 or any Subcontractor is or may be in breach of or is likely to breach the matters set out in the agreement between the Contractor and Subcontractors pursuant to Subsection 3.3.2, then Contractor shall immediately notify Owner of such a breach or anticipated breach and, in relation to any breach or anticipated breach in relation to any of the Work or subcontracted Work, Contractor shall consult with the Owner's Representative to avoid, remedy or mitigate such breach or anticipated breach.

3.3.5 Contractor, pursuant to the warranties given in Subsection 3.3.1, shall have regard to the contents of the safety programme agreed between Owner and Contractor in accordance with Exhibit A, Article 2.3.5.6. A copy of the agreed safety programme shall be kept at the office of Contractor.

3.4 PROJECT REPRESENTATION

Contractor has reviewed the provisions of the Supply Contract and undertakes to Owner that the combination of the Work and the Equipment are adequate so that the

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Project, when completed in accordance with this EPC Contract, will meet the requirements of Owner set forth in Exhibit A.

ARTICLE 4 - OWNER RESPONSIBILITIES

4.1 GENERAL RESPONSIBILITIES

Owner shall, at Owner's cost and expense and not as part of the EPC Contract Price payable to Contractor:

(a) Be responsible for making any and all arrangements for any sale and purchase of electricity to be generated by the Project, and for ensuring that the Electric Power Distributor accepts the connection of the Project and the delivery of electricity generated by the Project at the high voltage interface point specified in Article 1.4, number 5 of Exhibit A in good time to permit commissioning, start-up, testing and operation of the Project in accordance with the Project Schedule.

(b) Arrange for and enter into all necessary agreements for completion of financing for the entire Project with Lender(s) on terms acceptable in all respects to Owner and, in addition, on terms consistent with this EPC Contract.

(c) Arrange for and obtain all consents and permits required (including without limitation all environmental, air, water, zoning, use, construction for any part of the Project, but specifically excluding the building consent) and provide the other items described in Article 3 of Exhibit A, each in good time as required by Contractor to permit Contractor to proceed with the Work in accordance with the Project Schedule, on terms acceptable to Owner, and in accordance with the terms of this EPC Contract, and to pay for all fees associated therewith. Without derogating from the aforesaid, Contractor, upon Owner's specific request, will provide all necessary technical information to Owner regarding the Project to aid Owner in its efforts to obtain such consents and permits.

(d) Provide the Project Site, including space for all Project construction facilities, lay-down, storage and disposal areas, roads and other means of access to Contractor in good time to permit Contractor to proceed with the Work in accordance with the Project Schedule, after and in accordance with Contractor notification to Owner

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of its reasonable requirements regarding amount, weight and dimensions of equipment to be transported and size and layout of the lay down areas.

(e) Obtain all consents, way leaves and approvals in connection with the regulations and by-laws of any local or other authority which are applicable to the Work on the Project Site in good time to permit Contractor to proceed with the Work in accordance with the Project Schedule, on terms acceptable to Owner, and in accordance with the terms of this EPC Contract.

(f) Obtain and provide all other lands, easements, and rights of way necessary for the construction of the Project and the Electrical Interconnection Facilities in good time to permit Contractor to proceed with the Work in accordance with the Project Schedule, on terms acceptable to Owner, and in accordance with the terms of this EPC Contract.

(g) Obtain and provide the supply of Geothermal Fluid in accordance with the Geothermal Fluid Specifications to the Geothermal Fluid Interface Point in good time to permit commissioning, start-up, testing and operation of the Project in accordance with the Project Schedule.

(h) Provide reinjection wells that are sufficient to accept reinjection of the brine and the condensate at the flow rates defined in Article 1.4 of Exhibit A or provide an alternative solution in accordance with the Law and the Project consents and permits, all of which will enable performance testing of the Project in accordance with the Project Schedule and operation and maintenance of the Project. .

(i) Provide the Equipment as provided herein, including without limitation performing the obligations of Owner under the Supply Contract and providing the Equipment furnished by Supplier there under to Contractor immediately upon receipt in accordance with Section 3.1(d). Nothing in this EPC Contract shall make or imply that Owner is in any way responsible for the specification, design or performance of the Equipment.

(j) Obtain and provide electricity, water and communications required at the Project Site as specified in Article 3.3 of Exhibit A on terms acceptable to Owner,

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and in accordance with the terms of this EPC Contract and in good time to permit construction, commissioning, start-up, testing and operation of the Project in accordance with the Project Schedule and to obtain and provide electricity, water, communications and any other utilities or facilities required at the Project Site in good time to permit Contractor to perform all of its warranty obligations.

(k) Designate an Owner's Representative who shall act as a single point of contact with Contractor in all matters on behalf of Owner. Contractor may require replacement of Owner's Representative on reasonable grounds which shall be described to Owner.

(l) At least 4 (four) months prior to commencement of Contractor's commissioning activities, provide up to 3 (three) senior operating and maintenance personnel and at least 2 (two) months prior to commencement of Contractor's commissioning activities, provide up to 13 (thirteen) regular operating and maintenance personnel, all for training by Contractor as provided pursuant to Section 3.1(m), and for commissioning, start-up, performance testing, and operation through Final Acceptance. Owner and Owner's operation and maintenance personnel shall cooperate with Contractor in allowing Contractor to conduct all testing activities, including the Final Acceptance Performance Test, to complete the Work and to perform all of Contractor's warranty obligations in a timely and cost efficient manner.

(m) Pay the fees in connection with obtaining the building consent in excess of the sum of \$5000 N.Z. (Five Thousand New Zealand Dollars), and for all New Zealand sales, use, excise, value added, goods and services tax, customs and similar taxes payable with respect to the Project and payment of the EPC Contract Price, and pay all real property taxes or other taxes assessed against the Work or the Project Site, provided that Owner's obligation to pay such taxes shall not extend to any personal income or withholding tax assessed against Contractor in respect of income received for performing the Work under this EPC Contract.

(n) Promptly (but not later than 15 days from delivery) approve, or provide written comments to the extent necessary to, all Design Information submitted to Owner for approval or comment pursuant to Article 9 hereto.

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(o) Owner shall be the importer of record and consignee for all goods and materials supplied under this EPC Contract and the Equipment and shall be responsible for all New Zealand taxes, duties and levies associated therewith. Owner hereby grants to Contractor the right to act as Owner's agent, including executing documentation on Owner's behalf, for purposes of

accomplishing the importation of all goods and materials for the Project into New Zealand under this EPC Contract and the Supply Contract, including the Equipment, and the processing of such goods and materials through customs.

(p) Owner and/or the Tuaropaki Trust shall retain or obtain, according to the case, all the rights to Assets for the duration of this EPC Contract.

Contractor has been chosen by Owner and by the Tuaropaki Trust as their contractor for the Project and for the development of the second, 40 MW of geothermal resource on or utilizing the Assets. Any transfer, mortgage, assignment, sale or other disposition of Assets or rights to Assets to a third party, any further undertakings on behalf of Owner and/or the Tuaropaki Trust regarding the Project, and any introduction of an equity participant, joint venture partner or other participant in any manner in the Project by Owner and/or the Tuaropaki Trust shall be subject to Contractor's rights to develop the second, 40 MW of geothermal resource on or utilizing the Assets as aforesaid and to all of Contractor's rights under this EPC Contract, and Owner and/or the Tuaropaki Trust shall provide Contractor with said new participant's acknowledgment and consent to said conditions.

4.2 RESPONSIBILITIES OF OWNER'S REPRESENTATIVE

The Owner's Representative shall be authorized to carry out the specific duties specified in this EPC Contract. In carrying out such duties, and in exercising any other authority he/she may have under this EPC Contract, the Owner's Representative shall be entitled to seek the advice and assistance of Owner, Lender and their respective consultants employed from time to time.

Wherever under this EPC Contract the Owner's Representative is required to exercise his/her discretion by:

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- (a) giving a decision, opinion or consent; or
- (b) expressing satisfaction or disapproval; or
- (c) determining value; or
- (d) otherwise taking action which may affect the rights and obligations of Owner or Contractor;

the Owner's Representative shall consult with Contractor in an endeavour to reach an agreement before exercising such discretion. If agreement is not achieved, the Owner's Representative shall exercise such discretion fairly, reasonably and in accordance with the terms of this EPC Contract having regard to all the circumstances.

If Contractor has a Dispute with the determination or discretion made by the Owner's Representative, such Dispute shall be resolved as provided in Article 16. Until any contrary determination is made pursuant to Article 16, Contractor shall proceed with the decisions and instructions given by the Owner's Representative in accordance with his/her range of authority and with this EPC Contract.

Owner shall be entitled to replace the Owner's Representative from time to time upon giving prior written notice to Contractor.

ARTICLE 5 - NOTICE TO PROCEED

5.1 PROVISION OF NOTICE TO PROCEED

Immediately upon fulfilling all its obligations under Sections 4.1(a) and (b) and the Tuaropaki Trust providing the guarantee pursuant to Section

13.2, Owner shall provide Contractor a Notice to Proceed directing Contractor to commence and complete the Work under this EPC Contract and Owner shall provide Supplier a Notice to Proceed directing Supplier to commence and complete the Work under the Supply Contract.

5.2 CONTRACTOR COMMENCEMENT OF ACTIVITIES

Contractor shall commence performance of the Work for the Project upon Contractor's and Supplier's receipt of the Notices to Proceed issued in accordance with

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Section 5.1 above and the Supply Contract. Subject to the terms and conditions of this EPC Contract, Contractor shall (i) complete the Work necessary to comply with the requirements of Exhibit A, Scope of Work, and (ii) procure that the Project satisfactorily meets the requirements for Final Acceptance by the Scheduled Final Acceptance Date.

5.3 DELAY IN PROVISION OF NOTICE TO PROCEED

(a) If the Notices to Proceed are not issued under Section 5.1 above by December 31, 2002, Contractor shall have the right to extend the Project Schedule, Scheduled Substantial Completion Date, Scheduled Final Acceptance Date and related dates by up to 3 (three) months.

(b) If the Notices to Proceed are not issued under Section 5.1 above by December 31, 2004, and the conditions in Sections 4.1(a) and (b) have not been fulfilled despite Owner's best endeavours, either of the parties shall have the right to terminate, or by mutual agreement the parties may agree to extend, or amend, this EPC Contract.

5.4 EXTENSION OF TIME

5.4.1 Contractor shall be entitled to an extension to the Scheduled Substantial Completion Date and the Scheduled Final Acceptance Date to the extent that Contractor is or will be delayed either before or after such dates by any of the following causes:

- (a) a Change in the Work (other than a change in the Work requested by Contractor under Section 8.6);
- (b) a Change in Law;
- (c) a Force Majeure event;
- (d) physical conditions or circumstances at the Project Site, which are materially adverse and would not be reasonably foreseeable by an experienced contractor;

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- (e) delay to any tests required for Substantial Completion or Final Acceptance as a result of:
 - (i) the failure of Owner to provide the Geothermal Fluid that meets the Geothermal Fluid Specifications or to accept the Geothermal Fluid after it has been run through the Project for reinjection or other disposal; or

- (ii) the failure by a Electric Power Distributor (arising other than as a result of a breach or failure by Contractor or Supplier to comply with their respective obligations under this EPC Contract and Supply Contract, as appropriate) to transport and/or take the electrical power generated by the Project as a result of carrying out such tests or Project commissioning;
- (f) any delay, impediment or prevention by Owner;
- (g) the Geothermal Well Cleaning Period (it is agreed that there will be a day-for-day extension for such period);
- (h) any other entitlement under a provision of this EPC Contract; or
- (i) a delay to Supplier for which Supplier is entitled to an extension of its Delivery Schedule pursuant to Section 5.4 of the Supply Contract.

5.4.2 If Contractor believes that it is entitled to an extension of time under this Section 5.4, Contractor shall give notice to the Owner's Representative of the same as soon as reasonably practicable and in any event within 28 (twenty-eight) days of the day when Contractor learns of the delay. Contractor shall keep such contemporary records as may be reasonably necessary and feasible to substantiate such delay, either at the Project Site or at another location reasonably acceptable to the Owner's Representative and shall provide such information to the Owner's Representative as he or she shall reasonably require. Contractor shall permit the Owner's Representative to

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inspect such records during Contractor's normal business hours, and shall (if requested) provide the Owner's Representative with a copy of such records.

5.4.3 Within 28 (twenty-eight) days of such notice (or such other period as may be agreed by the Owner's Representative), Contractor shall submit supporting details of the delay. Except that, if Contractor cannot submit all relevant details within such period because the cause of delay is continuing or such details are not yet reasonably available, Contractor shall submit interim details at intervals of not more than 28 (twenty-eight) days (from the first day of such delay) and final supporting details of its application within 21 (twenty-one) days of the last day of delay. Contractor's failure to meet any of the time periods specified in this Section 5.4 shall not affect Contractor's right to the extension of time unless such failure has materially prejudiced the ability of Owner to rectify the causes of a delay arising from a cause identified in Section 5.4.1(e) or (f), in which case the extension of time granted to Contractor shall not include any periods of delay that could reasonably have been avoided if not for such failure to give notice.

5.4.4 The Owner's Representative shall proceed in accordance with Section 4.2 to agree upon or determine such extension of time as may be due. The Owner's Representative shall promptly notify Contractor accordingly. When determining each extension of time, the Owner's Representative shall review his or her previous determinations and may revise, but shall not decrease, the total extension of time. If Contractor has a Dispute with the determination or discretion made by the Owner's Representative, such Dispute shall be resolved as provided in Article 16.

6.1 EPC CONTRACT PRICE

For the performance of the Work, Owner shall pay Contractor, in the manner and at the times hereinafter specified, the EPC Contract Price in the amount of \$ 3,462,000 US (Three Million Four Hundred Sixty two Thousands United States Dollars) and \$ 14,460,000 NZ (Fourteen Million Four Hundred Sixty Thousands New Zealand Dollars) which amount shall be subject to adjustment only in accordance with the terms of this EPC Contract. The EPC Contract Price is net of all New Zealand taxes, duties and levies.

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6.2 INDEXING OF EPC CONTRACT PRICE

If the Notice to Proceed occurs after January 15, 2003 , each milestone payment amount set forth in the Payment Schedule (will be adjusted in accordance with changes in the price index for the applicable currency from January 15, 2003 to that for the date of the Notice to Proceed, as per the Price Index of United States Dollars for the United States Dollars portion of the EPC Contract Price and New Zealand Dollars for the New Zealand Dollars portion of the EPC Contract Price from the International Financial Statistics (line 63) as published by the International Monetary Fund.

6.3 PAYMENT

6.3.1 Exhibit B hereto sets forth the Milestone Payment Schedule, which is intended to cause payments to approximate the value of Work performed by Contractor. The Payment Schedule shall be used as the basis for preparation of invoices, certificates and payments. Each payment shall be allocated pro rata between the United States Dollar and the New Zealand Dollar portions of the EPC Contract Price (and paid in such currency).

6.3.2 Upon receipt of the Notice to Proceed, Contractor may issue its first invoice for payment of the first milestone under the Milestone Payment Schedule. Thereafter on or before the tenth day of each month, Contractor shall furnish Owner's Representative a detailed progress invoice for payment based on milestones achieved , during the period ending on the last day of the previous month accompanied by the documents described under the Payment Schedule for which payment is demanded (such invoice to include Contractor's New Zealand registration number for tax purposes).

6.3.3 Upon Final Acceptance, Contractor shall submit an invoice to Owner's Representative, summarizing and reconciling all previous invoices and payments in the amount of the EPC Contract Price less payments to date. Owner shall pay the amount of the EPC Contract Price outstanding in full within 10 (ten) business days of receipt of such invoice or 30 (thirty) days of Final Acceptance, whichever occurs later, subject to Subsections 6.3.4 and 6.3.5 below.

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6.3.4 Owner's Representative shall verify that the progress invoice, the final invoice submitted under Section 6.3.3 and the documents submitted for payment are in accordance with the documentation required under the Payment Schedule, and shall, within 7 (seven) days of their receipt, either approve said invoice or give written notice within such period of errors in said documentation. If Owner's Representative fails to approve the invoice for release of the progress payment or to provide the notice regarding errors in the documentation within such period, in the absence of the invoice and the documents being patently false or inaccurate, the invoice and the accompanying documentation shall be deemed conclusive evidence sufficient for the release of such progress payment. In the case Owner's Representative provides written notice of errors in said documentation within the period described herein, and

the contents of Owner's Representative's notice is not in dispute, Contractor shall resubmit the corrected progress invoice and/or documentation, and the above described approval process shall reapply. The invoice as approved by the Owner's Representative shall comprise a tax invoice for the purposes of New Zealand goods and services tax.

6.3.5 Owner shall pay Contractor the first payment due under the payment Schedule within 14 (fourteen) of the receipt of Contractor invoice. With respect to all invoices thereafter, Owner shall pay Contractor on or before the first business day of the following month the amount owed as set forth in Contractor's invoice plus the goods and services tax, subject to Subsections 6.3.2 and 6.3.4 above, less any set-off for amounts which are due and owing to the Owner from the Contractor under this EPC Contract and which are not legitimately in dispute.

6.3.6 If any punch list items remain to be completed upon Final Acceptance, Owner's Representative may determine to withhold an amount from the final milestone payment equal to up to one and a half times the reasonably estimated value of all punch list items remaining on an agreed upon punch list, with each such withheld amount to be paid to Contractor upon satisfactory completion of each such punch list item.

6.3.7 If there is any Dispute about amounts invoiced and not paid, and the Dispute is not resolved within 14 (fourteen) days of notice of Contractor of such Dispute, Contractor shall have the right to suspend the Work in accordance with Section 20.4 hereunder until payment is received or resolution of the dispute, whichever occurs earlier.

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6.4 INTEREST FOR LATE PAYMENTS

Amounts not paid by Owner when due in accordance with Section 6.3 shall bear a late payment charge from the date payment was due to the date of payment at a rate per annum equal to the following rates for the applicable currency published on the date due for payment, but not in excess of the maximum amount permitted by Law provided that no such interest shall be payable by Owner to the extent the delay in payment is caused as a result of Contractor's default:

- (a) for lateness in payments of United States Dollars -- 90 (ninety) day LIBID rate + 3% (three percent).

LIBID means the London Eurodollar Deposit rate displayed at or about 11:00 A.M. London Standard Time on the Reuter monitor Screen on page RMEY in London.

- (b) for lateness in payments of New Zealand Dollars -- 90 (ninety) day BBR rate + 4% (four percent).

BBR means the New Zealand 90 (ninety) Day Bank Bill Rate displayed at or about 10:45 A.M. New Zealand time on page "BKBM" in Wellington, New Zealand.

6.5 INTEREST DURING CONSTRUCTION

In view of the fact that the parties have agreed upon the Payment Schedule, the EPC Contract Price will be reduced as described below to compensate Owner in whole or in part for the costs to Owner for interest during construction. Commencing after 15% (fifteen percent) of the EPC Contract Price is received by Contractor, there shall be at the time of payment a reduction from the United States Dollar portion and the New Zealand Dollar portion of each Payment Schedule payment made thereafter until, but not

including, the payment of the milestone payment due upon Substantial Completion, in the applicable amounts described below:

For the United States Dollar portion of the payment, the amount calculated under the following formula:

$$\text{US\$R} = \text{US\$P} \times \text{USI} \times \text{D}/365$$

Where:

US\\$R = the amount of the reduction in the United States Dollar portion of the applicable Payment Schedule payment

US\\$P = the United States Dollar portion of the applicable Payment Schedule payment

USI = the interest rate factor for the United States Dollar portion of the applicable Payment Schedule payment which shall be the 90 (ninety) day LIBID Rate (for the business day immediately preceding the payment date) + 1 1/5% (one and one-fifth percent) per annum

D = the number of days between the payment date and the then current Scheduled Substantial Completion Date

For the New Zealand Dollar portion of the payment, the amount calculated under the following formula:

$$\text{NZ\$R} = \text{NZ\$P} \times \text{NZI} \times \text{D}/365$$

Where:

NZ\\$R = the amount of the reduction in the New Zealand Dollar portion of the applicable Payment Schedule payment NZ\\$P = the New Zealand Dollar portion of the applicable Payment Schedule payment instalment)

NZI = the interest rate factor for the New Zealand Dollar portion of the applicable Payment Schedule payment which shall be the 90 (ninety) day

BBR Rate (for the business day immediately preceding the payment date) + 2% (two percent) per annum

D = the number of days between the payment date and the then current Scheduled Substantial Completion Date

ARTICLE 7 - SUBSTANTIAL COMPLETION AND FINAL ACCEPTANCE

7.1 SUBSTANTIAL COMPLETION

7.1.1 When:

- (a) the Project is substantially complete and Contractor

has complied with all provisions of this EPC Contract relating to the installation of all components and systems of the Project (except for completion of insulation, painting, final grading and any other portion of the Work not affecting the operability, safety, mechanical and/or electrical integrity of the Project);

- (b) the Project is mechanically and electrically sound;
- (c) the Project has completed initial operation, adjustment and testing for Substantial Completion, as defined in Exhibit D hereto; and
- (d) Contractor has submitted draft as-built drawings and operation and maintenance manuals to the Owner's Representative, such drafts to be in sufficient detail for Owner to operate and maintain the Project;

Contractor shall serve notice on the Owner's Representative to that effect.

7.1.2 The Owner's Representative shall inspect the Work within 14 (fourteen) days of receipt of Contractor's notice under Subsection 7.1.1, and shall either:

- (a) countersign Contractor's notice as described in Exhibit B hereto, at which stage, Substantial Completion shall have occurred as of the date of Contractor's notice; or

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- (b) issue a notice to Contractor specifying the Work which is required to be done to comply with the requirements of Subsection 7.1.1 before Substantial Completion is achieved, in which case Contractor shall be entitled to receive the Owner's Representative's countersignature within 14 (fourteen) days of completion of the Work specified in such notice, and Substantial Completion shall occur on the date of completion of such Work.

7.1.3 Notwithstanding any other provision of this EPC Contract, if the Project has met the requirements set forth in Sections 7.1.1(a), (b) and (d), but due to the occurrence of any of the events described in Section 5.4.1(e) or (f) Contractor is unable to carry out the testing for Substantial Completion as defined in Exhibit D hereto within 60 (sixty) days after the Scheduled Substantial Completion Date (not taking into account any extensions of the Scheduled Substantial Completion Date by virtue of the occurrence of the events described in Section 5.4.1(e) or (f)), then Substantial Completion shall be deemed to have occurred, and Contractor shall be entitled to payments corresponding to Substantial Completion under the Milestone Payment Schedule.

7.2 FINAL ACCEPTANCE

When construction of the Project is completed as specified in this EPC Contract (including completion of the uncompleted Work described in Section 7.1.1(a), but excluding punch list items which shall be handled as provided in Section 6.3.6 and, in the case of clause (b) below, not including any construction that cannot reasonably be completed due to the occurrence of any of the events described in Section 5.4.1(e) or (f)), Final Acceptance of the Project shall occur upon the earlier of:

(a) the date upon which:

- (i) There is satisfactory completion of the Final Acceptance Tests under Exhibit D, or compliance with the associated remedy set forth in Section 12.2, according to the case; and

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- (ii) Contractor has submitted final as-built drawings and operation and maintenance manuals to the Owner's Representative; and
- (iii) Contractor has paid all liquidated damages due pursuant to Sections 12.1 and 12.2; or

(b) a date which is 97 (ninety-seven) days after Substantial Completion or 37 (thirty-seven) days after deemed Substantial Completion under Section 7.1.3, as appropriate, if the Final Acceptance Tests have not been satisfactorily completed under this EPC Contract due to the occurrence of any of the events described in Section 5.4.1(e) or (f).

7.3 DELAYED TESTS

7.3.1 If the Final Acceptance Tests have not been performed and Final Acceptance has been deemed to have occurred pursuant to Section 7.2(b):

- (a) the Project shall be properly maintained by Owner at Owner's expense in accordance with:
 - (i) good industry practices; and
 - (ii) operation and maintenance manuals, instructions and specific recommendations provided by Contractor to Owner; and
- (b) once every 6 (six) weeks until the Final Acceptance Tests can be performed Contractor may conduct an inspection of the Project to ensure proper maintenance of the Project, at Owner's expense, is being carried out.

7.3.2 If geothermal fluid has been run through any part of the Project or the Project has otherwise been operated by Owner, for a cumulative period of more than 6 (six) weeks, Contractor may require that the parties jointly open and inspect the Project prior to the Final Acceptance Tests being carried out.

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7.3.3 Subject to Subsection 7.3.5, if the events that prevented the commencement of the testing cease, the parties shall inspect the Project and:

- (a) if the Project is in good, clean and as-installed condition, Contractor will proceed within a reasonable period of time to conduct the Final Acceptance Tests not previously completed; or
- (b) if the Project is not in good, clean and as-installed

condition, prior to the conduct of the Final Acceptance Tests, Contractor will within a reasonable period of time clean and repair the Project (as Contractor reasonably deems appropriate) at Owner's expense and then conduct such tests; and

- (c) if the Project can not be cleaned and/or repaired to a standard to enable the Final Acceptance Tests to be carried out, the testing protocols and requirements shall be revised accordingly to adjust for the constraints which prevent such tests from being performed as originally defined and within a reasonable period of time Contractor shall conduct such revised tests.

7.3.4 Contractor shall be paid all costs and expenses arising directly from such prevention and delay, including without limitation those costs and expenses reasonably incurred for demobilization and remobilization and increased costs and expenses incurred for rescheduling of the testing.

7.3.5 Contractor's obligations under this Section 7.3 shall cease upon the end of the earlier of (a) 8 (eight) months after the date of the deemed Substantial Completion under Subsection 7.1.3 or (b) 7 (seven) months after the date of deemed Final Acceptance under Section 7.2(b), if Contractor has not been able to commence the testing for Final Acceptance before the end of the applicable period.

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ARTICLE 8 - CHANGES IN THE WORK

8.1 CHANGE IN THE WORK

All Changes in the Work shall be recorded in a written instrument signed by the Owner's Representative and Contractor and shall not be implemented by Contractor without such written instrument.

8.2 EFFECT OF CHANGE IN THE WORK

No Change in the Work shall in any way vitiate or invalidate this EPC Contract.

8.3 REQUEST

In addition to the mandatory Changes in the Work as provided in Article 22, either party may request a Change in the Work by written request to the other party, provided however, that neither party may request or require changes or deletions which, in the aggregate, reduce the EPC Contract Price by more than 15% (fifteen percent).

8.4 ADJUSTMENTS

Should any Change in the Work cause an increase or decrease in the cost of or time required for performance of this EPC Contract or otherwise affect any provision of this EPC Contract (save as provided in Section 8.6), an adjustment will be made to the EPC Contract Price, including for added expenses for interest during construction, Project Schedule, Scheduled Substantial Completion Date, Scheduled Final Acceptance Date, performance warranties and any other provision of this EPC Contract which is thereby affected. Any increased cost in the EPC Contract Price due to such Change in the Work shall be payable subject to a progress payment schedule to be submitted by Contractor as part of the proposed written Change in the Work order.

8.5 CHANGE IN THE WORK ORDER

When Contractor is notified of or proposes a Change in the Work, Contractor shall promptly prepare and submit to Owner an estimate of the increase or decrease, if any, in the cost and time required to complete the Project, together with an explanation of the

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basis therefore, and shall inform Owner whether, in Contractor's opinion, such Change in the Work should result in an adjustment to the Scheduled Substantial Completion Date, Scheduled Final Acceptance Date or any other provision of this EPC Contract. A written Change in the Work order signed by Owner and Contractor and describing the Change in the Work, its effect, if any, on the EPC Contract Price, Payment Schedule, Scheduled Substantial Completion Date, Scheduled Final Acceptance Date, Project Schedule, and any other provision of this EPC Contract which is affected must be entered into by the parties in order for the Change to be effective. If Contractor refuses to sign a written Change in the Work order which has been signed by Owner's Representative and Owner's Representative considers such refusal to be arbitrary or unreasonable, then the matter shall be referred for resolution according to the Dispute Resolution mechanism under Article 16 hereto.

8.6 CONTRACTOR CHANGES

Notwithstanding the foregoing, or anything expressed or implied in this EPC Contract, if Contractor requests a Change in the Work so as to make the Project meet the Design Conditions, or to otherwise comply with its obligations under this EPC Contract and such request does not involve any other cause or event that would otherwise entitle Contractor to such Change in the Work under this EPC Contract, such Change in the Work shall be at Contractor's own cost and expense and shall be subject to the consent of the Owner's Representative (which consent shall not be unreasonably withheld). If the Owner's Representative withholds its consent to such Change in the Work, and Contractor remains of the view that it is necessary for the completion of the Work in accordance with this EPC Contract, then the matter shall be referred for resolution under Article 16.

8.7 SOURCES OF PAYMENT

Notwithstanding the foregoing, Contractor shall not be required to implement any Change in the Work in excess of an aggregate value of NZ\$25,000 (Twenty Five Thousand New Zealand Dollars) for all Changes in the Work until adequate assurances have been provided to Contractor by Owner of sources of payment by means acceptable to Contractor to pay for any increased costs and any extensions in time.

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8.8 EFFECT OF CHANGES ON WARRANTIES AND SAFETY

If Contractor reasonably believes that a proposed Change in the Work may negatively affect any express or implied warranty of the Work, Contractor shall serve Owner notice within 14 (fourteen) days of the receipt of such proposal of its belief and the believed effect. If Owner insists, despite Contractor's notice, to require the execution of such proposal, Contractor shall comply with Owner's requirement to execute the proposal, but Contractor may void negatively affected warranties or performance guarantees, but only to the extent related to or derived from Owner's proposal.

If Contractor believes that a proposed Change in the Work may negatively affect safety of the Work or persons in its vicinity, Contractor shall serve Owner notice within 14 (fourteen) days of such proposal of its

belief and the believed effect, and Contractor shall not be required by Owner to execute such proposal.

8.9 OTHER PROVISIONS UNAFFECTED

Except to the extent a Change in the Work specifically amends one or more provisions hereof, all provisions hereof shall apply to all Changes in the Work, and no Change in the Work shall be implied as a result of any other Change in the Work.

ARTICLE 9 - ACCESS AND REVIEW BY OWNER

9.1 RESPONSIBILITY FOR DESIGN

Contractor shall be responsible for the development of all technical data, design and other documentation required for the performance of the Work (including the specification of the Equipment).

9.2 INSPECTION OF WORK

Owner and Owner's Representative shall have the right to timely inspect any item of the Work to be provided hereunder.

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9.3 ACCESS TO PROJECT SITE

Owner and Owner's Representative shall have access to the Project Site, at reasonable times and upon reasonable notice, shall have the right to be present during all on-site and off-site test procedures and shall have the right to receive, upon request, a single copy of test procedures, quality control reports, and test reports and data. Contractor shall notify Owner at least 21 (twenty-one) days prior to the testing of major equipment items and systems at the Project Site. While at the Project Site, Owner and its representatives shall comply with all of Contractor's safety rules and other job site rules and regulations.

9.4 DESIGN REVIEW

9.4.1 Design Information reasonably requested by the Owner's Representative shall be submitted to him in accordance with this Section 9.4.

9.4.2 Contractor shall submit to Owner's Representative 1 (one) hard and 1 (one) electronic copy of such material Design Information in sufficient time to enable Owner's Representative to review such Design Information in accordance with this Section 9.4. In the event that a re-submission of Design Information is required as provided in this Section 9.4, such re-submission shall be made as soon as reasonably practicable after Contractor's receipt of the relevant statement of objections.

9.4.3 Following receipt of a submission of Design Information in accordance with Subsection 9.4.2, the Owner's Representative shall within 15 (fifteen) days from receipt return one copy of the Design Information to Contractor together with either:

- (a) a notice stating that he/she has no objections to the Design Information as submitted (for the purposes of this Article 9, a "notice of no objection"); or
- (b) a statement of objections which shall identify with due particularity the aspects of the Design Information which do not materially comply with the

provisions of Exhibit A or C and/or accord in any material respect with any Design Information previously submitted by Contractor.

If the Owner's Representative fails to respond within the 15 (fifteen) day period, then he/she will be deemed to have issued a notice of no objection.

9.4.4 If the Owner's Representative returns any Design Information under Subsection 9.4.3(a) or is deemed to have issued a notice of no objection under Section 9.4.3, Contractor may, subject to Subsection 9.4.5, proceed with the Work in accordance with this EPC Contract.

9.4.5 If the Owner's Representative considers that revisions to a submission of Design Information are appropriate, but that such revisions are of minor design significance, the Owner's Representative may issue a notice of no objection subject to an appended schedule of comments identifying the relevant revisions. Subject to the restrictions set forth in Subsection 9.4.6, Contractor shall cause such Design Information to be revised in accordance with such comments, but shall not be obliged to re-submit such Design Information solely on account of such revisions.

9.4.6 If the Owner's Representative returns any Design Information under Subsection 9.4.3(b), Contractor shall cause the Design Information to be revised so as to take account of the properly stated objections and as soon as reasonably practicable shall re-submit such Design Information to Owner's Representative, provided, however, that Contractor shall not be required to make any modifications or changes which are not in accordance with Exhibit A and/or C or prudent engineering practice.

9.4.7 Neither a proper objection raised under Section 9.4.3(b) nor a comment made under Section 9.4.5 shall constitute a Change in the Work.

9.4.8 Except in the case of a Change in the Work, approved Design Information shall not be departed from.

9.4.9 Owner and/or Owner's Representative shall have the right to inspect all of Contractor's Drawings and Specifications and the Design Information at Contractor's premises, for any part of the Work.

9.5 DRAWINGS NOT TO BE PROVIDED

Notwithstanding any other provisions of this EPC Contract, Contractor shall not be required to provide shop drawings nor any of Contractor's or Supplier's confidential manufacturing drawings, designs or know-how nor the confidential details of manufacturing practices, processes or operations.

9.6 USE OF DRAWINGS

Documents, drawings and information supplied by Contractor may be used by Owner, its representatives, assignees and transferees, only for the purposes of completing, operating, maintaining, adjusting and repairing the Work. No license is granted to copy or use documents, drawings or information so supplied in order to make or have made spare parts except as expressly provided in the Supply Contract with respect to the Equipment. Documents, drawings or information so supplied by Contractor shall be subject to the confidentiality clause contained herein in Article 23 and shall not be used, copied or communicated to a third party otherwise than as strictly necessary and permitted under this EPC Contract.

ARTICLE 10 - TESTING

10.1 TEST PROCEDURES

The tests described in Exhibit D hereto shall be performed as described therein, and test results shall be adjusted in accordance with the correction curves as set forth in Exhibit D.

10.2 NOTICE OF TESTING

Contractor shall give Owner's Representative at least 14 (fourteen) days' notice prior to the date(s) on which Contractor will be ready to perform the initial Substantial Completion and Final Acceptance tests under Exhibit D; provided that for any repeated test the notice period shall be at least twenty-four (24) hours before the time established by Contractor for such test. Owner's Representative shall be entitled to have, at its own cost, a suitably qualified independent party present during all such tests. If Owner's

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Representative and/or such independent party fails to attend at the time and place appointed for the tests, Contractor shall be entitled to proceed with the tests in the Owner's Representative's and/or such party's absence. The tests shall then be deemed to have been made in the presence of the Owner's Representative and such party and the results of the tests shall be accepted as accurate. Contractor shall make copies of the test results available to the Owner's Representative as soon as reasonably practicable after completion of such tests.

If major equipment items fail to pass any test, the Owner's Representative may request such test to be repeated on the same terms and conditions and Contractor shall determine whether or not repeated testing shall be executed.

10.3 CONDUCT AND REPETITION OF TESTS

Contractor may at any time prior to Final Acceptance repeat, one or more times, any of the tests described in Exhibit D where Contractor, in its sole discretion, believes that the results of the prior tests are unsatisfactory. Further, Contractor may undertake remedial actions in connection with such repeated tests, provided that such remedial action does not depart from previously approved Design Information without the Owner's Representative's prior consent, which shall not be unreasonably withheld and the response shall be given promptly but not later than (48) forty-eight hours after Contractor's request.

ARTICLE 11 - WARRANTIES

11.1 WARRANTY

Contractor warrants that:

(a) the Work and the Equipment shall conform in all material respects to Laws, permits obtained by Owner pursuant to Section 4.1(c), and the other applicable description, specifications and criteria set forth in this EPC Contract and the Supply Contract;

(b) the Work shall be performed in a workmanlike and skilful manner;

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(c) the Work and the Equipment shall be of good quality and will, on Final Acceptance, be free from defects in workmanship, material, design and title; and

(d) All materials and other items when incorporated in the Work and the Equipment shall be new (except for the diesel generator, which may be reconditioned or second-hand) and of a suitable grade of its respective kind for its intended use.

Contractor makes no warranty regarding the performance of the wells and/or of the performance of the Geothermal Fluid (e.g., chemical composition, temperature, pressure and flow rates) or 110 kV line losses.

11.2 WARRANTY PERIOD

The warranties set forth in Section 11.1 shall inure for the benefit of Owner and its successors and assigns (including the Lender) and, except as expressly provided below in this Section 11.2, shall be in effect from Final Acceptance for the duration of:

(a) 12 (twelve) months (without limiting the longer warranty periods specifically described below in this Section 11.2);

(b) 18 (eighteen) months for the steam turbine/generator and the Ormat turbine/generators included in the Equipment;

(c) 36 (thirty six) months for any defect in the steam turbine blades, nozzles and rotor that results in corrosion or erosion thereof that is materially in excess of the corrosion and erosion that would normally be expected to occur under the circumstances (this extended warranty is conditional upon Owner (i) operating and maintaining the Project in accordance with the operation and shutdown procedures set forth in the operation and maintenance manuals provided by Contractor under this EPC Contract and (ii) maintaining records of the steam quality data (e.g., pH, purity and wetness) collected on a daily basis for the steam entering into the steam turbine and providing copies of such records to Contractor upon its request); and

(d) 36 (thirty six) months for any defect in the Work of the kind described in Section 11.1 that was caused by the gross misconduct of Contractor and

which would not have been disclosed by a reasonable examination prior to the expiry of the above described applicable warranty period (for purposes of this paragraph, "gross misconduct" does not comprise each and every lack of care or skill but means an act or omission on the part of Contractor which implies either a failure to pay due regard to the serious consequences which a conscientious and responsible contractor would normally foresee as likely to ensue or a wilful disregard of any consequences of such act or omission).

The warranty period set forth in paragraphs (a) or (b) above with respect to any item of the Work that is repaired, replaced, modified, or otherwise altered after Final Acceptance by Contractor shall extend until the date of expiration of the original warranty, or a period of 6 (six) months from the date of completion of such alteration, whichever is later, provided, however, that in no case shall the warranty extended hereunder exceed the maximum period of 6 (six) months beyond the end of the original warranty period.

11.3 CORRECTION OF IMPROPER WORK

Owner shall notify Contractor immediately upon discovery of any failure

which, at the time of discovery, appears to give rise to a Contractor warranty claim. A written "failure report", which includes available technical and logistic information to assist Contractor to assess the damage to the Work or Equipment and to evaluate appropriate corrective action, shall be provided to Contractor within 5 (five) days of the occurrence. Owner shall supply, upon request by Contractor, all relevant information relating to past maintenance, repair and operational data relating to the failed Work or Equipment. Contractor's responsibility for any such warranty claim shall be limited to the obligation to, as soon as reasonably possible following Contractor's receipt of notice from Owner during the applicable warranty period at its own cost and expense to correct non-compliance with the warranty. All costs incidental to any warranty correction and remedying shall be borne by Contractor, provided, however, that Contractor shall have the obligation in connection with the performance of any warranty work to provide any special rigging, cranes or heavy equipment or any labour required in connection with operating such Work or Equipment, except where such items or labour are readily available at the Project Site, in which case such items or labour shall be provided by

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Owner or Owner's operator, and Contractor shall pay reasonable compensation therefore, and provided that Contractor shall have no obligation in connection with the performance of non-warranty repair and maintenance work, including the cost incidental to the replacement of parts which are not defective but which are replaced in conjunction with a warranty repair at the request of Owner and Owner's operator. Owner or Owner's operator shall provide Contractor with access to Project equipment and workshop space in connection with Contractor's performance of any warranty work. If (a) Contractor requests Owner to perform corrective action under this warranty, or (b) Contractor does not promptly correct and remedy such non-compliance and damage, Owner has the discretion to do so and Contractor shall reimburse Owner the reasonable costs Owner has incurred as a result of such corrective action by Owner.

The liabilities and obligations of Contractor under this Section 11.3 shall not extend to replenishment of normal consumables or any repairs, adjustments, or replacements to the extent required as a result of corrosion and erosion (save as provided in Section 11.2), or wear and tear in the operation of the Project or as a result of failure, other than Contractor's failure to properly store, install, operate and/or maintain the Work, Equipment or parts in accordance with good industry practices, operation and maintenance manuals, instructions, and specific recommendations made by Contractor and/or any changes or modifications made to such equipment or parts without Contractor's express written consent prior to such changes or modifications, or by neglect, abuse, malicious mischief, vandalism, Force Majeure (other than a warranty failure) or by the repair and maintenance of the equipment having been performed or supervised by personnel other than Contractor's personnel or Owner's certified personnel trained or approved by Contractor.

11.4 IMPLEMENTATION OF WARRANTY

The warranty shall be implemented in accordance with the Warranty Procedures in Exhibit G.

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11.5 DISCLAIMER AND RELEASE

11.5.1 EXCEPT FOR GROSS NEGLIGENCE OR FRAUD ON THE PART OF
CONTRACTOR:

AND
(A) THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF CONTRACTOR,

(B) AND RIGHTS AND REMEDIES OF OWNER,

SET FORTH IN THIS EPC CONTRACT WITH RESPECT TO ANY NON-CONFORMANCE OR DEFECT IN ANY WORK OR EQUIPMENT ARE EXCLUSIVE.

11.5.2 OWNER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, REPRESENTATIONS AND LIABILITIES ON THE PART OF CONTRACTOR, TOGETHER WITH ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF OWNER AGAINST CONTRACTOR, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO ANY:

(A) WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE;

(B) WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(C) OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF CONTRACTOR, ACTUAL, PASSIVE OR IMPUTED;

(D) OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY PRODUCT OR PART OF THE PROJECT;

(E) LIABILITY OF OWNER TO ANY THIRD PARTY; AND

(F) INCIDENTAL OR CONSEQUENTIAL DAMAGES.

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11.5.3 CONTRACTOR'S WARRANTY UNDER THIS EPC CONTRACT DOES NOT APPLY TO ANY NON-CONFORMANCE OR DEFECT IN ANY PRODUCT, EQUIPMENT OR PART OF THE PROJECT, TO THE EXTENT SUCH NON-CONFORMANCE OR DEFECT HAS BEEN DIRECTLY OR INDIRECTLY CAUSED BY:

(A) FAILURE BY OWNER OR ITS EMPLOYEES OR CONTRACTORS TO COMPLY WITH ALL OPERATING PROCEDURES;

(B) ALTERATION OF ANY PRODUCT OR PART OF THE PROJECT WITHOUT THE PRIOR WRITTEN CONSENT OF CONTRACTOR, SUPPLIER OR AN AUTHORIZED SERVICE REPRESENTATIVE OF CONTRACTOR OR SUPPLIER;

(C) OPERATION OF ANY PRODUCT, EQUIPMENT OR PART OF THE PROJECT OTHERWISE THAN IN ACCORDANCE WITH THE OPERATION AND MAINTENANCE MANUALS SUPPLIED BY CONTRACTOR OR SUPPLIER;

(D) ABUSE, MISUSE OR NEGLIGENT OPERATION OF ANY PRODUCT, EQUIPMENT OR PART OF THE PROJECT; OR

(E) ANY OTHER INTENTIONAL OR NEGLIGENT ACT OR OMISSION OF OWNER.

ARTICLE 12 - REMEDIES

12.1 LIQUIDATED DAMAGES FOR DELAY IN FINAL ACCEPTANCE

12.1.1 After the Scheduled Final Acceptance Date, Contractor shall pay to Owner as liquidated damages, and not as a penalty, for each day or part of a day which shall elapse between the Scheduled Final Acceptance Date and the date of Final Acceptance a sum equal to 0.137% (one hundred thirty-seven

thousandths of one percent) of both the United States Dollar portion and the New Zealand Dollar portion of the EPC Contract Price per day (plus goods and services tax on such amounts if any) up to a total aggregate sum of 30.54% (thirty and fifty-four hundredths percent) of the EPC Contract

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Price; provided, however, that if the Project does not accomplish Final Acceptance by the Scheduled Final Acceptance Date, but nevertheless is generating electricity, then the liquidated damages payable by Contractor under this Section 12.1.1 shall be reduced (but not to less than zero) by the amount of the revenue (including payments under any hedge agreement) realized by Owner in excess of \$18,000 N.Z. (Eighteen Thousand New Zealand Dollars) per day, if any, during the period starting on the date Owner is entitled to receive such revenue as a result of the partial completion of the Project until the date Final Acceptance occurs.

12.1.2 Owner may, without prejudice to any other method of recovery, deduct the amount of such liquidated damages from any monies due, or to become due, to Contractor under this EPC Contract. In the event of an extension of time being granted under this EPC Contract, the amount due under this Section shall be recalculated accordingly, and any over-payment refunded. The payment or deduction of such damages shall not relieve Contractor from its obligation to complete the Work, or from any other of its duties, obligations or responsibilities under this EPC Contract.

12.1.3 If at any time after the Scheduled Final Acceptance Date, Contractor is delayed in carrying out the Work as a result of any event identified in Section 5.4.1 which would have entitled Contractor to an extension of time had it occurred prior to the Scheduled Final Acceptance Date, Contractor's obligation to pay liquidated damages under Section 12.1.1 shall be suspended for such period as represents the extension of time to which Contractor would have been entitled had Section 5.4 applied.

12.2 LIQUIDATED DAMAGES FOR PERFORMANCE DEFICIENCY

If the Project has failed to satisfy the Guaranteed Capacity upon completion of the Final Acceptance Performance Test used to establish Final Acceptance, Contractor shall pay to Owner as liquidated damages, and not as a penalty, the following sum:

\$3,600 N.Z. (Three Thousand Six Hundred New Zealand Dollars) per kilowatt (plus goods and services tax on such amounts, if any), up to a total aggregate sum of 45% (forty-five percent) of the EPC

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Contract Price, for each kW of capacity deficiency, as determined in the Final Acceptance Performance Test set forth in Exhibit D hereto, below the Guaranteed Capacity.

12.3 PERFORMANCE BONUS

If the Project has exceeded the requirements of the Final Acceptance Performance Test set forth in Exhibit D as is shown in the final test results, the Tuaropaki Trust shall negotiate in good faith with Contractor and/or its assigns for the supply and erection of the third development of the Mokai geothermal resource undertaken by the Tuaropaki Trust, its successors or assigns after seeking approval from the beneficial owners to so negotiate and subject to receipt of their approval. In the event that the parties cannot conclude a

contract as a result of the aforementioned negotiations within 90 (ninety) working days of the commencement of such negotiations, Contractor shall have the right to participate in any tender process undertaken by the Tuaropaki Trust, its successors or assigns regarding such development.

12.4 MAKE RIGHT OBLIGATION

Notwithstanding that Contractor may have paid liquidated damages for the performance deficiency pursuant to Section 12.2:

(a) Contractor may carry out such remedial Work and repeat the Final Acceptance Performance Test, in accordance with Article 10, for a period of 120 (one hundred and twenty) days following Final Acceptance, which period shall be extended to take into account any event described in Section 5.4.1;

(b) if the results of the last such repeated Final Acceptance Performance Test show that:

(i) such performance deficiency has been reduced or rectified, Owner shall refund such performance related liquidated damages, or a proportionate amount up to the amount calculated and paid or owing pursuant to Section 12.2; or

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(ii) such performance deficiency has been increased, Contractor shall pay to Owner a further amount, in respect of the increased deficiency, calculated under Section 12.2 as liquidated damages.

All such remedial Work and repeat tests shall be conducted in such a way and at such times as to minimize so far as reasonably possible interference or disruption to the normal operation of the Project.

12.5 EXCLUSIVITY

Notwithstanding the warranties set forth in Section 11.1, but subject to Sections 12.1 and 12.6 and Owner's right to terminate under Section 21.1.1(d) for gross delays or deficiencies, the remedies described in this Article 12 shall constitute Owner's sole and exclusive remedies for liabilities arising from schedule delays (up to 223 days) and performance shortfalls up to 5 MW hereunder. If the performance shortfall is greater than 5 MW, then Owner must within thirty (30) days of completion of the relevant tests elect to either receive the liquidated damages described in Section 12.2 as its sole and exclusive remedy for liabilities arising there from or alternatively exercise its termination rights under Section 21.1.1(d) and, subject to the limitations set forth in Article 11 and Section 12.7 of this EPC Contract, seek to recover damages from Contractor. If the schedule delays exceed 223 days, then Owner must within thirty (30) days of such 224th day elect to either receive the liquidated damages described in Section 12.1 as its sole and exclusive remedy for liabilities arising there from or alternatively exercise its termination rights under Section 21.1.1(d) and, subject to the limitations set forth in Article 11 and Section 12.6 of this EPC Contract, seek to recover damages from Contractor in which case any liquidated damages previously received or setoff by Owner shall be taken into consideration and/or refunded as appropriate based upon the final determination of damages caused by such delay and payable by Contractor to Owner.

12.6 GENERAL LIMITATION OF LIABILITY

(a) Notwithstanding any other provision to the contrary in this EPC Contract, Contractor shall in no event be liable to Owner, by way of indemnity or by reason of any breach of this EPC Contract or in tort, including

liability, or otherwise, for loss of use of any part (or all) of the Project or for the cost of substitute equipment or materials or for loss of production, loss of profit or loss of contract or for any indirect, consequential loss or damage which may be suffered by Owner, except that this Section 12.6(a) shall not limit the liability of Contractor under Section 12.1 or 12.2 (liquidated damages for delay and performance deficiency).

(b) The total liability of Contractor to Owner on all claims of any kind (other than under Section 17.1(b)) shall in no case exceed the aggregate of the EPC Contract Price and the Supply Contract Price provided however that if Owner shall receive any amount from Supplier directly for any claims under the Supply Contract, the maximum liability of Contractor shall be reduced accordingly.

(c) Owner is not permitted to sell, assign or otherwise transfer all or any part of the Work without obtaining an acknowledgment and undertaking in writing from the third party that it will afford Contractor and its Subcontractors with the protection of this Section 12.6.

(d) Contractor agrees that Supplier's and Supplier's Subcontractors' liability on all claims of any kind regarding the Equipment shall be subject to the terms of limitation of liability described in this Section 12.6.

ARTICLE 13 - SECURITIES

13.1 SECURITY PROVIDED ON BEHALF OF CONTRACTOR

(a) Contractor's obligations under this EPC Contract shall be secured by a performance bond in the form of a standby letter of credit provided by a reputable surety company or financial institution (reasonably acceptable in all respects to Owner) in the form attached hereto as Exhibit J-1 in the maximum amount equal to 30% (Thirty Percent) of the New Zealand dollar portion of the EPC Contract Price (the "NZ\$ Denominated L/C"). The NZ\$ Denominated L/C shall be provided prior to receipt of the first NZ\$ payment under the Milestone Payment Schedule, shall become effective upon Contractor's receipt of the first NZ\$ payment under the Milestone Payment Schedule and shall be increased from time to time by the New Zealand dollar amounts received by

Contractor from Owner under the Milestone Payment Schedule up to the 30% (Thirty Percent) maximum NZ dollar amount specified above.

(b) Further, Contractor's obligations under this EPC Contract and Supplier's obligations to deliver Equipment under the Supply Contract shall be secured by a performance bond in the form of a standby letter of credit provided by a reputable surety company or financial institution (reasonably acceptable in all respects to Owner) in the form attached hereto as Exhibit J-2 (the "US\$ Denominated L/C"). The US\$ Denominated L/C shall be provided prior to receipt of the first US\$ payment under the Milestone Payment Schedule of the Supply Contract, shall become effective upon Supplier's receipt of the first US\$ payment under the Milestone Payment Schedule of the Supply Contract and shall be increased from time to time by (i) the United States dollar amounts received by Contractor from Owner under the EPC Contract Milestone Payment Schedule for Payment Milestones nos. 1-20 up to a maximum sum of \$1,038,600 US (One million thirty eight thousand six hundred United States Dollars) and (ii) the amounts

received by Supplier from Owner under the Supply Contract Milestone Payment Schedule for Payment Milestones nos. 1-19 up to a maximum sum of \$20,129,540 US (Twenty million one hundred twenty nine thousand five hundred and forty United States Dollars). The US\$ Denominated L/C shall be reduced from time to time upon Supplier's delivery of Equipment or parts thereof under the Supply Contract by the amounts computed as described in Exhibit J-2, so that the US\$ Denominated L/C will be reduced to 30% (Thirty Percent) of the sum of the US dollar denominated portion of the EPC Contract Price and the Supply Contract Price upon the completion of delivery of the Equipment.

(c) Both the NZ\$ Denominated L/C and the US\$ Denominated L/C shall remain valid until Final Acceptance. If the NZ\$ Denominated L/C or the US\$ Denominated L/C by its terms will expire before Final Acceptance, then Contractor shall provide to Owner evidence of the renewal or replacement of said performance bond at least ten (10) business days before such expiration date.

(d) Upon Final Acceptance, the NZ\$ Denominated L/C and the US\$ Denominated L/C shall be reduced to nil and replaced by a performance bond in the form

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of a standby letter of credit provided by a reputable surety company or financial institution (reasonably acceptable in all respects to Owner) in the amount of 5% (five percent) of the combined EPC Contract Price and the Supply Contract Price to secure the performance of Contractor's warranty obligations, which shall remain valid for the Warranty Period defined in Section 11.2.

(e) Ormat Industries Ltd. shall provide a guarantee in the form described in Exhibit E hereto, upon execution of this EPC Contract, to guarantee Contractor's obligations to perform hereunder.

13.2 SECURITY PROVIDED ON BEHALF OF OWNER

The Tuaropaki Trust shall provide a guarantee in the form described in Exhibit F hereto, upon execution of this EPC Contract, to guarantee its and Owner's obligations under Sections 4.1(p) and 12.3 hereunder.

ARTICLE 14 - CARE OF THE WORK; TITLE

14.1 RISK OF LOSS

Except to the extent caused by the negligence or wilful misconduct of Owner and not covered by the insurance required to be maintained pursuant to this EPC Contract, Contractor shall bear the risk of physical loss or destruction of or damage to the Equipment from the point in time such items are delivered FOB (Incoterms 2000) until Final Acceptance, and to the Work and shall retain care of the Work prior to Final Acceptance, provided, however, that (a) in the case Owner assumes said responsibility prior to the completion of any or all testing under Exhibit D, Owner makes best efforts to permit Contractor to proceed with all commissioning, testing, and related activities, provided that, all Work so conducted by Contractor shall be conducted in a fashion to minimize interference with the normal operation of the Work, and (b) any actual proceeds of insurance payable with respect to such loss, damage, or destruction are handled as provided in Section 15.5

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14.2 DELIVERY

Contractor shall be responsible to assure safe delivery of all materials, equipment, tools, supplies and other items to the Project Site related to the Work including all of the Equipment.

14.3 TITLE

Title to the Work shall pass from Contractor to Owner upon the earlier of delivery to the Project Site or payment to Contractor under this EPC Contract for the applicable Work.

ARTICLE 15 - INSURANCE

15.1 CONTRACTOR PROVIDED INSURANCE

Contractor shall provide the following insurance with the indicated limits, with its insurance carriers, naming all Subcontractors, Owner and Lender(s) as additional insured and shall maintain such insurance in full force and effect until Final Acceptance. In the event this insurance or any portion of it becomes commercially unavailable on commercially reasonable rates and terms Owner and Contractor shall cooperate in their efforts to obtain such replacement insurance as may be available and this EPC Contract shall be modified accordingly:

(a) Comprehensive General Liability - \$10,000,000 N.Z. (Ten Million New Zealand Dollars) combined single limit;

(b) Equipment and Contractor's plant, goods and materials loss in transit, including ocean marine shipment (replacement value);

(c) Accident Rehabilitation Compensation and Insurance Act (where required by law, statutory limits); and

(d) Contract Works Insurance for the full value of the Project including earthquake, provided however, that the aggregate cost for acquiring and maintaining such cover does not exceed \$ 250,000 US (two hundred fifty thousand United States Dollars), and as available August 14 2002. Cover for fire, collapse, flood and any other catastrophic perils shall be in such sub limits that

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are commercially available at reasonable rates in the commercial insurance market.

15.2 OWNER PROVIDED INSURANCE

Owner shall provide the following insurance with the indicated limits, with its insurance carriers, naming Contractor and Lender(s) as additional insured and shall maintain such insurance in full force and effect through the end of the warranty period or such later period as Lender(s) may reasonably require. In the event this insurance or any portion of it becomes commercially unavailable on commercially reasonable terms Owner and Contractor shall cooperate in their efforts to obtain such replacement insurance as may be available and this EPC Contract shall be modified accordingly:

(a) Control of wells insurance - (repair and replacement value); and

(b) All other insurances reasonably required by Lender(s).

15.3 POLICIES

All policies of insurance maintained pursuant to this Article 15 shall:

(a) require 45 (forty-five) days' prior notice (15 (fifteen) days' prior notice in the event of non-payment of premium) to the additional insured parties of cancellation, non-renewal or material change in coverage;

(b) provide that such insurance is primary without right of contribution from any other insurance which might otherwise be available to the insured party;

(c) provide that any such policy referred to in Section 15.1(d) shall not be cancelled or payment refused in the event of any unintentional failure to make full disclosure (material or otherwise) of any matter or change in circumstance on the part of Lender(s);

(d) provide that, in the event of any loss payment under a policy, the insurer shall waive any rights of subrogation against the insured party and shall waive any setoff or counterclaim or any other deduction whether by attachment or otherwise; and

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(e) include a cross-liability endorsement providing that inasmuch as the policies are written to cover more than one insured, all terms and conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

15.4 EVIDENCE OF INSURANCE

Upon request by Owner, Contractor shall furnish Owner with the policy wording and a Certificate of Insurance as evidence that Contractor provided insurance is being maintained. Upon request by Contractor, Owner shall similarly furnish Contractor with the policy wording and a Certificate of Insurance as evidence that Owner provided insurance is being maintained.

15.5 APPLICATION OF INSURANCE PROCEEDS

In the event of any loss, damage, or destruction to the Project or any part thereof which may give rise to a claim under the insurance maintained by Contractor under Section 15.1:

(a) where the insurance proceeds for the Work and/or the Equipment are equal or less than \$200,000 N.Z. (Two Hundred Thousand New Zealand Dollars), such proceeds shall be paid directly to Contractor.

(b) where the insurance proceeds for the Work and/or Equipment are in an amount exceeding an aggregate amount of NZ\$200,000 (Two Hundred Thousand New Zealand Dollars), Contractor shall:

- (i) give notice of such event to Owner;
- (ii) pursue all such insurance claims with due diligence;
and
- (iii) procure that any such insurance proceeds for events occurring under Subsections 15.1(b) and (d) shall be paid into an interest bearing escrow account nominated by Owner and agreed upon by Contractor, which agreement shall not be unreasonably withheld, at

the expense of Owner, in the joint names of Owner, Supplier and Contractor for the purposes of the Project.

Directions will be placed with the escrow agent that the monies will be released from the account within 48 (forty-eight) hours against presentation by Contractor or Supplier of an invoice and/or shipping documents verified by Owner's Representative as provided below, representing the supply of replacement goods and/or completion of the rectification of the relevant parts of the Work which had been lost, damaged or destroyed. The documents shall first be submitted to Owner's Representative who shall verify and countersign in accordance with the procedures contained in Subsection 6.3.4. Upon completion of the Project all monies remaining in the escrow account relating to the Work shall be immediately released to Contractor.

If this EPC Contract is terminated prior to completion of the Project, the parties shall direct the escrow agent to apply any monies standing to the credit of the escrow account as follows:

- (i) to Owner to the value of the relevant parts of the Work which are lost, damaged or destroyed, which have not been replaced or rectified as of the date of termination and to the extent Contractor or Supplier had been previously paid by Owner for such Work;
- (ii) to Owner any such insurance proceeds paid for other loss or damages of Owner arising out of events giving rise to the claim; and
- (iii) the balance to Contractor;

provided that, in the event of any shortfall in the proceeds of the insurance to cover the payments due under paragraph (i) above, such shortfall shall represent a debit due to Owner from Contractor.

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ARTICLE 16 - DISPUTE RESOLUTION

16.1 CLAIMS

(a) If Contractor intends to claim any additional payment under this EPC Contract, Contractor shall give notice to the Owner's Representative as soon as reasonably practicable and in any event within 28 (twenty-eight) days of the date that Contractor learns of the event giving rise to the claim and its payment implications.

(b) Contractor shall keep such contemporary records as may be reasonably necessary and feasible to substantiate any such claim, either on the Project Site or at another location reasonably acceptable to the Owner's Representative. Without admitting Owner's liability, the Owner's Representative shall, on receipt of such notice, inspect such records and may instruct Contractor to continue keeping such records. Contractor shall permit the Owner's Representative to inspect such records during Contractor's normal business hours and shall (if requested) submit a copy of such records to the Owner's Representative.

(c) Within 28 (twenty-eight) days of such notice, or such later time as may be agreed by the Owner's Representative, Contractor shall send to the Owner's Representative an account, giving then known detailed particulars of the amount and basis of the claim. Where the event giving rise to the claim has a continuing effect, such account shall be considered as interim. Contractor shall then, at such intervals, as the Owner's Representative may reasonably require, but in no event more frequently than bi-weekly, send further interim

accounts giving the accumulated amount of the claim and any further particulars. Where interim accounts are sent to the Owner's Representative, Contractor shall send a final account within 28 (twenty-eight) days of the end of the effects resulting from the event.

(d) The Owner's Representative shall proceed in accordance with Section 4.2 to agree upon or determine such additional payment as may be due. The Owner's Representative shall promptly notify Contractor accordingly. If Contractor has a Dispute with the determination or discretion made by the Owner's Representative, such Dispute shall be resolved as provided in Sections 16.3 and 16.4.

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16.2 PAYMENT OF CLAIMS

Contractor shall be entitled to have included in any progress payment such amount for any claim as the Owner's Representative considers due. If the particulars supplied are insufficient to substantiate the whole of the claim, Contractor shall be entitled to payment for such part of the claim as has been substantiated.

16.3 RESOLUTION BY PARTIES

Owner and Contractor desire that this EPC Contract operate between them fairly and reasonably. If during the term of this EPC Contract, a Dispute arises between Owner and Contractor, or one party perceives the other as acting unfairly or unreasonably, or a question of interpretation arises hereunder, then Owner's Representative and Contractor's project manager shall promptly confer and exert their best efforts in good faith to reach a reasonable and equitable resolution of the Dispute. If the Owner's Representative and the project manager are unable to resolve the Dispute within 20 (twenty) business days, the matter shall be referred within 2 (two) business days of the lapse of the aforementioned 20 (twenty) business days to the parties' responsible corporate officers for resolution. Neither party shall seek resolution by arbitration of any Dispute arising in connection with this EPC Contract until both parties' responsible corporate officers, who shall be identified by each party from time to time, have had at least 20 (twenty) business days to resolve the Dispute following referral of the Dispute to such responsible corporate officers.

16.4 RESOLUTION BY ARBITRATION

If the responsible corporate officers are unable to resolve the Dispute within the above described period, then Owner and Contractor shall enter into binding arbitration as set forth herein. Notice of the demand for arbitration shall be delivered to the other party and the Dispute shall be referred to such arbitrator, if the parties agree upon one, within 20 (twenty) business days of receipt of demand, and if not to 3 (three) arbitrators, one appointed by each party, within 20 (twenty) business days of receipt of demand, each of whom shall be an expert in the construction and power generation field and a third independent arbitrator appointed by the (2) two arbitrators. If a party fails to appoint an arbitrator, then the other party's appointee shall become the sole arbitrator.

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The parties shall proceed with the arbitration expeditiously and shall conclude all proceedings there under in order that a decision may be rendered within 120 (one hundred and twenty) days or, in the case of a payment Dispute, 45 (forty-five) days from service of the demand for arbitration.

Each party shall bear its own expenses in connection with any arbitration, including but not limited to counsel fees, and all joint expenses shall be apportioned in the award of the arbitrators.

Any arbitration shall be conducted in Auckland, New Zealand in accordance with the provisions of the Arbitration Act 1996 (as amended or substituted from time to time).

ARTICLE 17 - INDEMNIFICATION

17.1 CONTRACTOR'S INDEMNITY

(a) Contractor shall defend, indemnify and hold harmless Owner from any and all claims, demands and liabilities arising from the death, sickness or accident of employees of Contractor or of Subcontractors or from damage to their property or from damage to Contractor's property as a result of performance of this EPC Contract, except only to the extent that such deaths, injuries, sickness or accidents are shown to have been caused by the intentional or grossly negligent conduct of Owner.

(b) Contractor shall defend, indemnify and hold harmless Owner from any claims, demands, penalties or liabilities for injury or death to third parties or damage to third party property and/or in respect of any Contractor breach of the Resource Management Act 1991, to the extent directly caused by the negligence of Contractor and/or Subcontractors in activities connected with the Project and/or performance of this EPC Contract.

17.2 OWNER'S INDEMNITY

(a) Owner shall defend, indemnify and hold harmless Contractor from any and all claims, demands and liabilities arising from the death, sickness or accident of employees of Owner or of Owner's subcontractors or from damage to their property or

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from damage to Owner's property as a result of performance of this EPC Contract, except only to the extent that such deaths, injuries, sickness or accidents are shown to have been caused by the intentional or grossly negligent conduct of Contractor.

(b) Owner shall defend, indemnify and hold harmless Contractor from any claims, demands, penalties or liabilities for injury or death to third parties or damage to third party property and/or in respect of any Owner breach of the Resource Management Act 1991, to the extent directly caused by the negligence of Owner and/or Owner's subcontractors in activities connected with the performance of this EPC Contract.

17.3 PATENT INDEMNITY

Contractor shall indemnify Owner from and against all third party claims and proceedings for or on account of infringement of any patent rights, registered design, copyright, design, trademark, trade secret, name, know-how or other intellectual property rights in respect of the Work and the Equipment and from and against all claims, demands, proceedings, damages, costs, charges and expenses whatsoever in respect of or in relating to such rights, except for any use of the Work other than for the original purpose for which it is intended or any infringement which is due to the use of the Work in association or combination with any other plant or item not supplied by Contractor or Supplier.

17.4 NOTICE AND SETTLEMENT OF CLAIMS

A party seeking the benefit of an indemnity shall give the other party prompt notice of any claim giving rise to the indemnity. The other party may at its own cost conduct negotiations for the settlement of such claim and any litigation that may arise there from. The party claiming the benefit of the

indemnity shall not make any admission which might be prejudicial to the other party unless the other party fails to take over the conduct of the negotiations or litigation within a reasonable time after having been so requested.

The other party may not, however, conduct such negotiations or litigation before it has given the party claiming the benefit of the indemnity a reasonable security in circumstances where the party claiming the benefit of the indemnity does not possess such

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reasonable security. The security shall be for an amount which is an assessment of the compensation, damages, expenses and costs for which the party claiming the benefit of the indemnity may become liable and which are the subjects of the indemnity under this Article 17.

The party claiming the benefit of the indemnity shall, at the request of the other party, provide all available assistance for the purpose of contesting any such claim or action, and shall be paid all reasonable costs incurred in doing so.

ARTICLE 18 - ASSIGNMENT

18.1 ASSIGNMENT BY OWNER

(a) Any assignment by Owner shall be subject to Contractor's status as chosen contractor as described in Section 4.1(p) and to all of Contractor's rights under this EPC Contract.

(b) Owner hereby unconditionally and irrevocably assigns all of its rights and obligations for the receipt of liquidated damages from Supplier, as described in Article 11 of the Supply Contract, warranties and remedies from Supplier, as described in Article 10 of the Supply Contract, indemnification, as described in Section 16.3 of the Supply Contract, and remedies for delay under the Supply Contract, to Contractor. Owner further agrees that all its rights and obligations with respect therewith shall inure to the benefit of Contractor as if Contractor were a party to the Supply Contract, and that this assignment shall inure to the benefit of and shall be binding upon the parties' respective successors and assigns. Notwithstanding the foregoing, Owner retains its indemnification rights against Supplier as provided in Section 16.1 of the Supply Contract.

(c) Subject to Sections 18.1(a) and (b), Owner may assign all of its rights, title and interest in and to or arising out of or in connection with this EPC Contract as security for financing of the Project for benefit of Lender(s), provided, however, that any such assignment shall not relieve Owner of any obligation hereunder.

(d) Unless specifically permitted in this Section 18.1, Owner may not assign any or all of its obligations, right, title and/or interest in and to or arising out of or

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in connection with this EPC Contract without the prior written approval of Contractor which approval will not be arbitrarily or unreasonably withheld. Any such assignment shall not relieve Owner of any obligation hereunder.

18.2 ASSIGNMENT BY CONTRACTOR

(a) Contractor may assign all of its right, title and interest in and to or arising out of or in connection with this EPC Contract as security for the Project for benefit of Lender(s) or, for financing of the Work, provided, however, that any such assignment shall not relieve Contractor of any obligation hereunder.

(b) Except to a related company (as defined in Section 2(3) of the Companies Act 1993) or as specifically permitted under Section 18.2(a), Contractor may not assign any or all of its obligations, right, title and/or interest in and to or arising out of or in connection with this EPC Contract without the prior written approval of Owner which approval will not be arbitrarily or unreasonably withheld. No assignment shall relieve Contractor of any obligation hereunder.

18.3 SUCCESSION

This EPC Contract shall inure to the benefit of and be binding upon the successor and permitted assigns (as provided for by Sections 18.1 and 18.2) of the parties hereto. Owner agrees to cause any assignees or transferees of its interest or any portion thereof in this EPC Contract or in the Project, including any lien holder or party holding a security interest with respect thereto, to be bound by Contractor's right to recourse regarding such interest or portion thereof and by the releases and limitations of liability set forth herein.

ARTICLE 19 - SUBCONTRACTORS

19.1 SUBCONTRACTS

Contractor may enter into subcontracts for the performance of parts of the Work and shall be solely responsible for the management and satisfactory performance of all its Subcontractors in their performance of the Work. Contractor shall request that its Subcontractors under subcontracts requiring payment of more than One Hundred Fifty

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Thousand United States Dollars (US\$150,000) execute a Continuity Guarantee in the form attached hereto as Exhibit K. Contractor shall not subcontract any major components of Work (other than for the purchase of proprietary goods and materials or for the provision of labour on a piecework basis) except to Subcontractors appearing on the Approved Major Subcontractors List (as described below). Contractor shall be responsible for the acts, defaults and neglects of any Subcontractor, its agents or employees in their performance of the Work as if they were the acts, defaults or neglects of Contractor, its agents or employees. The issuance of any subcontract shall not relieve Contractor of any of its obligations under this EPC Contract.

19.2 APPROVED MAJOR SUBCONTRACTOR LIST

The Approved Major Subcontractors List attached hereto as Exhibit I is preliminary, and may be amended in the following manner. In the case the need arises to add a Subcontractor to the Approved Major Subcontractors List, in Contractor's opinion, Contractor shall propose such addition to Owner's Representative in writing identifying the type of Work that could be subcontracted to such Subcontractor. Within 15 (fifteen) days after receipt of Contractor's proposal, Owner's Representative shall have the right to advise Contractor of any such potential Subcontractors to which it reasonably objects, together with the reasons for objection and may propose additional Subcontractors based on his or her experience concerning such potential Subcontractor. Contractor shall not add any potential Subcontractor to the list to which Owner's Representative so reasonably objects and shall give due consideration to adding to the list any Subcontractors proposed by the Owner's

Representative. If Owner's Representative fails to respond within such 15 (fifteen) day period, Contractor shall have the right to add said potential Subcontractor to the list.

ARTICLE 20 - SUSPENSION

20.1 RIGHT OF OWNER TO SUSPEND WORK

Owner's Representative may suspend performance of the Work by Contractor hereunder, in whole or in part, upon 10 (ten) days' prior written notice of such suspension to Contractor.

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Such suspension shall continue for the period specified in the suspension notice.

20.2 INITIAL PAYMENTS TO CONTRACTOR

Provided that suspension does not arise as a result of a default on the part of Contractor under this EPC Contract or on the part of Supplier under the Supply Contract, which has not been corrected, Contractor shall be entitled to be paid within 10 (ten) business days of its issuance of an invoice to Owner for all Work carried out up to the date of such suspension (excluding any work of correction) and for payments owing by Contractor to its Subcontractors for commitments made before such suspension which cannot be reasonably avoided.

20.3 EXTENDED SUSPENSION

In the event suspensions by Owner exceed 90 (ninety) days in the aggregate and provided that such suspensions do not arise as a result of default on the part of Contractor under this EPC Contract or on the part of Supplier under the Supply Contract, which has not been corrected, then Contractor may give notice to the Owner's Representative of permission to proceed within 28 (twenty-eight) days. If permission is not granted within that time, Contractor may terminate its obligations under this EPC Contract by so notifying Owner in writing and Contractor shall be entitled to be paid:

- (a) the proportion of the EPC Contract Price consistent with the progress of the Work up to the date of suspension; and
- (b) any costs reasonably incurred by Contractor which are attributable to the suspension and termination of the Work, including cancellation charges owed to third parties; and
- (c) loss of profit calculated at the rate of 9.5% (nine and one-half percent) of the proportion of the EPC Contract Price which will remain unpaid following such termination.

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20.4 RIGHT OF CONTRACTOR TO SUSPEND

Subject to Section 6.3.7, Contractor may suspend performance of the Work hereunder, in whole or in part, upon 10 (ten) days' prior written notice of such suspension where Owner has not paid any amount invoiced by Contractor unless Owner places any unpaid or disputed amount in an interest bearing escrow account for the sole benefit of and immediate payment to Contractor pending resolution of the Dispute in Contractor's favour. Any interest carried on any monies held in escrow shall be paid to the party in whose favour the Dispute is resolved.

Such suspension shall continue for the period specified in the suspension notice.

20.5 ADDITIONAL CHANGES RESULTING FROM SUSPENSIONS

Provided that suspension does not arise as a result of default by Contractor under this EPC Contract or by Supplier under the Supply Contract, the EPC Contract Price shall be adjusted for costs reasonably incurred and profits on such costs at a fixed rate of 12% (twelve percent) as a result of the suspension (including without limitation costs for the purpose of safeguarding and/or storage, personnel, Subcontractors or rented equipment costs, demobilization and re-mobilization costs and increased costs or charges incurred for rescheduling) and the Scheduled Final Acceptance Date and all other dates and milestones herein by which Contractor's responsibilities are measured shall be adjusted to reflect any delays resulting from such suspension (including without limitation a period equal to the suspension period, a period for demobilization and re-mobilization plus any additional period required).

If Contractor shall, solely in consequence of such suspension, be required to perform any obligations under the warranty at a time which exceeds the original schedule for warranty obligations which would have been applied if there had been no suspension, the additional cost of complying with the warranty obligations shall be added to the EPC Contract Price.

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20.6 RESUMPTION OF WORK

Upon receipt of notice to resume the Work in accordance with this EPC Contract, Contractor shall examine the Project and the Work affected by the suspension.

Contractor shall make good any deterioration or defect in or loss of such Project or Work that may have occurred during suspension, and costs incurred in making such examinations and making good and resuming Work shall be added to this EPC Contract Price, if suspension was not necessary by reason of a default on the part of Contractor which has not been corrected.

ARTICLE 21 - TERMINATION

21.1 TERMINATION BY OWNER

21.1.1 Owner may, in its sole discretion, terminate the Work after the occurrence of one or more of the following events of default and if, following a written notice from Owner to cure such event of default, said event of default continues to exist for 10 (ten) days in the circumstances described in (a) and (b) below, and 30 (thirty) days in the circumstances described in (c) and (d) below:

(a) Contractor becomes insolvent or admits in writing its inability to pay its debts or makes an assignment for the benefit of creditors; or

(b) Insolvency, receivership or bankruptcy proceedings are commenced by or against Contractor; or

(c) Contractor defaults in its performance under a material provision of this EPC Contract, provided, however, that Owner may not terminate this EPC Contract if, after notice of the event of default and prior to expiration of the thirty (30) day period set forth above, Contractor has commenced and is diligently pursuing efforts to cure such breach in accordance with a cure plan agreed upon between the parties.

(d) Contractor defaults in its performance of the Performance Obligations as described below.

For the purpose of this paragraph "Performance Obligations" shall mean: (i) the Final Acceptance Performance Test (as repeated under Section 12.4) has established that the level of net electrical generating capacity of the Project equals or exceeds 34 (thirty four) MW, as corrected to the Design Conditions using the correction curves and formulas set forth in Exhibit D, as measured at the high voltage interface point defined in Article 1.4, number 5 of Exhibit A or (ii) Final Acceptance shall occur within 223 days of the Scheduled Final Acceptance Date.

21.1.2 Notwithstanding anything expressed or to be implied to the contrary in this EPC Contract, in the event that the Supply Contract, or the Supplier's employment under it, is terminated for any reason other than the breach of Owner there under, Owner shall be entitled to terminate this EPC Contract forthwith upon notice to Contractor in writing.

21.1.3 Upon termination, Contractor shall deliver to Owner possession of the Work in its then condition, including Drawings and Specifications and contracts with Subcontractors, and construction supplies and aids dedicated solely to construction of the Project. In the event of termination neither party shall be liable to the other hereunder except to the extent that obligations by their terms expressly survive termination.

21.1.4 In the event of termination as provided in Section 21.1.1, Owner shall have the right, at its sole option, to assume and become liable for any reasonable written obligations and commitments that Contractor may have in good faith undertaken with third parties in connection with the Work, which obligations and commitments are by law or by their terms assumable by Owner. If Owner elects to assume any obligation of Contractor as described in this Section 21.1.4, then as a condition precedent to Owner's compliance with any subsection of this Article 21, Contractor shall execute all papers and take all other reasonable steps requested by Owner which may be required to vest in Owner all rights, set-offs, benefits and titles necessary to such assumption by Owner of such obligations. Owner agrees to indemnify and hold Contractor harmless against any liability under any obligations assumed by Owner pursuant hereto.

21.2 TERMINATION BY CONTRACTOR

21.2.1 Contractor may, in its sole discretion, terminate the Work after the occurrence of one or more of the following events of default and if, following a written notice from Contractor to Owner to cure such event of default (copied to the Lender at the address specified in Section 24 below), said event of default continues to exist for 10 (ten) days in the circumstances described in (a) and (b) below, and 30 (thirty) days in the circumstances described in (c) below, and subject to Section 21.2.3:

(a) Owner becomes insolvent or admits in writing its inability to pay its debts or makes an assignment for the benefit of creditors; or

(b) Insolvency, receivership or bankruptcy proceedings are commenced by or against Owner; or

(c) Owner defaults in its performance under a material provision of this EPC Contract, including the obligation to make any payment hereunder; provided, however, that Contractor may not terminate this EPC Contract if, for all cases except for the obligation to make or complete any payment, after notice of the event of default and prior to expiration of the 30 (thirty) day period set forth above, Owner has commenced and is diligently

pursuing efforts to cure such breach in accordance with a cure plan agreed upon between the parties.

21.2.2 In the event of termination as provided in Section 21.2.1, Owner shall pay to Contractor a pro rata portion of the EPC Contract Price consistent with Contractor's progress on the Project up to the date of Owner's receipt of notice of termination plus any costs attributable to and incurred in terminating the Work, including cancellation charges owed to third parties, and compensation for loss of profit in the amount of 9.5% (nine point five percent) for the uncompleted portion of this EPC Contract Price.

21.2.3 In the event of the occurrence of one or more of the events of default, if, following Contractor's written notice to Owner and the Lender to cure such default and before the close of the cure period in Section 21.2.1 above, Lender(s) provide written notice to Contractor of its/their intent to take over the Project and cure such event

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of default, the 30 (thirty) day cure period determined in Section 21.2.1 shall be extended by an additional 30 (thirty) days.

ARTICLE 22 - FORCE MAJEURE

22.1 FORCE MAJEURE

(a) Force Majeure as used in this EPC Contract shall be an event beyond the control of Owner, Contractor or Supplier which either Owner or Contractor (for purposes of this Section 22.1, the "affected party") is unable to prevent or provide against by the exercise of reasonable diligence and which materially affects the affected party's performance of its obligations under this EPC Contract, and shall include, but not be limited to, the following events:

war, declared or not, or hostilities, or belligerence, blockade, revolution, insurrection, riot, expropriation, requisition, confiscation, or nationalization, export or import restrictions by any authorities, closing of harbours, docks, canals, or other assistances to or adjuncts of the shipping or navigation of or within any place, rationing or allocation, whether imposed by law, decree or regulation by, or by compliance of industry at the insistence of any governmental authority, or fire, unusual flood, earthquake, hydrothermal eruption, volcanic eruption, storm, lightning, tide (other than normal tides), tidal wave, perils of the sea, accidents of navigation or breakdown or injury of vessels, accidents to harbours, docks, canals or other assistance to or adjuncts of the shipping or navigation, epidemic, quarantine, strikes or combination of workmen, lockouts or other labour disturbances (except for strike or other labour disturbances by Contractor's employees), or governmental acts and decrees that in fact delay the Work or increase the cost of the Project.

(b) To the extent that the affected party is prevented from or delayed in complying with any of its obligations under this EPC Contract by reason of an event of Force Majeure, such obligation shall be suspended for the duration of the impact of such event upon the affected party.

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22.2 ADJUSTMENTS TO DATES AND COST

In the event Contractor is delayed by Force Majeure, or the cost of the

Work shall be increased, Contractor shall be entitled to an extension of time under Section 5.4 and the EPC Contract Price shall be increased to reflect the increase in the cost of the Work (including warranty) and added expenses incurred by Contractor including those described in Section 6.5.

22.3 OWNER FAILURES

Although not a Force Majeure event, Owner shall be responsible for any increased cost of Contractor, and Contractor shall be entitled to an extension of time under Section 5.4 and to adjustments to the EPC Contract Price under the terms of Section 22.2, due to the failure or delay of Owner (or its representatives, agents, subcontractors or suppliers other than Contractor and Supplier and Contractor's and Supplier's Subcontractors, agents, and employees) to meet its obligations under this EPC Contract, to the extent such failure or delay in fact delays the Work or increases Contractor's cost and/or due to a Change in Law to the extent such change in fact delays the Work or increases Contractor's cost.

22.4 EXTENDED FORCE MAJEURE

If circumstances of Force Majeure have occurred and shall continue for a period of 180 (one hundred and eighty) days then, notwithstanding that Contractor may by reason thereof have been granted an extension of time for completion of the Work, either party shall be entitled to serve upon the other party 28 (twenty-eight) days written notice to terminate this EPC Contract. If at the expiry of the period of 28 (twenty-eight) days the Force Majeure event shall still continue then this EPC Contract shall terminate and Contractor shall be entitled to the payments contained in Subsection 21.2.2 except for compensation for loss of profit.

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22.5 FRUSTRATION

In the event of this EPC Contract being frustrated whether by Force Majeure or by any other supervening event which may occur independently of the will of the parties, Owner shall pay to Contractor in so far as such items have not already been covered by interim payments made to Contractor, for all Work executed prior to the date of termination at the prices and rates provided in this EPC Contract and in addition:

(a) the sums payable in respect of preliminary items in so far as the Work or service comprised therein has been carried out or performed and a proper proportion as certified by the Owner's Representative of all such items; and

(b) the cost of plant, goods and materials reasonably ordered for the Work which shall have been delivered to Contractor or of which Contractor is legally liable to accept delivery, such plant, goods and materials becoming the property of Owner upon such payment being made by Owner.

ARTICLE 23 - CONFIDENTIALITY

Any information disclosed by one party to the other ("the transferee") incident to the performance of the Work which is designated in writing as proprietary is disclosed in confidence and the transferee shall restrict its use of such information solely to uses related to the Project or performance of this EPC Contract. Contractor and Owner shall treat such information as private and confidential and neither of them shall transfer, copy, list or disclose the same or any particulars thereof without the previous written consent of the other, provided that nothing in this Article shall prevent the publication or disclosure of any such information that has come within the public domain otherwise than by breach of this Article.

ARTICLE 24 - NOTICES

All notices and other communications required or permitted by this Contract shall be in writing and shall become effective when delivered by hand (including by messenger or courier) or received by telex, telecopier, facsimile, telegram or such other method of telecommunication capable of creating a writing, at the addresses set forth below or at

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such other addresses as the party receiving notice shall subsequently designate by written notice to the other party. Without obviating the obligation to timely provide such notice to both Contractor addressees set forth below, a notice or communication to Contractor hereunder shall become effective upon the first date of delivery to or receipt of such notice by either Contractor addressee set forth below.

If to Owner: Tuaropaki Power Company Limited
 c/o Stretton & Co.
 P. O. Box 214
 Taupo
 New Zealand
 Attention: Mr. Pat Brown
 Fax: 64-7-378-2711

If to Contractor: Ormat Pacific Inc.,
 New Zealand Branch
 P. O. Box 1717
 Taupo
 New Zealand
 Fax: 64-7-377-6235

with copies to: Robert E. Giles
 Perkins Coie
 1201 Third Avenue,
 40th Floor,
 Seattle, WA 98101-3099
 Fax: 1-206-583-8524

If to Lender: Head of Project Finance
 Westpac Corporate Finance
 120 Albert St., Level 24
 P.O. Box 934
 Auckland, New Zealand
 Fax: 64-9-367-3733

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ARTICLE 25 - MISCELLANEOUS

25.1 APPLICABLE LAW

Throughout the course of performance of this EPC Contract, the parties shall comply with all applicable Laws relating to this EPC Contract and its performance. This EPC Contract shall be interpreted under and governed by the laws of New Zealand.

25.2 SEVERABILITY

In the event that any of the provisions or portions, or applications thereof, of this EPC Contract are held to be unenforceable or invalid by any court of competent jurisdiction, Owner and Contractor shall negotiate an equitable adjustment in the provisions of this EPC Contract with a view toward effecting the purpose of this EPC Contract, and the validity and enforceability of the remaining provisions or portions, or applications thereof, shall not be affected thereby.

25.3 AMENDMENTS AND WAIVERS

This EPC Contract may not be changed or amended orally, and no waiver hereunder may be oral, but any change or amendment hereto or any waiver hereunder must be in writing and signed by the party or parties against whom such change, amendment, or waiver is sought to be enforced.

25.4 COUNTERPARTS

This EPC Contract may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

25.5 ENTIRE CONTRACT

This EPC Contract constitutes the entire agreement between the parties hereto relating to the subject matter hereof, and supersedes any previous agreements or understandings between the parties..

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25.6 EFFECT OF WAIVERS

Either party's waiver of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of this EPC Contract at any time shall not in any way affect, limit, modify or waive that party's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision hereof, any course of dealing or custom of the trade notwithstanding. The waiver by Supplier or Owner of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of the Supply Contract at any time shall not in any way affect, limit, modify or waive Owner's or Contractor's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision of this EPC Contract, any course of dealing or custom of the trade notwithstanding.

25.7 REPRESENTATIONS

By their execution hereof, the parties warrant that they are authorized to enter into this EPC Contract, that it does not conflict with any agreement, lease, instrument or other obligation to which either is a party or by which either is bound, and that it represents their valid and binding obligation, enforceable in accordance with its terms.

25.8 HEADINGS

The headings contained herein are not part of this Contract and are included solely for the convenience of the parties.

25.9 PUBLICITY

When reasonably practical, Owner shall acknowledge the role of Contractor as the contractor of the Project and the use of the Ormat equipment

in the Project in the press releases and other publications issued by Owner about the Project.

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IN WITNESS WHEREOF, the parties have caused this EPC Contract to be executed as of the date first above written.

Contractor: Ormat Pacific Inc., New Zealand branch
By: /s/ Connie Stechman

Name: Connie Stechman

Title: Assistant Secretary

Owner: Tuaropaki Power Company Limited
By: /s/ S.J. Andrews /s/ M.R. Kedian

Name: S.J. Andrews M.R. Kedian

Title: Directors

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Exhibit 10.5.2

AMENDMENT NO. 1

TO

ENGINEERING

PROCUREMENT AND CONSTRUCTION CONTRACT

This AMENDMENT NO.1 TO THE ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT (the "Amendment") is made and entered into as of 2003 by and between Tuaropaki Power Company Limited, a New Zealand corporation with offices at Taupo, New Zealand ("Owner"), and Ormat Pacific Inc., a Delaware corporation

acting through its New Zealand branch with offices at Taupo, New Zealand ("Contractor").

RECITALS

- A. Owner and Contractor are parties to the Engineering, Procurement and Construction Contract dated as of August 23, 2002, (the "EPC Contract") pursuant to which Contractor agreed to arrange for the design, engineering, procurement, construction, fabrication, installation, commissioning, start-up and testing of a geothermal power plant at Owner's site located in Mokai, New Zealand.
- B. Owner and Contractor wish to amend certain provisions of the EPC Contract to clarify certain matters.

AGREEMENT

1. DEFINED TERMS

Terms defined in the EPC Contract shall have the same meaning when used in this Amendment, unless specifically defined otherwise herein.

2. AMENDMENT TO EPC CONTRACT

With effect from the date of this Amendment:

- (a) The definition of "Guaranteed Capacity" in Article 1 is amended to read as follows:

"The level of net electrical generating capacity for the Project guaranteed by Contractor, equal to 39 MW as corrected to the Design Conditions using the Correction Curves and formulas set forth in Exhibit D, as measured at the Power Measuring Point of the switch yard as per Drawing 0.002.95.641.0 and adjusted to include the 110/220kV transformer (T9) losses at Whakamaru but excluding line losses."

- (b) Article 9.1 will be amended by adding at the end of that Article the following:

"Contractor acknowledges that construction and operational experience from Mokai I may be relevant to the development of technical data, design and other

documentation required for the performance of the Work (including specification of the Equipment). Contractor agrees to provide to Owner prior to the Owner giving a Notice to Proceed under Article 5.1 a detailed listing of lessons learned during the construction and operation of Mokai I, together with details of the various design changes that have been or are proposed to be implemented in respect of the Project and/or the Equipment. Contractor further agrees that, to the extent not already incorporated in the design of the Project and/or the Equipment, it shall address those issues raised as part of the design review process."

- (c) The last sentence of subclause 13.1(b) appearing under Article 13.1 (Security Provided on Behalf of Contractor) will be amended by replacing it as follows:

"The US\$ Denominated L/C shall be reduced from time to time

upon arrival at the port of destination in New Zealand of Equipment or parts thereof (as may be evidenced by a notice of arrival issued by the shipping line agent) by the amounts computed as described in Exhibit J-2, so that the US\$ Denominated L/C will be reduced to 30% (Thirty Percent) of the sum of the US dollar denominated portion of the EPC Contract Price and the Supply Contract Price upon the completion of arrival of the Equipment at the New Zealand port. The US\$ Denominated L/C shall also be reduced from time to time by the amount of insurance proceeds received for any goods lost, destroyed or irrevocably damaged in marine transit and which were paid into escrow pursuant to Article 15.5".

- (d) Article 15.1 shall be amended by adding at the end of the clause the following paragraph:

"The insurance to be maintained pursuant to sub-paragraph (b) above shall include terrorism and war risk".

- (e) Article 15.5 (Application of Insurance Proceeds) will be amended as follows:

- (i) after sub-clause (a), by adding a new sub-clause (b):

"where the insurance proceeds arise as a result of a claim under the ocean marine shipment insurance maintained pursuant to Article 15.1(b) and the milestone payment for shipment of goods affected by the event of loss was not received by Contractor or Supplier, according to the case, (irrespective of whether the obligation to pay has arisen) an amount equal to the difference between the total insurance proceeds paid in respect of the event of loss or damage and the value of milestone payments under the Milestone Payment Schedule or the Supply Contract Milestone Payment Schedule paid by the Owner to the Contractor or the Supplier as the case may be in respect of that Equipment or other goods lost or damaged shall be paid directly to Contractor."

- (ii) by relettering sub-clause (b) as sub-clause (c), and amending its sub-clause (iii) by replacing "under Subsections 15.1(b) and (d)" with:

"under insurance referred to in Subsection 15.1(d), and all insurance proceeds for events occurring and covered by the insurance maintained under Subsection 15.1(b) in excess of amounts payable directly to Contractor under

Section 15.5 (b) above".

- (iii) by replacing the first sentence of the full paragraph following renumbered sub-clause (c)(iii) as follows:

"Directions will be placed with the escrow agent that the monies will be released from the account for each milestone payment within 48 (forty-eight) hours against presentation by Contractor or Supplier of documents in accordance with the Milestone Payment Schedule or the Supply Contract Milestone Payment Schedule, as applicable (as such shall be adapted for

goods or works not specifically mentioned there) verified by Owner's Representative as provided below, and so that payment in full is due no later than the supply (delivered to the New Zealand port as evidenced by a notice of arrival issued by the shipping line agent) of replacement goods and/or completion of the rectification of the relevant parts of the Work which had been lost, damaged or destroyed."

- (iv) at the end of Article 15.5 add the following:

"and provided further that the amount of the insurance proceeds payable to the Owner under sub-clauses (i) and (ii) above (in respect of any Equipment lost, damaged or destroyed that has not been replaced or rectified as of the date of termination or in respect of other loss or damages arising out of events giving rise to the claim) shall be reduced by the amount received by the Owner as a result of any claim on the US\$ Denominated L/C provided by Contractor pursuant to Article 13.2."

- (f) Exhibit A shall be amended by adding to the end of the sixth paragraph of clause 1.1 the words:

"Contractor acknowledges that construction and operational experience from Mokai I may be relevant to the development of technical data and design of the Project (including specification of the Equipment) and has included in the design of the Project those design revisions and modifications that were implemented for Mokai I or an appropriate equivalent or, to the extent not already implemented, will address those issues in the design review process in accordance with Article 9.1."

- (g) Exhibit A shall be amended by adding a new bullet point to clause 3.3 as follows:

"Description of operational experience from Mokai I to be addressed during the design review for the Project."

- (h) Exhibit A shall be amended by adding a new section 4.11 as follows:

"4.11 Interface with Mokai I

The Contractor acknowledges that Mokai I is an operational plant and that in performing the Work the Contractor will schedule all activities that involve direct interface with Mokai I plant or systems in a manner to be mutually agreed upon to accommodate the operational requirements of Mokai I and shall at all times conduct the Work with a view to minimising disruption to the operation of Mokai I"

- (i) Schedule B to Exhibit D is amended by deleting the Correction Curves contained therein and substituting the Correction Curves attached as the Schedule to this Amendment.

- (j) Exhibit J-2 (Form of Performance Bond) shall be amended as follows:

- (i) At the end of paragraph 2 (under the heading "Special Conditions") add the words "and/or as payments from insurance monies which were escrowed as a result of a

claim of loss under the ocean marine shipment policy and which were received in connection with milestone payments prior to shipment payments for replacement goods."

(ii) In Paragraph 3 (under the heading "Special Conditions"):

(aa) renumbering paragraph (a) as paragraph (a1);

(bb) adding a new subparagraph (a1)(3) after subparagraph (a1)(2) as follows:

"(3) Copy of Notice of arrival of the shipment of the equipment referred to in the Bill of Lading issued by the shipping line agent"

(cc) Adding the following after " IA = the total amount of the Invoices supporting such reduction request."

"And/or

(a2) By an amount equal to a sum not to exceed the amount stated in the escrow account agent's statement under (2) below in a reduction request to be presented to us by ORMAT in writing, together with of the following documents:

(1) Copy of ORMAT's certificate certifying that amounts have been claimed from the marine cargo insurer for an event of loss of goods in transit under the insurance maintained by ORMAT or OPI.

(2) Copy of the escrow agent's statement confirming the amount of the insurance proceeds deposited into the escrow account."

3. MISCELLANEOUS

3.1 This Amendment shall be effective on the date of execution.

3.2 This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.3 Except as amended by this Amendment the EPC Contract remains in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first above written.

Contractor

Ormat Pacific Inc.

By: /s/ Connie Stechman

Name: Connie Stechman

Title: Assistant Secretary

Owner:

Tuaropaki Power Company Limited

By: /s/ Martin Douglas Heffernan

Name: Martin Douglas Heffernan

Title: Director

Exhibit 10.5.3

ENGINEERING, PROCUREMENT AND
CONSTRUCTION CONTRACT

DATED OCTOBER 3, 2003

BY AND BETWEEN

CONTACT ENERGY LIMITED

"OWNER"

AND

ORMAT PACIFIC INC.

"CONTRACTOR"

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This ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT is made and entered into this ____ the day of _____, 2003 by and between Contact Energy Limited, a New Zealand limited liability company with offices at Wellington, New Zealand ("Owner") and ORMAT Pacific Inc., a Delaware corporation acting through its New Zealand branch with offices at Taupo, New Zealand ("Contractor").

RECITALS

A. Owner holds or will hold rights to use land at Wairakei, New Zealand, and to use certain of the geothermal resource underlying the land, resource consents and certain other associated rights, consents, commitments and facilities necessary for the construction, testing, generation and maintenance of an 14.38 MW (net) geothermal power plant.

B. Owner desires Contractor to design, engineer, procure, construct, fabricate, install, commission, start-up and test a new 14.38 MW (net) geothermal power plant at Owner's site located in Wairakei, New Zealand.

C. ORMAT Industries Ltd. has agreed to design, manufacture and supply certain equipment necessary for the construction of the geothermal power plant under the terms and conditions of the Supply Contract (as defined below) with Owner entered into contemporaneously with this agreement.

D. Contractor is willing to supply certain other equipment and perform the services set forth herein, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter contained, the parties hereby agree as follows:

ARTICLE 1 - DEFINITIONS

Unless the context otherwise requires, the following terms when used herein or in any Schedule hereof shall have the meanings set forth below:

"APPLICATION SOFTWARE" means all application programs, whether in electronic read only devices or otherwise, including data and utilities designed, developed or created by or on behalf of Contractor to be installed and/or supplied as part of the Works and its associated documentation.

"BANK BILL BID RATE" means the average New Zealand dollar 90 day bank bill bid rate (rounded upwards to the nearest second decimal place) as appearing at 11.00 am or as soon as practicable thereafter on the relevant day in Wellington on page BKBM of the Reuters screen.

"BASE DATE" means June 23, 2003.

"BEST ENDEAVOURS" means that the party shall promptly and diligently use all the resources and take all steps available to it which a prudent, determined and reasonable person, acting in its own interests and with a genuine desire to achieve the intended outcome, would take.

"BRINE RETURN TEMPERATURE" means the half-hourly arithmetic average of the temperature of the Geothermal Fluid measured every minute over a half hour period downstream of the Binary Plant at the Terminal Point where it is returned to the reinjection system.

"BINARY PLANT" means the binary power plant and all related and ancillary work to be provided by Contractor and the Supplier, and taken over by Owner under this EPC Contract as part of the Permanent Works.

"CHANGE" means any change to the requirements or obligations of this EPC Contract.

"CHANGE IN LAW" means the enactment, adoption, promulgation, modification or repeal after the Base Date of any Law (except regarding taxation) or to the Designation or any Standard that establishes requirements adversely affecting Contractor's costs or schedule for performing the Work.

"COMMENCEMENT DATE" means the date of this EPC Contract.

"CONSENT" means any consent, permit, licence, approval or the like, including the Owner's Consents.

"CONTRACTOR'S CHANGE" means a Change requested by the Contractor and agreed by Owner in terms of ARTICLE 8 (Changes).

"CONTRACTOR'S EQUIPMENT" means all equipment, apparatus, machinery, vehicles and other things required for the execution and completion of the Works and the remedying of any defects, but excludes Temporary Works, Plant and Permanent Works.

"CONTRACTOR'S REPRESENTATIVE" means the person designated by Contractor pursuant to SECTION 19A.2 (Contractor's Representative) to act as its representative.

"CONTRACTOR'S TECHNICAL PROPOSAL" means Contractor's proposal for meeting the Owner's Technical Requirements, and comprises the Contractor's preliminary design and specification for the Binary Plant and Contractor's proposals generally for carrying out the Works as set forth in SCHEDULE B.

"CORRECTED NET POWER OUTPUT" means the lowest of the Measured Net Power Output results, as corrected for deviations from the Guarantee Conditions using the Correction Curves, of the six tests comprising a single Net Power Output Performance Test as described in section 1.5.9 of EXHIBIT D (Performance Tests).

"CORRECTED PRESSURE DROP" means the highest of the Measured Pressure Drop results, as corrected for deviations from the Guarantee Conditions using the Correction Curves, of the six tests comprising a single Net Power Output Performance Test as described in section 1.5.9 of EXHIBIT D (Performance Tests).

"CORRECTION CURVES" means the curves and mathematical formulae set forth in SCHEDULE D (Tests) and used for the purposes of calculating the Corrected Net Power Output and the Corrected Pressure Drop.

"COST" means all expenditure necessarily, reasonably, properly and actually incurred (or to be incurred) by Contractor, whether on or off the Site, excluding any allowance for overhead, margin, profit and similar charges. Overhead for these purposes

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means expenses required for the general overall running of Contractor's business, including administrative, financial and office expenses and supervision.

"DAY" means a calendar day.

"DEFAULT RATE" means, in any month, the Bank Bill Bid Rate appearing on the first business day of the month (namely the first day of the month in which banks in Wellington are ordinarily open for business) plus three percent per annum, calculated daily and capitalised monthly.

"DEFECTS CORRECTION PERIOD" means the period referred to in SUBSECTION 11.2.1.

"DESIGN RANGE" means the design range of operating conditions for the Binary Plant as set forth in section 1.3.1 of SCHEDULE A (Owner's Technical Requirements).

"DESIGN AND OTHER INFORMATION" means the documents specified in SUBSECTION 9.4.1.

"DESIGNATION" means the Taupo District Council's designation for road under the Resource Management Act 1991 and relevant accompanying conditions relating to the ETA, as described section 1.3.2(v) and Exhibit B9 of SCHEDULE A (Owner's Technical Requirements).

"DISPUTE" means any dispute or difference of any kind whatsoever which shall arise between Owner and Contractor in connection with or arising out of this EPC Contract (including without limitation any disputes or differences concerning the terms of the Supply Contract) or the carrying out of the Works, including any dispute or difference as to any instruction, order, direction, certificate or valuation by the Owner's Representative, whether during the progress of the Works or after its completion and whether before or after the termination, abandonment or breach of this EPC Contract.

"DOCUMENT" means: (a) any writing on any material; (b) any information recorded or stored by whatever means including electronically or on tape; and (c) sound recordings and visual recordings (including photographs and films).

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"DRAFT AS-BUILT DRAWINGS" means markups (through hand interlineations or other similar means) of Contractor's major construction drawings for the Binary Plant marked to show as-built details of control and electrical systems and approximate locations of other material components of the Binary Plant that are reasonably relevant to the operation and maintenance of the Binary Plant.

"DRAWINGS" means the drawings in SCHEDULE A (Owner's Technical Requirements), SCHEDULE B (Contractor's Technical Proposal), SCHEDULE J (Drawings) and such other major drawings related to the Works provided by Contractor to Owner under this EPC Contract.

"FAIL SAFE" means a feature which ensures that the absence of any critical control or safety component, system, signal or function will not result in any unsafe condition.

"EPC CONTRACT" means this Engineering, Procurement and Construction Contract together with the Schedules attached hereto, which shall, taken as a whole, define the rights and obligations of the parties hereunder.

"EPC CONTRACT PRICE" means the total firm fixed lump sum price, payable to Contractor by Owner as set forth in SECTION 6.1 hereof and as adjusted pursuant to the provisions of this EPC Contract.

"EQUIPMENT" means the equipment that is to be provided by Supplier to Owner pursuant to the Supply Contract.

"ETA" means the Eastern Taupo Arterial Highway to be constructed by the Taupo District Council and Transit New Zealand, part of which is to run through the Wairakei Station and close to and/or through parts of Site 3 and Site 4.

"FINAL ACCEPTANCE" means satisfaction by Contractor or waiver by Owner of the conditions set forth in SUBSECTION 11.2.6, which will occur on the date specified in the Final Acceptance Certificate.

"FINAL ACCEPTANCE CERTIFICATE" means the certificate issued under SUBSECTION 11.2.6.

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"FORCE MAJEURE" shall have the meaning assigned to that term in ARTICLE 22.

"GEOTHERMAL FLUID" means the geothermal brine to be supplied at the Geothermal Fluid Terminal Point in accordance with the interface data set forth in section 1.3.1 of SCHEDULE A (Owner's Technical Requirements).

"GEOTHERMAL FLUID TERMINAL POINT" means the Geothermal Fluid interface point defined in section 1.2.3 and Exhibit A2 of SCHEDULE A (Owner's Technical Requirements).

"GEOTHERMAL GROUP CONTROL ROOM" or "GGC" means Owner's existing control room which forms part of the Wairakei Station and which contains control facilities and personnel for operation and management of Owner's geothermal power stations and associated facilities.

"GRID" means the transmission network including related substations currently owned and operated by Transpower.

"GST" means Zealand Goods and Services Tax pursuant to the Goods and Services Tax Act 1985.

"GUARANTEE CONDITIONS" means the conditions and parameters in section 1.3.4 of SCHEDULE A (Owner's Technical Requirements).

"GUARANTEED NET POWER OUTPUT" means 14,380 kW being the minimum net amount of power measured in kW produced by the Binary Plant at Guarantee Conditions measured at the plant's revenue meters when all the Binary Plant's

auxiliaries are operating as normal with no supplementary power supply.

"GUARANTEED PRESSURE DROP" means 2.2 barg being the maximum brine system pressure drop across the Binary Plant as measured at the applicable Terminal Points for Geothermal Fluid supply and return at Guarantee Conditions.

"HAZOP REVIEW" (otherwise known as a hazard and operating review) means a formal, systematic examination of the design for the Binary Plant and interconnected

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systems to identify matters which could lead to hazards, operability problems, nuisances or environmental harm in respect of the Binary Plant, Wairakei Station or their surroundings.

"INDUSTRY ARRANGEMENTS" means the applicable electricity industry arrangements and includes:

- (a) the New Zealand Electricity Market rules, the Metering and Reconciliation Information Agreement, and the Multilateral Agreement on Common Quality Standards; or
- (b) the electricity rulebook governed by an electricity governance board established by electricity industry participants (to the extent such rulebook supersedes the arrangements in paragraph (a)); or
- (c) industry rules made by an Electricity Governance Board established under the Electricity Act 1992 (to the extent such rules supersede the arrangements in paragraph (a)).

"INTELLECTUAL PROPERTY RIGHTS" means any right to, and any interest in, any patent, design, trade mark, copyright, trade secret and any other proprietary right or form of intellectual property (protectable by registration or not) in respect of any know-how, technology, concept, idea, data, program or other software (including in source and object codes), specification, formula, drawing, programme, design, system, process, logo, mark, style or other thing, conceived, used, developed or produced by any person.

"KW" means kilowatts.

"LAW" means statutes, regulations, codes, consents, ordinances, district and regional plan requirements, grid operator standards and codes, permits, rules, orders, judicial and administrative decisions and interpretations to the extent they have jurisdiction on performance of the Works under this EPC Contract, including Transpower's "Connection Policy" or substitute or equivalent document from time to time, the "Asset Owner Performance Obligations" (AOP0), Transpower's requirements as owner and operator of the Grid and the Industry Arrangements.

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"LOCAL CONTROL ROOM" means the HMI control room for the operation of the Binary Plant which is to be designed and constructed by Contractor and to be located adjacent to the Binary Plant.

"MEASURED NET POWER OUTPUT" means net amount of power in kW produced by the Binary Plant measured at the Binary Plant's revenue meters when all the Binary Plant's auxiliaries are operating as normal with no supplementary power supply.

"MEASURED PRESSURE DROP" means the brine system pressure drop across the Binary Plant measured at the Terminal Points for supply and return of Geothermal Fluid.

"MILESTONE" means the completion of a discrete part of the Works or the occurrence of an event identified as such in the Milestone Payment Schedule.

"MILESTONE PAYMENT SCHEDULE" means the milestone payment schedule for payment of the EPC Contract Price, as set forth in SCHEDULE C.

"MW" means megawatts.

"OPERATING CONSUMABLES" means electric power, working fluid, water, chemicals, lubricants, filters, lamps, light bulbs and other consumable materials used to construct, commission, test and operate the Binary Plant.

"OPERATING PERSONNEL" means the Owner's Personnel hired by Owner to operate the Binary Plant and to be trained by Contractor under SECTION 3.1(0).

"OWNER'S CHANGE" means a Change requested by Owner and agreed by Contractor in terms of ARTICLE 8 (Changes) or other Change or event designated as an Owner's Change in this EPC Contract.

"OWNER'S CONSENTS" means the Consents obtained or to be obtained by Owner for the Works identified in SCHEDULE A (Owner's Technical Requirements).

"OWNER'S PERSONNEL" means the staff, labour and other employees of Owner, including the Owner's Representative, and any other personnel notified to Contractor by Owner from time to time.

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"OWNER'S PLANNED OUTAGE SCHEDULE" means Owner's schedule of planned outages of the Wairakei Station, as updated and provided by the Owner to the Contractor from time to time.

"OWNER'S REPRESENTATIVE" means the person designated by Owner to act as its representative in all respects to this EPC Contract under SECTION 4.1(H) and having the powers contained in SECTION 4.2.

"OWNER'S TECHNICAL REQUIREMENTS" means the purpose, scope, design, performance expectations and other technical criteria for the Works specified in SCHEDULE A.

"PERFORMANCE GUARANTEES" means Guaranteed Net Power Output, Guaranteed Pressure Drop and the performance guarantees for reliability for the Binary Plant set forth in SCHEDULE D (Performance Tests).

"PERFORMANCE TESTS" means the handling trials, Net Power Output and Pressure Drop tests, and Reliability Run set out in SCHEDULE D (Performance Tests) to demonstrate that the Binary Plant meets the Performance Guarantees.

"PLANT" means all materials, supplies, apparatus, machinery, parts, tools, components, spares, appliances, vehicles and appurtenances intended to form or forming part of the Permanent Works.

"PERMANENT WORKS" means the permanent works to be designed, specified, procured, manufactured, assembled, installed, tested, completed, commissioned and repaired by Contractor in accordance with this EPC Contract, and includes the Binary Plant and all related and ancillary work identified in or to be reasonably inferred as being within the work required of the Contractor under this EPC Contract.

"POST-TAKE OVER WORKS" means the Works described in SECTION 7.9 (Post-Take Over Works).

"PROJECT SCHEDULE" means the completion schedule for the Plant set forth in SCHEDULE F and as it may be amended from time to time as set forth in SECTION 3.8 (Project Schedule).

"PROPRIETARY SOFTWARE" means all computer programs, whether in electronic read only devices or otherwise, including operating systems, data and utilities, supplied without modification by a third party software publishing house (not employed in any capacity to develop application software for the Works) as standard proprietary software available on standard licence terms and conditions, to be installed and/or supplied as part of the Works and its associated documentation.

"PUNCHLIST" means a list of minor incomplete or defective items which remain to be completed, prepared in accordance with SECTION 7.1 (Readiness for commissioning) and SECTION 7.2(A)(C) (Take Over).

"RELIABILITY RUN" means the reliability run test described in paragraph 1.5.12 of SCHEDULE D (Performance Tests) to establish that the Binary Plant can run reliability for a minimum period of 21 consecutive days.

"SCHEDULED TAKE OVER DATE" means the date by which the Binary Plant is required to achieve Take Over, which shall be the later of (a) June 20, 2005 and (b) such later date as may be established in accordance with SECTION 5.1.

"SITE" means the site on which the Permanent Works will be located, which is on land more specifically described in section 1.1.3 and 1.1.5 of SCHEDULE A (Owner's Technical Requirements).

"SITE 3" means:

- (a) the cross hatched area labelled "Site 3" as shown on Site Drawing WRK0262 in exhibit A3 of SCHEDULE A (Owner's Technical Requirements) and
- (b) the hatched areas labelled "Construction/Laydown Area" shown on Site Drawing WRK0262 in exhibit A3 of SCHEDULE A (Owner's Technical

Requirements) together with such additional areas as may, from time to time, be designated by Owner by notice to Contractor for Contractor's use.

"SITE 4" means the hatched area labelled "Site 4" shown on Site Drawing WRK 0262 in exhibit A3 of SCHEDULE A (Owner's Technical Requirements)) together with such additional areas as may, from time to time, be designated by Owner by notice to Contractor for Contractor's use. The hatched area labelled "Site 4" includes the construction/laydown area allocation for Site 4.

"SOFTWARE" means all computer programs, whether in electronic read only devices or otherwise, including Application Software, Proprietary Software, operating systems, data and utilities and any other software which is not included in Application Software or Proprietary Software installed and/or supplied as part of the Works, and its associated documentation (including user manuals).

"STANDARD" means any technical standard, code of practice, specification, rule, industry certification requirement, the Industry

Arrangements or the like relevant to the Works, including those specified in the Schedules.

"STATION CONTROLLER" means the individual whom is controller of the Wairakei Station from time to time or his or her authorised representative notified by Owner to Contractor from time to time.

"SUBCONTRACTOR" means any party (other than Contractor's employees) engaged by Contractor to perform any of the services or supply any item of goods or material pursuant to this EPC Contract.

"SUPPLIER" means ORMAT Industries Ltd., an Israeli corporation.

"SUPPLY CONTRACT" means the Supply Contract of even date herewith, together with the Schedules attached thereto, by and between Supplier and Owner, as the same may be amended from time to time, under which, among other things, Supplier is providing the Equipment and services to Owner for use in connection with the development, construction, start-up, testing, commissioning and completion of the Permanent Works.

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"TAKE OVER" means satisfaction by Contractor or waiver by Owner of the conditions set forth in SECTION 7.2 (Take Over) and the taking over by Owner of the Binary Plant, which will occur on the date specified in the Take Over Certificate or the deemed Take Over pursuant to SECTION 7.5 (Delayed Tests).

"TAKE OVER CERTIFICATE" means the certificate issued under SECTION 7.3 (Request for Take Over Certificate).

"TEMPORARY WORKS" means all temporary works of every kind required for the carrying out of the Works but not forming part of the Permanent Works.

"TERMINAL POINT" means a location where Contractor connects certain elements of the Permanent Works provided under this EPC Contract to Owner's existing plant and equipment forming part of Wairakei Station. All Terminal Points are defined in paragraph 1.2.3 and Exhibit A2 of SCHEDULE A (Owner's Technical Requirements).

"THIRD PARTY" means any neighbour, statutory or regulatory authority, or other individual, and/or body which is either provided with goods or services by Owner or is affected or influenced by Owner's activities. Third Parties include but are not limited to Taupo District Council, Transit New Zealand, Her Majesty the Queen acting by and through the Commissioner of Crown Lands, Transpower, Hawke's Bay Network Limited, the Prawn Farm, Huka Jet, NETCOR and the Wairakei Tourist Hotel.

"TRANSPower" means Transpower New Zealand Limited, or such other owner/s and/or body/bodies appointed to operate or control the Grid.

"WAIRAKEI STATION" means Owner's land and improvements in the vicinity of the Site, including the existing geothermal power station, the GGC, the steamfield and all associated facilities (including services provided to Third Parties).

"WORKS" means all work which Contractor is required to carry out under this EPC Contract including the provision of all material, goods, things and services which are the responsibility of Contractor under this EPC Contract, including all things of a permanent or temporary nature necessary for the works and whether stated or reasonably implied as being within the work required of the Contractor under this EPC Contract including,

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without limitation, the design, engineering, and procurement construction of a 14.38 MW (net) binary power plant on the Site in accordance with this EPC Contract and the administration of the Supply Contract and dealing with the Equipment to be supplied under the Supply Contract as provided herein.

"YEAR" means 365 days.

ARTICLE 2 - EPC CONTRACT DOCUMENTS

2.1 DOCUMENTS INCLUDED

This EPC Contract shall include the documents listed below, which are hereby incorporated herein by reference and which, in the event of conflict, are to be interpreted in accordance with the priority listed below.

- o These Terms and Conditions
- o the Owner's Technical Requirements
- o the other Schedules
- o any other documents forming part of this EPC Contract.

ARTICLE 3 - CONTRACTOR RESPONSIBILITIES

3.1 GENERAL RESPONSIBILITIES

Except as provided elsewhere in this EPC Contract, Contractor shall:

(a) Perform, or cause to be performed the Works, including providing all labour, materials, tools, supplies, Temporary Works, Contractor's Equipment, documents, Operating Consumables, equipment, transportation, engineering, insurance, technical services and all other things and services necessary and required to satisfactorily design, engineer, procure, construct, install, commission, start up and test the Binary Plant, including verification of the adequacy of the specification of the Equipment, and rectify any defects in the Binary Plant all in accordance with the requirements of this EPC Contract.

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(b) Provide personnel necessary for commissioning, start-up and performance testing of the Permanent Works as described herein.

(c) Prosecute the Works continuously and diligently in accordance with the Project Schedule (including achievement of Take Over as provided in SECTION 7.2 (Take Over) by the Scheduled Take Over Date), using qualified and competent personnel, and complete the Works in accordance with good design and engineering practice and prudent electrical and mechanical engineering and in accordance with the provisions of this EPC Contract.

(d) Ensure that when completed, the Works (and the Equipment) are fit for the purposes for which the Works (and the Equipment) are intended namely the provision to Owner of a 14.38 MW (net, at Guarantee Conditions) binary plant capable to operate safely and lawfully on the Site using Owner-supplied Geothermal Fluid meeting the Design Range and capable of dispatching electricity to the Grid interface with the Wairakei Station all in accordance with the requirements set out in SCHEDULE A (Owner's Technical Requirements).

(e) Rectify defects in the Works as soon as practicable during the Defects Correction Period in accordance with SUBSECTION 11.12.3 (Defects Warranty); and

(f) Monitor on behalf of Owner as authorized in the Supply Contract the manufacture and delivery of the Equipment by Supplier, arrange for complete handling of all goods and material supplied under this EPC Contract and for the Equipment after delivery under the Supply Contract including, but not limited to inspection, expediting, shipping, unloading, receiving, customs clearance and customs claims. In connection herewith, Owner hereby grants to Contractor the authority to administer the Supply Contract and Contractor agrees to administer the Supply Contract and to enforce on behalf of Owner the Supplier's obligations there under, and Contractor shall administer the Supply Contract in the same way as if the Supplier was a Subcontractor under this EPC Contract. As between Owner and Contractor, Contractor shall be responsible for its acts or omissions in relation to its administration of the Supply

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Contract, and shall be responsible for enforcing and obtaining performance by the Supplier of Supplier's obligations under the Supply Contract.

(g) Commission, start-up and performance test the Permanent Works in accordance with the Performance Tests.

(h) Comply in all material respects with all applicable Standards (including those described in SCHEDULE A (Owner's Technical Requirements) and SCHEDULE B (Contractor's Technical Proposal) and with all applicable Laws and Consents, relating to the Plant and the performance of the Works and be responsible for the adequacy and safety of all Site operations and of all methods of construction.

(i) Procure all Consents required for the Works, other than the Owner's Consents, and comply in all material respects with all Consents. Contractor shall not, without Owner's approval, seek to vary or modify any of the Owner's Consents or any of the conditions attaching to them, or to obtain any Consent which is inconsistent in any respect with any of the Owner's Consents or communicate with consent authorities in relation to the Owner's Consents. If it appears that any Consent that Contractor is in the process of obtaining may be issued subject to conditions that will affect the ability of Contractor to comply with any of its obligations under this EPC Contract including on Owner's ability to lawfully and conveniently use the Binary Plant and/or the Wairakei Station, Contractor must notify Owner as soon as reasonably practicable to enable Owner, if Owner elects, to confer with the authorities regarding such possible conditions. Such action by Owner shall not relieve Contractor of any of its obligations under this EPC Contract.

(j) complete the Works so the Binary Plant:

(i) is capable of being operated in all modes within the Design Range in compliance with the Consents; and

(ii) will not hinder or interfere with the ability of the Wairakei Station to operate in accordance with the resource Consents or other statutory or regulatory Consents applicable to the Wairakei Station and in force at the Base Date.

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(k) If Contractor becomes aware that an act or omission of Contractor related to the Works is, or is likely to breach any applicable Law, or result in any fine, sanction or enforcement action (whether under the Resource Management Act 1991 or any other law), then Contractor shall immediately notify Owner and Owner may, in its reasonable discretion and without relieving the Contractor of any responsibility in respect of that event issue instructions to Contractor as it reasonably considers appropriate to mitigate

the risk identified and Contractor shall comply with such instructions issued by Owner at the expense in all respects of Contractor.

(l) Provide all temporary and permanent construction materials, equipment and supplies necessary for commissioning and testing of the Permanent Works until Take Over.

(m) Pay for construction utilities (electricity only) required to achieve Take Over except for any initial connection and disconnection costs.

(n) Train up to 25 operating and maintenance personnel, of whom up to 5 are senior personnel, designated by Owner at the Site over the time periods identified in SECTION 4.1(I) and during the commissioning and start-up phase of the Binary Plant construction. Such training shall be in conjunction with the normal commissioning and start-up activities employed by Contractor. Each person designated for training by Owner shall be a qualified for their role at the site and shall not be deemed employees or Subcontractors of Contractor. Training shall be conducted as described in section 1.12 of SCHEDULE A (Owner's Technical Requirements).

(o) Have a quality system/s that meets the requirements of the ISO9000 series of standards or equivalent in relation to the Works, provide copies and details of that system/s to Owner upon request from time to time and for review and acceptability prior to Take Over, ensure compliance by all Subcontractors with the quality system/s, and implement a system/s that ensures traceability of all critical parts and components of the supplied Plant and equipment and the associated quality records.

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(p) Prepare detailed monthly progress reports on progress of the Works for the period ended on the last day of the previous month to Owner as reasonably required by Owner. Such reports shall include without limitation:

(i) all work achieved during the preceding month including Milestones achieved;

(ii) any significant events or achievements in the Works including the results of any tests;

(iii) significant events planned for the following month;

(iv) progress of the Works against programme, identifying any actual or potential slips in progress against programme and the likelihood that Take Over will be achieved by the Scheduled Take Over Date;

(v) means of rectifying any delay;

(vi) any notices of non-conformance and the extent to which there is any outstanding non-conformance.

(q) Provide special tools, and operating and commissioning supplies which are required for commissioning, start-up, and performance testing of the Permanent Works until Take Over.

(r) Not less than six (6) months prior to the Scheduled Take Over Date, provide to Owner draft operation and maintenance manuals (which shall incorporate the manuals of the Equipment) and prior to Take Over, provide at least two (2) copies of job books, operation and maintenance manuals (which shall incorporate manuals of the Equipment), operating data and Draft As-Built Drawings to Owner in a sufficient state of completion and containing sufficient detail to enable Owner to operate and maintain the Binary Plant properly,

safely, lawfully and without hindrance and without reliance in any way on Contractor and not later than six (6) months after Take Over, provide to Owner four copies of the final operation and maintenance manuals (which shall incorporate

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manuals of the Equipment), operating data and detailed as-built Drawings and specifications.

(s) Exercise, in the design and specification of the Works and the verification of the adequacy of the specifications of the Equipment, and generally in connection with Contractor's responsibilities under this EPC Contract the skill and care to be expected of a qualified and competent designer, engineer and contractor experienced in work of similar nature and scope as the Binary Plant.

(t) Design, install, construct, commission, test and complete the Binary Plant using proven up to date good practices and which are consistent with the provisions of the Supply Contract and this EPC Contract.

(v) At Owner's request, at any reasonable time up to Take Over, Contractor shall participate in the conceptual design review and in the subsequent Site located dedicated design review with Owner's Personnel regarding the design of the means of integrating the Binary Plant with Owner's existing Wairakei Station HMI system, and provide at the Site one control engineer for a period of up to one week in the 12 months following Take Over to assist and advise Owner regarding Owner's coordination and integration of the Binary Plant with the existing Wairakei Station HMI system.

3.2 EMERGENCIES

In emergencies affecting the safety or protection of persons or the Work, Contractor, without special instruction or authorization from Owner, may take all reasonable actions to prevent such threatened damage, injury, or loss. This provision is not intended to limit Contractor's rights under any other provisions hereof, including, without limitation, ARTICLE 8 (Changes).

3.3 HEALTH AND SAFETY IN EMPLOYMENT ACT ("HSEA")

3.3.1 Contractor warrants to Owner that during Contractor's activity on the Site, up to and including Take Over of the Binary Plant, Contractor shall ensure that no act or omission by Contractor:

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(a) in contravention of the HSEA causes a significant hazard, harm or serious harm to any employee of Contractor or any person at or in the immediate vicinity of the Site; or

(b) is a breach of any duty or obligation of Contractor under the HSEA; or

(c) does or is likely to give rise to the issue of an improvement or prohibition notice, enforcement proceedings or a prosecution under the HSEA against Owner, Contractor, or the Subcontractor.

The words and phrases used in this clause shall have the same meaning as is ascribed to them in the HSEA.

3.3.2 Contractor undertakes that before a Subcontractor commences work on the Site Contractor shall obtain similar warranties as those

stated in SUBSECTION 3.3.1 from that Subcontractor in relation to the subcontracted Work.

3.3.3 Contractor shall indemnify and keep indemnified Owner from all costs, damages, fines, penalties and expense incurred or suffered by Owner in respect of any breach of the HSEA and/or conviction or proceedings instigated against Owner pursuant to the HSEA directly or indirectly related to a breach by Contractor of any of the warranties set out in SUBSECTION 3.3.1.

3.3.4 If Contractor becomes aware that it is or may be in breach, or is likely to be in breach of any of the warranties in SUBSECTION 3.3.1 or any Subcontractor is or may be in breach of or is likely to breach the matters set out in the agreement between Contractor and Subcontractors pursuant to SUBSECTION 3.3.2, then Contractor shall immediately notify Owner of such a breach or anticipated breach and, in relation to any breach or anticipated breach in relation to any of the Work or subcontracted Work, Contractor shall consult with the Owner's Representative to avoid, remedy or mitigate such breach or anticipated breach.

3.3.5 Contractor, pursuant to the warranties given in SUBSECTION 3.3.1, shall have regard to the contents of the safety programme agreed

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between Owner and Contractor in accordance with SCHEDULE A (Owner's Technical Requirements). The safety plan submitted shall meet the requirements of HSEA and any other applicable Laws, be suitable for the conditions of the Site, the Works, the Wairakei Station and be consistent with Owner's site and safety rules. A copy of the agreed safety programme shall be kept at the office of Contractor.

3.3.6 Contractor shall nominate a safety officer who shall be approved by Owner, which approval shall not be unreasonably withheld, to be responsible for the safety at the Site and in respect of Contractor's operations in the Wairakei Station, and such officer shall be available or be represented by a designee on the Site during business hours after the commencement of the Works at the Site and on call after hours.

3.3.7 If Contractor fails to comply with the obligations set out in this clause, Owner may require Contractor to suspend the Works until the failure is rectified. In the event of such suspension Contractor shall comply with its obligations under ARTICLE 20 (Suspension) but Contractor shall not be entitled to any extension of time under SECTION 5.1 (Extension of Time) or otherwise, payment of any costs (including Cost) or any adjustment of the EPC Contract Price as a result of such suspension.

3.3.8 Contractor shall ensure that all its employees and Subcontractors that will be working in the Wairakei Station:

- (i) attend the local induction course and receive training on Owner's safety procedures;
- (ii) are advised of any revision to Owner's safety procedures that are provided to Contractor;
- (iii) comply at all times with Owner's safety procedures;
and
- (iv) request clarification of any of Owner's safety procedures, including all access authorisations, that they do not understand.

If Owner reasonably considers any person employed by Contractor or any Subcontractor is not complying with Owner's site safety procedures, Owner may, or may require Contractor to, remove that person from the Wairakei Station.

3.4 PROJECT REPRESENTATION

Contractor has reviewed the provisions of the Supply Contract and warrants that the combination of the Works and the Equipment are adequate so that the Permanent Works, when completed in accordance with this EPC Contract, will meet the Owner's Technical Requirements.

3.5 ACCESS CONDITIONS

(a) Contractor shall have investigated and satisfied itself as to the suitability and availability of access routes to the Site and the Wairakei Station.

(b) Where Contractor wishes to have other access or intrusion onto or over land adjoining either the Site or the Wairakei Station, then arrangements must be made by Contractor and such access or intrusion will be entirely at Contractor's risk and cost. Contractor shall keep Owner informed in respect of negotiations for any such arrangements and Owner's consent shall be required for any such arrangements (which consent shall not be unreasonably withheld).

3.6 CONDITIONS AFFECTING THE CARRYING OUT OF THE WORKS

(a) Contractor shall be deemed to have:

(i) inspected the Site and surrounding locations, including surface conditions to the extent a qualified and competent designer, engineer, and contractor experienced in works in similar nature and scope as the Binary Plant would have; and

(ii) familiarised and satisfied itself with respect to:

(1) the nature of the Works and the areas where the Works is to be carried out;

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(2) the Designation and the effect that it will have on the Wairakei Station, the Site and the Works;

(3) the general and local conditions with respect to weather, environment, transportation, access, waste disposal, lay down areas, handling and storage of materials and residue, availability and conditions of roads, climatic conditions and seasons, surface physical conditions at the Site, the Wairakei Station and the surrounding area;

(4) the location of all pipes, cables, utilities works and similar hazards on or about the Site, the Wairakei Station and the surrounding area; and

(5) hydrological and geotechnical matters as identified in Site hydrological and

geotechnical studies which may affect the carrying out of the Works,

in existence at or before the Commencement Date and to have taken all such matters into account in the EPC Contract Price such as qualified and competent designer, engineer, and contractor experienced in works in similar nature and scope as the Binary Plant would have.

(b) Except as otherwise expressly provided for in clause (c) below and elsewhere in this EPC Contract, Contractor shall not be entitled to an extension of time under SECTION 5.1 (Extension of Time) or otherwise, payment of any costs (including Cost) or to any adjustment of the EPC Contract Price as a result of any unforeseen difficulties or costs.

(c) Notwithstanding clauses (a) and (b), Contractor shall have no responsibility for, and shall be entitled to an Owner's Change under ARTICLE 8 (Changes) for, any material delays or costs resulting from the discovery of subsurface conditions being materially different from that ordinarily and reasonably expected at the Site, including load bearing of the subsoil being materially less than one would ordinarily and reasonably expect in the locality of the Site, or for unforeseen obstructions, or for the

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presence of any hazardous materials, or from any material inaccuracy in any material designs, drawings or other information provided by Owner; provided, however, that if such event would also constitutes an event of Force Majeure then Owner may elect to not proceed with the Owner's Change in having Contractor remedy the consequences of such event and instead deal with impact of such event in accordance with the provisions of ARTICLE 22 (Force Majeure). For the avoidance of doubt, based upon the September 26, 2003 geotech study of the Site provided by Owner, Supplier and Owner acknowledge that Site ground stabilization work (e.g., pilings) is required to remedy the soil and subsurface conditions identified in that report and that such Works will be performed by Contractor as an Owner's Change to be implemented pursuant to ARTICLE 8 (Changes) (except that Contractor notes that there will be no change to the Scheduled Take Over Date) on an open book basis (both as to Costs and scope of work) with Owner paying Contractor its Costs for such Works plus 10% plus GST in accordance with SECTION 8.5 (Adjustments), which amounts shall be in addition to the EPC Contract Price specified in SECTION 6.1 (EPC Contract Price).

3.7 [INTENTIONALLY OMITTED]

3.8 PROJECT SCHEDULE

(a) Contractor shall maintain the relationship between progress and payment established by Contractor's draft Project Schedule contained in SCHEDULE E (Project Schedule) and the Milestone Payment Schedule contained in SCHEDULE C (Milestone Payment Schedule).

(b) At the end of the first month after the date of this EPC Contract and monthly after that, Contractor shall submit to Owner in terms of SECTION 9.4 (Design and other Information Review) a three month rolling Project Schedule detailing the work to be carried out during the following three months. The initial updated Project Schedule shall reflect the Scheduled Take Over Date and other dates specified in this EPC Contract. In addition, all Project Schedule updates shall, without limitation, show significant events for the following three months, reflect the timing of Contractor's planned interfaces with the various interface points identified in SCHEDULE A (Owner's Technical Requirements), demonstrate how any delay is to be recovered and show activities for rectifying any

defects and addressing any relevant matters raised in Contractor's monthly progress report under SECTION 3.1(P).

(c) In the event that:

(i) the Scheduled Take Over Date is extended in terms of SECTION 5.1 (Extension of Time) or

(ii) Owner instructs an Owner's Change in terms of ARTICLE 8 (Changes); or

(iii) Contractor or Owner considers for any reason that there is or will be a significant deviation between the actual or anticipated progress of the Works and the Project Schedule,

Contractor shall submit a further Project Schedule to Owner (subject, with respect to schedule issues arising out of clause (iii) above, to review by Owner pursuant to SECTION 9.4 (Design and Other Information)) revised to take account of such circumstance. Such revised Project Schedule shall identify the likely dates upon which the Project Works will be completed, Milestones achieved and how Contractor proposes to achieve Take Over in terms of Section 7.2 (Take Over) by the Scheduled Take Over Date.

3.9 HAZOP REVIEW

(a) Contractor shall:

(i) conduct a Hazop Review after the conceptual design and layout stage, and before the issue of process and instrumentation diagrams and single line drawings for construction;

(ii) engage appropriately qualified third parties to:

(1) train personnel participating in the Hazop Review in the methodology of a Hazop Review; and

(2) facilitate the Hazop Review;

(b) Owner will make available, at its cost and in good time as required to permit Contractor to proceed with the Hazop Review in accordance with the Project Schedule, appropriate Owner's Personnel to participate in the training in the Hazop Review methodology and in the Hazop Review. Contractor shall bear all other costs of the Hazop Review and shall make any changes in design identified by the Hazop Review as being required.

(c) The participation of the Owner's Personnel in terms of this SECTION 3.9 shall under no circumstances give rise to an entitlement to Cost, an adjustment to the EPC Contract Price or the extension of time under ARTICLE 5 (Extension of Time) or otherwise, nor shall it give rise to any entitlement to a Change.

3.10 INFORMATION TO BE SUPPLIED BY CONTRACTOR

(a) Contractor shall keep Owner informed, as reasonably required by Owner, on matters relating to the Works.

(b) Until issue of the Take Over Certificate, Contractor shall promptly

answer all enquiries reasonably made by and received from Owner, and thereafter through Final Acceptance use reasonable endeavors to assist Owner in any matter which may affect the operation and maintenance of the Binary Plant, if requested to do so by Owner, and at the reasonable cost of Owner unless such matter is part of the Works.

3.11 RETENTION OF DOCUMENTS AND INSPECTION

(a) Contractor shall ensure that adequate records are kept to verify that the Works are being carried out in accordance with this EPC Contract, including in accordance with all applicable Laws, Consents and Standards.

(b) Contractor shall maintain on the Site until Take Over all material documents in relation to the carrying out of the Works. In addition, Contractor shall retain all such documents for a period of 10 years following Take Over.

(c) Contractor acknowledges Owner's right, at Owner's expense and upon reasonable coordination with Contractor, to inspect and take copies of any of the

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documents referred to in paragraph (b) for any reason in connection with this EPC Contract, and shall assist Owner, its representatives and any authorised public officers to inspect such documents and shall answer queries or supply information that is reasonably requested by such persons.

(d) To the extent that any documents referred to in this SECTION 3.11 are maintained on computer or other electronic storage device, then Contractor shall agree with Owner and adhere to a procedure for backup and off the Site storage of copies of such documents, in an electronic format accessible by Owner.

3.12 INSTRUCTIONS

Contractor shall comply with Owner's instructions, directions and notices reasonably in relation to the Works. If Contractor forms the view that any such instruction, direction or notice comprises an Owner's Change under this EPC Contract or a change under the Supply Contract then Contractor shall notify Owner promptly in terms of ARTICLE 8 (Changes) and in any event before giving effect to such instructions. To avoid doubt, no instruction, direction or notice by Owner that is not an Owner's Change shall give rise to an entitlement to any costs (including Cost), an adjustment to the EPC Contract Price or an extension of time under ARTICLE 5 (Extension of Time) or otherwise.

3.13 ATTENDANCE AT MEETINGS

Contractor shall attend or be represented (by such on-Site personnel reasonably requested by Owner) at all meetings described in the Schedules (if any) and at all other meetings prior to Take Over reasonably convened by Owner to which Contractor may be summoned. Such meetings will be held as reasonably requested by Owner and coordinated with Contractor to avoid unreasonably interference in the performance of the Works, but not less frequently than once a month. At such meetings Contractor shall advise Owner on all material matters relating to the Works.

3.14 CONSENT OF TAUPŌ DISTRICT COUNCIL & TRANSIT NEW ZEALAND

(a) Contractor acknowledges that one of the Owner's Consents required is the approval of the Taupo District Council to Contractor's proposal setting out the exact

location, design and construction methods expected to be required for Geothermal Fluid pipelines to cross the area of the ETA in order to connect the Binary Plant to the existing reinjection system. This approval will also be required for any other Works that may be proposed upon the ETA.

(b) Provided that Contractor has fulfilled in all material respects its obligations in the Schedules to assist Owner in gaining the required approval for Contractor's proposal and Owner has failed to secure that approval from the Taupo District Council by the deadline specified for such item in the Project Schedule, such matter shall be treated as an Owner's Change pursuant to SECTION 8.4 (Owner's Change).

3.15 COMMUNICATION

Contractor shall direct all of the following communications (whether written or oral) through Owner:

- (a) communications with Waikato Regional Council and Taupo District Council or other Third Parties relating to the Owner's Consents and where the Works may affect or be affected by the proposed ETA;
- (b) communications with Transpower relating to the Works, the Site and/or the Binary Plant (including in relation to dispatch of electricity from the Binary Plant);
- (c) communications with Transit New Zealand relating to the Works, (except for matters or permits associated with the transportation of equipment to the Site).
- (d) communications relating to the Works, the Site and/or the Binary Plant with any other person or entity reasonably designated by the Owner from time to time where the Owner (acting reasonably) considers that such communications may affect the Owner's interests.

Owner shall use its Best Endeavors to promptly and diligently conduct such communications with such Third Parties in good time as required to permit Contractor to proceed with the Works in accordance with the Project Schedule.

3.16 EMERGENCY ACTION

(a) If any emergency arises in relation to the Works and Contractor cannot be contacted or is unable or unwilling to take appropriate and timely remedial action, Owner may take any emergency action it considers necessary.

(b) Where Contractor was obliged, under this EPC Contract or otherwise, to take emergency action and Owner takes such action on Contractor's behalf as a result of Contractor's failure to take such action as described in paragraph (a), such action by Owner shall not relieve Contractor of any such obligations and the cost of taking such action shall be recoverable by Owner as a debt due from Contractor.

3.17 CO-EXISTING USE OF THE WAIRAKEI STATION

(a) Contractor acknowledges that:

- (i) Contractor is required to carry out part of the Works

in the vicinity of the Site and in the Wairakei Station; and

- (ii) the Wairakei Station and Owner's power stations at Wairakei, Ohaaki and Poihipi, which are controlled from the GGC, are in use by Owner for the generation and dispatch of electricity onto the Grid, disruption to which has the potential to cause loss to Owner and impose material financial and social costs on others; and
- (iii) Third Parties rely on Wairakei Station and its environs to provide goods and services including prawn farming and tourism, disruption to which has the potential to have adverse implications for Owner and/or those Third Parties.

(b) Contractor shall not interfere with or disrupt Owner's, or the Third Parties' (referred to above), use of the Wairakei Station, which includes an obligation not to interfere with or disrupt the Owner's use of its power stations at Wairakei, Ohaaki and Poihipi, given that the GGC is used to operate those power stations remotely. Without limitation, where any work under this EPC Contract may reasonably interfere with or

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disrupt Owner's use of the Wairakei Station, Contractor shall only carry out such work during a planned outage in terms of the Owner's Planned Outage Schedule; provided, however, that Owner shall develop the Owner's Planned Outage Schedule in a manner so as to reasonably permit Contractor to proceed with such Works in accordance with the Project Schedule. If Owner makes any changes to Owner's Planned Outage Schedule and Contractor suffers delay or incurs Cost as a result, Contractor shall be entitled to an Owner's Change therefor pursuant to ARTICLE 8 (Changes):

(c) Contractor shall give Owner 7 days notice of Contractor's intention to undertake any activities in the Wairakei Station or to undertake any activities which may reasonably impact on the use or operation of the Wairakei Station, including details of such intended activities.

(d) Contractor shall keep Owner updated on a daily basis as to:

- (i) any changes to Contractor's intentions notified under paragraph (c) (any material changes shall require a further 5 days notice under paragraph (c)); and
- (ii) once Contractor commences such activities, the progress of such activities.

(e) Owner shall be entitled to have an observer present during the carrying out of activities required to be notified by Contractor under paragraph (c);

(f) if Owner reasonably considers that there is a real risk that an act or omission by Contractor may disrupt or interfere with Owner's use of the Wairakei Station, and/or Owner's use of its power stations at Wairakei, Ohaaki or Poihipi, given that the GGC is used to operate those power stations remotely, or the dispatch of electricity into the Grid:

- (i) Owner may instruct Contractor to do or omit anything that Owner, acting reasonably, considers is required in order to overcome such potential disruption or interference. Such instruction may include an

instruction to cease all work, to remove any part of the Works and/or to undertake any work;

- (ii) Contractor shall immediately comply with any such instruction; and
- (iii) such instruction shall, if appropriate in the circumstances, be treated as an Owner's Change for the purposes of ARTICLE 8 (Changes).

3.18 CO-EXISTING USE OF THE GGC

Without limiting SECTION 3.17 (Co-existing use of the Wairakei Station), Contractor:

(a) acknowledges that the Owner will be integrating and connecting the Binary Plant to the GGC, and that eventually the Binary Plant will be controlled from the GGC;

(b) acknowledges that the GGC is also used to control Owner's power stations at Wairakei, Ohaaki, and Poihipi so that disruption of the GGC has the potential to cause material financial loss to, and have other adverse implications on, Owner;

(c) will avoid any interference with or disruption to Owner's remote control of the Wairakei, Ohaaki and Poihipi power stations from the GGC;

(d) will co-operate with Owner and comply with the Schedules in relation to any activities it carries out at or in relation to, the GGC;

(e) use competent employees, contractors and Subcontractors who are experienced in work of a similar nature and scope in carrying out all activities at, or in relation to, the GGC. Without limitation to ARTICLE 19 (Subcontractors), Owner will have the right to reasonably approve all such employees, contractors and subcontractors at any time.

3.19 CO-OPERATION

(a) Contractor acknowledges that during the carrying out of the Works Owner or a Third Party may wish to carry out work on or adjacent to the Site and/or the Wairakei Station. Contractor shall co-operate and co-ordinate with Owner and any such Third

Party to allow them the reasonable opportunity to carry out any such work with the approval of Owner, provided, however, that Contractor shall not be obligated under this clause to undertake any activity that will unreasonably interfere with Contractor's performance and completion of the Works in accordance with the Project Schedule.

(b) Contractor acknowledges that:

- (i) Taupo District Council and/or Transit New Zealand may wish to construct the ETA in future adjacent to the Site as shown on Site Drawing number WRK 0262 in exhibit A3 of SCHEDULE A (Owner's Technical Requirements) and as described in the Designation. The

designating authority or its contractors or agents may therefore wish to undertake investigations, design or construction works for the proposed road at the same time as Contractor is carrying out the Works;

- (ii) concessionaires and others may from time to time undertake improvements to their facilities on neighbouring lands including neighbouring Wairakei Tourist Park land at the same time as Contractor is carrying out the Works;
- (iii) and in all cases Contractor shall co-operate with and co-ordinate its activities with Owner and with Third Parties as appropriate and take such actions as are set out in the Schedules or as are reasonable to accommodate these requirements with the approval of Owner.

(c) Any Change required by Contractor as a result of complying with its obligations under paragraphs (a) or (b) shall be treated as an Owner's Change pursuant to ARTICLE 8 (Changes).

(d) If the Binary Plant is capable of producing electricity prior to Take Over then:

- (i) Contractor shall either (at Owner's option) allow Owner to generate and dispatch electricity from the Binary Plant onto the Grid, or shall

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comply with Owner's instructions in relation to generation and dispatch of electricity from the Binary Plant; and

- (ii) if Contractor suffers delay or incurs Cost as a result, Contractor shall be entitled to an Owner's Change therefor pursuant ARTICLE 8 (Changes).

3.20 SECURITY

Contractor shall be responsible for security of the Site prior to Take Over. This obligation includes keeping unauthorised persons off the Site.

3.21 CONTRACTOR'S OPERATIONS ON THE SITE AND WAIRAKEI STATION

(a) Contractor shall confine all of its operations (including Contractor's Equipment and all its personnel) to the Site and, only to the extent necessary for carrying out the Works, the Wairakei Station.

(b) Contractor shall comply with all reasonable security requirements of Owner in relation to the Wairakei Station.

(c) During the carrying out of the Works Contractor shall keep the Site and the Wairakei Station free from all wreckage, rubbish, unnecessary obstruction, and shall store or remove from the Site and the Wairakei Station any Contractor's Equipment, surplus materials and Temporary Works which are no longer required.

(d) Upon the issue of the Take Over Certificate and as part of the Post-Take Over Works, Contractor shall:

- (i) clear away and remove all Contractor's Equipment,

surplus materials, wreckage, rubbish and Temporary Works relating to the Works;

- (ii) leave the Site and the Binary Plant, and with respect to the Works, the Wairakei Station, in a clean and safe condition; and
- (iii) reinstate all construction/laydown areas relating to the Works.

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However, Contractor may retain on the Site, in a tidy and orderly manner in a place designated by Owner for the duration of the Defects Correction Period, such Contractor's Equipment as is required for Contractor to fulfill its obligations under this EPC Contract.

ARTICLE 4 - OWNER RESPONSIBILITIES

4.1 GENERAL RESPONSIBILITIES

Owner shall, at Owner's cost and expense and not as part of the EPC Contract Price payable to Contractor:

(a) Be responsible for making any and all arrangements for any sale and purchase of electricity to be generated by the Binary Plant, and for ensuring that Transpower enters into agreements allowing for the connection of the Binary Plant and the delivery of electricity generated by the Binary Plant at the high voltage interface point specified in SCHEDULE A (Owner's Technical Requirements) in good time to permit commissioning, start-up, testing and operation of the Binary Plant in accordance with the Project Schedule.

(b) Arrange for and obtain all Owner's Consents in good time as required by Contractor to permit Contractor to proceed with the Work in accordance with the Project Schedule, on terms acceptable to Owner, and in accordance with the terms of this EPC Contract, and to pay for all fees associated therewith. Without derogating from the aforesaid, Contractor, upon Owner's specific request, will provide all necessary technical information to Owner regarding the Works to aid Owner in its efforts to obtain such consents and permits.

(c) Provide the Site, including space for all construction facilities, lay-down, storage and disposal areas, roads and other means of access to Contractor in good time to permit Contractor to proceed with the Work in accordance with the Project Schedule, subject to ARTICLE 3 (Contractor Responsibilities) and in particular SECTION 3.5 (Access Conditions) and SECTION 3.6 (Condition affecting the carrying out of the Works).

(d) Obtain and provide the supply of Geothermal Fluid in accordance with the Design Range to the Geothermal Fluid Terminal Point after being given the

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requisite 3 day prior notice of testing under SECTION 10.2 (Notice of Testing) and in good time to permit commissioning, start-up, testing and operation of the Binary Plant in accordance with the Project Schedule. If Contractor notified Owner in its Commissioning and Performance Testing PLAN provided pursuant to paragraph 1.2.1 of SCHEDULE D (Performance Tests) that it requires Geothermal Fluid in addition to the volume per hour specified in the Design Range and Owner has confirmed to Contractor the technical feasibility and cost of making the additional supply if any, Owner shall on demand of Contractor supply up to the

agreed additional volume of Geothermal Fluid and Contractor shall pay Owner the agreed cost of providing it. Owner shall be entitled to interrupt the supply of Geothermal Fluid but such interruption shall be treated as an Owner's Change pursuant to ARTICLE 8 (Changes).

(e) Accept the Geothermal Fluid for return to the reinjection system or other disposition following its use by Contractor at the Terminal Point, provided the temperature exceeds the minimum Brine Return Temperature of 85(Degree) C.

(f) Perform the obligations of Owner under the Supply Contract so that Supplier can make available the Equipment furnished by Supplier in accordance with the Supply Agreement to Contractor (on behalf of Owner), for incorporation in the Works.

(g) Provide access to electricity, water and communications at the Terminal Points specified in SCHEDULE A (Owner's Technical Requirements) in good time to permit construction, commissioning, start-up, testing and operation of the Binary Plant in accordance with the Project Schedule.

(h) Designate an Owner's Representative who shall act as a single point of contact with Contractor in all matters on behalf of Owner. Contractor may require replacement of Owner's Representative on reasonable grounds, which shall be described to Owner. Owner may from time to time appoint alternative or additional persons to act in place of the Owner's Representative and shall give Contractor written notice of such appointment. Contractor shall act on the instructions of the following people, and no others:

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- (i) the Owner's Representative (or any alternate or additional persons notified by Owner to Contractor under this clause); and
- (ii) in relation to any matter which may affect the Wairakei Station, the Station Controller or the Owner's Representative (or any alternate or additional persons notified by Owner to Contractor under this clause).

(i) At least four (4) months prior to commencement of Contractor's commissioning activities, provide up to 5 senior operating and maintenance personnel and at least two (2) months prior to commencement of Contractor's commissioning activities, provide up to 25 regular operating and maintenance personnel, all for training by Contractor as provided pursuant to SECTION 3.1(N), and for commissioning, start-up, performance testing, and operation through Take Over. Owner and Owner's operation and maintenance personnel shall provide reasonable cooperation with Contractor in allowing Contractor to conduct all testing activities, including the Performance Tests, to complete the Work and to perform all of Contractor's warranty obligations in a timely and cost efficient manner.

(j) Promptly (but not later than ten (10) days from delivery) approve, or provide written comments to the extent necessary to, all Design and Other Information submitted to Owner for approval or comment pursuant to ARTICLE 9 (Access and Review by Owner).

(k) Owner shall be the importer of record and consignee for all goods and materials supplied under this EPC Contract and the Equipment and shall be responsible for all New Zealand taxes, duties and levies associated therewith. Owner hereby grants to Contractor the right to act as Owner's agent, including executing documentation on Owner's behalf, for purposes of accomplishing the importation of all goods and materials for the Binary Plant into New Zealand

under this EPC Contract and the Supply Contract, including the Equipment, and the processing of such goods and materials through customs.

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4.2 RESPONSIBILITIES OF OWNER'S REPRESENTATIVE

The Owner's Representative is authorized to:

- (a) give a decision, opinion or consent; or
- (b) express satisfaction or disapproval; or
- (c) determine value; or
- (d) otherwise take action which may affect the rights and obligations of Owner or Contractor.

The Owner's Representative shall consult with Contractor in an endeavour to reach an agreement before exercising such authority. If agreement is not achieved, the Owner's Representative shall exercise such authority reasonably.

If Contractor has a Dispute with the determination made by the Owner's Representative, such Dispute shall be resolved as provided in ARTICLE 16 (Dispute Resolution). Until any contrary determination is made pursuant to ARTICLE 16 (Dispute Resolution), Contractor shall proceed with the decisions and instructions given by the Owner's Representative.

Owner shall be entitled to replace the Owner's Representative from time to time upon giving prior written notice to Contractor.

ARTICLE 5 - EXTENSION OF TIME

5.1 EXTENSION OF TIME

5.1.1 In addition to any of its rights to recover additional Costs it incurs upon the occurrence of the following events as provided in other provisions of this EPC Contract, Contractor shall be entitled to an extension to the Scheduled Take Over Date and other dates in this EPC Contract to the extent that Contractor is or will be delayed either before or after such dates by any of the following causes:

- (a) an Owner's Change;
- (b) a Change in Law;
- (c) a Force Majeure event;
- (d) subject to ARTICLE 3 (Contractor Responsibilities), physical conditions or circumstances at the Site, which are materially adverse and would not be reasonably foreseeable by an experienced contractor;
- (e) delay to any tests required for Take Over as a result of:
 - (i) the failure of Owner to provide the Geothermal Fluid that meets the Design Range or to accept Geothermal Fluid not less than 85(Degree) C after it has been run through the Binary Plant for reinjection or other disposal; or

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- (ii) the failure by Transpower (arising other than as a result of a breach or failure by Contractor or Supplier to comply with their respective obligations under this EPC Contract and Supply Contract, as appropriate) to transport and/or take the electrical power generated by the Binary Plant as a result of carrying out such tests or Binary Plant commissioning;
- (f) any unreasonable delay, impediment or prevention by Owner other than the exercise of Owner's rights under this EPC Contract or the Supply Contract;
- (h) a delay to Supplier for which Supplier is entitled to an extension of its Delivery Schedule pursuant to Section 5.1 of the Supply Contract,

provided that:

- (i) the delay does not arise as a result of a default or failure by Contractor or Supplier;
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- (ii) the ability of Contractor to achieve Take Over by the Scheduled Take Over Date is actually affected by the delay. Contractor will only be entitled to an extension of the Scheduled Take Over Date to the extent of such effect;
 - (iii) the delay could not have been prevented or overcome by the exercise of foresight, care and diligence of a professionally qualified and competent contractor experienced in work of a similar nature and scope as the Works;
 - (iv) Contractor and/or Supplier as the case may be has used its Best Endeavours to mitigate the delay, including making such reasonable changes to the timing, method, and sequence of the Project as Owner may propose and finding alternative suppliers, and offering them assistance; and
 - (v) Contractor and/or Supplier as the case may be has advised Owner of the potential for delay as soon as the potential became apparent, or would have become apparent to a qualified and competent contractor experienced in work of a similar nature and scope to the particular work in question.

Notwithstanding that Contractor has not claimed an extension of time, Owner may at any time and from time to time by notice to Contractor as an Owner's Change pursuant to ARTICLE 8 (Changes) extend the Scheduled Take Over Date.

5.1.2 If Contractor believes that it is entitled to an extension of time under this SECTION 5.1, Contractor shall give notice to the Owner's Representative of the same as soon as reasonably practicable and in any event within 5 days of the day when Contractor learns of the delay. Contractor shall keep such contemporary records as may be reasonably necessary and feasible to substantiate such delay, either at the Site or at another location reasonably acceptable to the Owner's Representative and shall provide such information to the Owner's Representative as he or she shall reasonably require.

Contractor shall permit the Owner's Representative to inspect such records during Contractor's normal business hours, and shall (if requested) provide the Owner's Representative with a copy of such records

5.1.3 Within 14 days of such notice (or such other period as may be agreed by the Owner's Representative), Contractor shall submit supporting details of the delay. Except that, if Contractor cannot submit all relevant details within such period because the cause of delay is continuing or such details are not yet reasonably available, Contractor shall submit interim details at intervals of not more than 14 days (from the first day of such delay) and final supporting details of its application within 14 days of the last day of delay. If Contractor fails to meet any such time periods, Contractor shall notify Owner as soon as reasonably practicable. Contractor's failure to meet the time periods specified in this SECTION 5.1 shall not affect Contractor's right to the extension of time unless such failure has materially prejudiced the ability of Owner to rectify or mitigate the causes or consequences of the delay in which case the extension of time granted to Contractor shall not include any periods of delay that could reasonably have been avoided if not for such failure to give notice.

5.1.4 The Owner's Representative shall proceed to agree upon or determine such extension of time as may be due. The Owner's Representative shall promptly notify Contractor accordingly.

ARTICLE 6 - COMPENSATION AND PAYMENT

6.1 EPC CONTRACT PRICE

6.1.1 For the performance of the Work, Owner shall pay Contractor, in the manner and at the times hereinafter specified, the EPC Contract Price in the amount of Eight Hundred Thirty Thousand United States Dollars (U.S. \$830,000) and Seven Million Five Hundred Twenty-Two Thousand Four Hundred Forty-Seven New Zealand Dollars (NZ\$7,522,447). The EPC Contract Price is net of all applicable New Zealand taxes (other than the New Zealand income taxes of Contractor, and New Zealand employee-related taxes of Contractor, all of which the Contractor shall be responsible to pay), duties and levies including without limitation any New Zealand property taxes such as rates

assessed against the Works or the Plant and the payment of any such taxes, duties and levies (other than the New Zealand income taxes, and New Zealand employee-related taxes, of Contractor) shall be the responsibility of Owner. Contractor shall provide reasonable cooperation to Owner to reduce Owner's exposure to any tax, duty or levy.

6.1.2 The EPC Contract Price (plus any GST, and less any withholding required by law) shall be full payment for performance of all of Contractor's obligations under and in connection with this EPC Contract, and Contractor shall be deemed to have satisfied himself as to the correctness and sufficiency of the EPC Contract Price. The EPC Contract Price includes Contractor's income taxes and employee-related taxes of the Contractor and withholding taxes that Owner may be required by law to withhold from any payment due to Contractor.

6.1.3 The EPC Contract Price shall be adjusted only as

expressly provided for in this EPC Contract and shall not be adjusted for other changes in the cost of equipment, materials, labour or other inputs or currency exchange rates.

6.1.4 The parties agree:

(a) That they are independent parties dealing at arm's length with each other in relation to the matters contemplated by this Contract.

(b) For the purposes of Division 2 of Subpart EH of the Income Tax Act 1994, the parties confirm that the EPC Contract Price does not include any capitalised interest and it is the consideration the parties would have agreed, on the Commencement Date, if payment was required in full at the time the first right in the contracted property was transferred or the services were provided.

6.1.5 For the avoidance of doubt, the parties acknowledge and agree that:

(a) any interest on overdue payments is separate from and does not form part of the EPC Contract Price; and

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(b) the gross EPC Contract Price includes any early completion payment under SECTION 6.5 (Early Completion Payment), taxes, levies or duties paid by the Owner under this Contract.

6.2 PAYMENT

6.2.1 Schedule C hereto sets forth the Milestone Payment Schedule, which is intended to cause payments to approximate the value of Works performed by Contractor. Contractor shall invoice Owner on achievement of Milestones in accordance with the Milestone Payment Schedule. Each payment shall be allocated pro rata between the United States Dollar and the New Zealand Dollar portions of the EPC Contract Price (and paid in such currency).

6.2.2 Upon the execution of this EPC Contract by the parties, Contractor may issue its first invoice for payment of the first milestone under the Milestone Payment Schedule. Thereafter on or before the tenth (10th) day of each month, Contractor shall furnish Owner's Representative a detailed progress invoice for payment based on Milestones achieved or due under SECTION 6.5 (Early Completion Payment), during the period ending on the last day of the previous month accompanied by the documents described under the Milestone Payment Schedule for which payment is demanded and any other documents as required under SECTION 6.4 (Preconditions to Milestone payments) (such invoice, and each invoice under this contract, is to include Contractor's New Zealand registration number for GST purposes, and other information to comply with the requirements for a "tax invoice" in section 24 of the Goods and Services Tax Act 1985).

6.2.3 Upon accomplishment of the Milestone entitled "Delivery of Final Documentation" in the Milestone Payment Schedule, Contractor shall submit an invoice to Owner's Representative, summarizing and reconciling all previous invoices and payments in the amount of the EPC Contract Price less payments to date. Owner shall pay the amount of the EPC Contract Price outstanding in full within ten (10) days of receipt of such invoice, subject to SUBSECTIONS 6.2.4 and 6.2.5 below.

6.2.4 Owner's Representative shall verify that the invoices submitted under SUBSECTION 6.2.2 OR 6.2.3 and the documents submitted pursuant to

SUBSECTION 6.2.2 in support of the claim for payment, and shall, within ten (10) days of their receipt, either approve said invoice or give written notice within such period of errors or disputes with said documentation. Contractor shall be entitled to payment of an instalment only when it has met the applicable pre-conditions, if any, in SECTION 6.4 (Preconditions to Milestone Payments) and achieved all of the requirements of the relevant Milestone in conformity with the requirements of this EPC Contract. If Owner's Representative fails to approve the invoice for release of the Milestone payment or to provide the notice regarding errors or Disputes in the documentation within such period, in the absence of the invoice and the documents being patently false or inaccurate, the invoice and the accompanying documentation shall be deemed conclusive evidence sufficient for the release of such Milestone payment. In the case Owner's Representative provides written notice of errors or Disputes in said documentation within the period described herein Contractor shall resubmit the corrected progress invoice and/or documentation, and the above described approval process shall reapply.

6.2.5 Subject to meeting the requirements of SECTION 6.4(A) and (B), Owner shall pay Contractor the first payment due under the Milestone Payment Schedule within ten (10) days of the receipt of Contractor's invoice. With respect to all invoices thereafter, Owner shall pay Contractor on or before the 5th business day following Owner's approval or deemed approval of the invoice or any undisputed portion thereof pursuant to SUBSECTION 6.2.4 plus the GST, less any set-off for amounts which are due and owing to Owner from Contractor under this EPC Contract. When a set-off sum is in Dispute the parties shall promptly refer the matter for determination under the Disputes resolution procedure set forth in ARTICLE 16 (Dispute Resolution) and any moneys set-off and subsequently determined to be payable shall thereupon be paid together with interest for late payment.

6.2.6 If any Punchlist items remain to be completed upon Take Over, Owner's Representative may determine to withhold an amount from the remaining Milestone payments equal to up to one and a half times the reasonably estimated value of all Punchlist items remaining on an agreed upon punch list, with each such withheld amount to be paid to Contractor upon satisfactory completion of each such Punchlist item,

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Contractor to accumulate claims and send invoices to Owner therefor no more frequently than on a monthly basis.

6.2.7 If there is any Dispute about amounts invoiced and not paid, and the Dispute is not resolved within ten (10) days of notice by Contractor of such Dispute, the parties shall promptly refer the matter for determination under the disputes procedure in this EPC Contract and any moneys set-off and subsequently determined to be payable shall thereupon be paid together with interest for late payment from the date payment was originally due to the date of payment at the Default Rate.

6.3 INTEREST

All monies not paid under this EPC Contract (including liquidated damages) by the due date for payment shall bear a late payment charge from the date payment was due to the date of payment at the Default Rate, unless such payment has been disputed and the Dispute has been resolved in favour of the paying party.

6.4 PRECONDITIONS TO MILESTONE PAYMENTS

The preconditions referred to in SUBSECTION 6.2.4 are:

- (a) Contractor must have provided to Owner prior to the first Milestone payment the NZ\$ Denominated L/C and the US\$ Denominated L/C and the parent company guaranty to Owner as provided in ARTICLE 13 (Securities);
- (b) Contractor must have produced to Owner evidence confirming that Contractor has in place the insurances required in SECTION 15.1(A) (Contractor's Insurances) prior to the payment of the first Milestone payment, evidence that Contractor has in place the insurance required in SECTION 15.1(B) prior to the payment of Milestone payments occurring immediately prior to the date that Supplier is scheduled to first deliver Equipment to Owner FOB (Incoterms 2000) pursuant to the Supply Contract and evidence that Contractor has in place the insurance required in SECTION 15.1(C) and (D) prior to the payment of Milestone payments

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occurring after Contractor has commenced performance of the Works at the Site; and

- (c) Contractor is current in providing the monthly progress reports pursuant to SECTION 3.1(Q), provided, however, that any issues regarding the adequacy of the contents of such reports shall be resolved pursuant to ARTICLE 16 (Dispute Resolution) or other provisions of this EPC Contract and shall not be a basis for withholding or delaying payment of any Milestone.

6.5 EARLY COMPLETION PAYMENT

In addition to the EPC Contract Price, Owner shall pay to Contractor upon the successful completion of the Reliability Run the sum of One Hundred Eighty Nine Thousand New Zealand Dollars (NZ\$189,000) (plus GST if any and less any withholding required by law) if Contractor commences a Reliability Run prior to May 1, 2005 (as that date may be extended pursuant to ARTICLE 5 (Extension of Time) or ARTICLE 8 (Changes)) and successfully completes that Reliability Run. For purposes of this SECTION 6.5, Contractor may commence the Reliability Run when it has successfully accomplished the handling trials, satisfied the Performance Guarantees for the net power output and brine pressure drop output performance tests described in SUBSECTION 1.5.9 of SCHEDULE D (Performance Tests), and the Binary Plant can be operated lawfully, provided, however, that the noise test set forth in SECTION 1.5.13 of SCHEDULE D (Performance Tests) does not need to be completed prior to the commencement of the Reliability Run.

ARTICLE 7 - COMMISSIONING AND TAKE OVER

7.1 COMMISSIONING

7.1.1 READINESS FOR COMMISSIONING

Not earlier than 7 days (but not later than 4 days) before Contractor considers the Binary Plant will be ready for commissioning, Contractor shall give notice to Owner indicating the date on which Contractor believes the Binary Plant will be ready for commissioning. The Binary Plant is ready for commissioning when:

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(a) Contractor has completed the Works up to commissioning in accordance with this EPC Contract, apart from completion of insulation, painting, final grading and gravel, drainage or any other incomplete or defective items which do not affect the mechanical, electrical or structural integrity, or the safe and lawful operation, of the Binary Plant. Contractor shall participate in an inspection of the Works with Owner in order to jointly identify such incomplete or defective items;

(b) Contractor has included the incomplete or defective items referred to in paragraph (a) in an initial Punchlist and Owner has approved (in its reasonable discretion) the initial Punchlist (the same time period and procedure set forth in SECTION 9.4 shall apply to Owner's review, approval or objections to the initial Punchlist proposed by Contractor);

(c) the Binary Plant may be operated in accordance with all applicable Laws, Consents and Standards, and without damage to the Works generally (including the Binary Plant itself), the Grid, the Wairakei Station, or anything else on or off the Site, and without injury to any person;

(d) Contractor has complied with its obligations under SCHEDULE A (Owner's Technical Requirements) in relation to commissioning;

(e) the Binary Plant is ready for initial operation, adjustment and testing;

(f) Contractor has submitted, in accordance with SECTION 9.4 (Design and Other Information Review), a detailed Commissioning and Performance Testing Plan pursuant to paragraph 1.2.1 of SCHEDULE D (Performance Tests), including Contractor's requirements regarding the volume of Geothermal Fluid to be supplied by Owner at specified times, and Owner has issued or pursuant to SECTION 9.4.3 is deemed to have issued a notice of no objection in respect of it; and

(g) Contractor has provided to Owner all test certificates, approvals and the like required from statutory or regulatory authorities before the Binary Plant may be commissioned.

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7.1.2 NOTICE BY OWNER

Within 7 days after receipt of notice pursuant to SUBSECTION 7.1.1 (Readiness for commissioning), Owner shall give notice to Contractor advising either that Owner:

(a) has no objection to Contractor commissioning the Binary Plant (with or without conditions); or

(b) objects to Contractor commissioning the Binary Plant because any of the conditions in SUBSECTION 7.1.1 (Readiness for commissioning) have not been satisfied and specifying the conditions objected to and the basis for such objection.

If Owner fails to provide such notice within such 7 day period, Owner shall be deemed to have no objection to Contractor commissioning the Binary Plant (with or without conditions).

7.1.3 COMMISSIONING/CORRECTIVE MEASURES

(a) If Owner gives or is deemed pursuant to SUBSECTION 7.1.2 (Notice by Owner) to have given notice that it has no objection to Contractor

commissioning the Binary Plant, Contractor shall proceed to commission the Binary Plant in accordance with any conditions attaching to the notice and the Commissioning and Performance Testing Plan.

(b) If Owner gives notice that it objects to Contractor commissioning the Binary Plant, Contractor shall undertake corrective measures and/or perform any work required to comply with the conditions of SUBSECTION 7.1.1 (Readiness for commissioning), then give notice to Owner again under SUBSECTION 7.1.1 (Readiness for commissioning).

7.2 TAKE OVER

The Binary Plant shall be ready for Take Over when:

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- (a) Contractor has completed all Performance Tests and the results are within or better than the thresholds for performance identified in SECTION 10.5 (Failure to pass the Performance Tests);
- (b) Contractor has completed the Binary Plant, except for (i) the Post-Take Over Works, (ii) completion of the final as-built drawings and operation and maintenance manuals; and (iii) any construction that cannot reasonably be completed due to the occurrence of any of the events described in SUBSECTION 5.1.1(E) OR (F) (Extension of Time);
- (c) the Binary Plant can be used for its intended purposes and operated properly and conveniently by Owner, without further reliance on Contractor and in accordance with all applicable Laws, Consents and Standards;
- (d) Contractor has furnished Owner with or has obtained such Consents or waivers from governmental authorities having jurisdiction that permit Owner under applicable Law, Consents, and Standards to operate the Binary Plant
- (e) Contractor has paid all delay and performance related liquidated damages to Owner due in terms of ARTICLE 12 (Remedies) save only those subject to a Dispute then submitted for resolution pursuant to ARTICLE 16 (Dispute Resolution) and, if the Binary Plant has been accepted under SECTION 10.5(A)(3) (Failure to pass the Performance Tests), Contractor has paid to Owner any amount due to Owner to reflect the adjustment to the EPC Contract Price under SECTION 10.5(B) (Failure to pass the Performance Tests);
- (f) Contractor has trained all operation and maintenance personnel as required under SECTION 3.1(N);
- (g) Contractor has given Owner the following documents and information:

- (i) draft operating and maintenance manuals;

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- (ii) training manuals;

- (iii) software end user licences, passwords, codes and other similar items necessary for the operation and maintenance of the Binary Plant;

- (iv) Draft As-Built Drawings; and
- (v) documents required to satisfy all applicable regulatory approvals necessary for Owner's operation of the Binary Plant;
- (h) The Hazop Review has been carried out and any issues identified have been rectified.

7.3 REQUEST FOR TAKE OVER CERTIFICATE

7.3.1 Not earlier than 7 days before Contractor considers the provisions of SECTION 7.2 (Take Over) will be met, Contractor shall give notice to Owner requesting a Take Over Certificate. Such request shall contain all such documentary evidence and other information in sufficient detail to enable Owner to determine whether the provisions of SECTION 7.2 (Take Over) have or will be (as applicable) met.

7.3.2 Owner shall within 7 days after receiving Contractor's request:

- (a) if Contractor has met all of the requirements of SECTION 7.2 (Take Over), issue a Take Over Certificate to Contractor stating the date on which Contractor met the requirements of SECTION 7.2 (Take Over);
- (b) if Contractor has not met one or more of the requirements of SECTION 7.2 (Take Over), reject the request, giving reasons and identifying the work required to be done by Contractor to enable the Take Over Certificate to be issued. Contractor shall then complete this work before issuing a further notice under SECTION 7.3 (Request for Take Over Certificate); or
- (c) if Contractor has not met all of the requirements of SECTION 7.2 (Take Over) but Owner wishes to take over the Permanent Works notwithstanding such failure, Owner may issue a Take Over Certificate stating the date on which the Owner took over the Permanent Works identifying those requirements of SECTION 7.2 (Take Over) which remain outstanding. In the event of Take Over in these circumstances, Contractor shall not be relieved of the obligation to meet all of the requirements of SECTION 7.2 (Take Over) and shall meet such requirements as soon as practicable following Take Over.

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7.4 RESPONSIBILITY FOR THE PERMANENT WORKS

Owner shall take complete possession and control of the Permanent Works and assume responsibility for the daily operation of the Binary Plant upon Take Over. Owner and Contractor shall reasonably coordinate and cooperate with each other to provide Contractor access to the Site at reasonable times to avoid unreasonable interference with Owner's operation and maintenance of the Binary Plant for the purpose of completing Punchlist items, remedying any defects, fulfilling any other outstanding obligations of Contractor under this EPC Contract or performing the corrective work described in SECTION 12.8 (Make Right Obligation).

7.5 DELAYED TESTS

(a) If the Performance Tests are not satisfactorily completed by the Scheduled Take Over Date due to the occurrence of any of the events described in SUBSECTION 5.1.1(D) OR (E) (Extension of Time) (solely for purposes of this Section, the term "Scheduled Take Over Date" shall not be extended due to the occurrence of such SUBSECTION 5.1.1(D) OR (E) events, but shall reflect any other extensions thereof made pursuant to the other provisions of this EPC Contract) then Contractor shall be entitled to issue a notice to Owner under SECTION 8.5 as if the failure to complete the tests was an Owner's Change.

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(b) In the event that SUBSECTION 5.1.1(E) or (F) applies and the Owner fails or refuses to remedy the relevant SUBSECTION 5.1.1(E) or (F) event within 30 days of such Scheduled Take Over Date then Contractor shall be entitled to payment of the relevant Milestone(s) as if the Performance Tests had been successfully completed and Take Over had occurred. If Owner is able to remedy the relevant event within 90 days of such Scheduled Take Over Date, Contractor shall, subject to SECTION 7.6 (Binary Plant Degradation) and upon Owner's request, conduct the delayed Performance Tests and otherwise comply with the provisions of SECTION 7.2 (Take Over) and ARTICLE 10 (Testing). If Contractor is required to incur additional Costs as a result of maintaining personnel and equipment on standby to do so it shall be entitled to claim for reasonable reimbursement of those Costs as an Owner's Change pursuant to ARTICLE 8 (Changes). In the event that Owner is unable to remedy the relevant event within 90 days of the Scheduled Take Over Date then Take Over and the successful full completion of all of the Performance Tests shall be deemed to have occurred and Contractor shall be entitled to payment of the relevant Milestone(s) for Take Over, the accomplishment of such Performance Tests and related matters.

7.6 BINARY PLANT DEGRADATION

(a) If geothermal fluid has been run through any part of the Binary Plant due to a request by Owner to operate the Binary Plant under SECTION 3.19(D) resulting in a cumulative operating period of more than six (6) weeks, Contractor may require that the parties jointly open and inspect the Binary Plant prior to the Performance Tests being carried out.

Subsequent to the inspection:

- (i) if the Binary Plant is in good, clean and reasonably as-installed condition, Contractor will proceed within a reasonable period of time to conduct the Performance Tests not previously completed; or
- (ii) if the Binary Plant is not in good, clean and reasonably as-installed condition, prior to the conduct of the Performance Tests,

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Contractor will notify Owner accordingly and with the agreement of Owner (not to be unreasonably withheld) within a reasonable period of time clean and repair the Binary Plant (as Contractor reasonably deems appropriate) at Owner's expense and then conduct such tests; and

- (iii) if the Parties agree that the Binary Plant can not be cleaned and/or repaired to a standard to enable the Performance Tests to be carried out, the testing protocols and requirements shall be revised accordingly to adjust for the constraints which

prevent such tests from being performed as originally defined and within a reasonable period of time Contractor shall conduct such revised tests.

7.7 REPLACEMENT PERFORMANCE BOND

Upon Take Over Contractor may submit to Owner a replacement performance bond issued by the same bank, provided that it has the same or better credit rating, or other financial institution meeting the criteria specified in SECTION 13.1 (Security Provided on Behalf of Contractor) and in the same form as the performance bonds issued under SECTIONS 13.1(A) and 13.1(B) but for an amount representing 5% of the sum of the EPC Contract Price and the Supply Contract Price at Take Over. Upon receipt of such bond, Owner shall release the NZ\$ Denominated L/C and the US\$ Denominated L/C issued under SECTIONS 13.1(A) and 13.1(B).

7.8 INDUSTRY AND GRID REQUIREMENTS

If the Binary Plant upon Take Over does not satisfy the technical requirements of all Industry Arrangements Contractor shall, if requested by Owner, provide all information necessary for Owner to seek an equivalence arrangement or dispensation. Contractor shall also reimburse all Owner's reasonable out-of-pocket costs associated with both any application for an equivalence arrangement or dispensation and any charges imposed thereafter. Owner shall not be obliged to apply for an equivalence arrangement or dispensation and any application, or decision not to apply for an equivalence arrangement or dispensation shall not limit Owner's rights or remedies.

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7.9 POST-TAKE OVER WORKS

After Take Over, Contractor shall promptly and diligently perform the following Works to completion:

- (a) Upon Take Over, Contractor shall prepare a final Punchlist that identifies all incomplete or defective items of the Works and present the same for approval by Owner (acting reasonably) applying the same time period and approval procedure set forth in SUBSECTION 7.1.2 to the final Punchlist proposed by Contractor and the parties referring any Dispute over the composition of the final Punchlist for resolution pursuant to ARTICLE 16 (Dispute Resolution) without delaying Take Over. Approval by Owner of the Punchlist shall not relieve Contractor of any of its obligations under this EPC Contract and Contractor shall promptly and diligently complete all items of the Works included in the final Punchlist approved by Owner as provided above.
- (b) Contractor shall transfer all applicable Consents related to the Works and Binary Plant to Owner in a form which enables the benefit of them to be used by Owner, including:
 - (i) Building Act 1991 code compliance certificate(s);
 - (ii) all certification under the Electricity Act 1992 and Hazardous Substances and New Organisms Act 1996;
 - (iii) all certification of pressure equipment and cranes; and
 - (iv) all other certificates required for operation or maintenance of the Works which are within Contractor's obligations;

(h) Contractor shall give Owner all documents and information required to be provided under this EPC Contract, including:

(i) all documents required by the Schedules; and

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(ii) Plant specifications and descriptions.

(i) Contractor shall provide to Owner all special tools identified in the Contractor's Technical Proposal;

(j) Contractor shall remove all Contractor's and Subcontractor's personnel, supplies, equipment, waste materials, rubbish and temporary facilities, except those reasonably required for performance of correction work during the Defects Correction Period, from the Site and the Wairakei Station;

(k) Contractor shall give Owner all information required as specified in SCHEDULE A (Owner's Technical Requirements) for Owner's final fixed asset register with respect to the Binary Plant;

7.10 FINAL DOCUMENTATION

Not later than six (6) months after Take Over, Contractor shall provide to Owner four copies of the final operation and maintenance manuals (which shall incorporate manuals of the Equipment) and detailed as-built Drawings and specifications for the Binary Plant.

ARTICLE 8 - CHANGES

8.1 CHANGE

All Changes shall be recorded in a written instrument signed by the Owner's Representative and Contractor and shall not be implemented by Contractor without such written instrument.

8.2 EFFECT OF CHANGE

No Change shall in any way vitiate or invalidate this EPC Contract.

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8.3 REQUEST

Either party may request a Change under this ARTICLE 8 (Changes) by written request to the other party, provided however, that neither party may request or require changes or deletions which, in the aggregate, reduce the combined EPC and Supply Contract Prices by more than fifteen percent (15%).

8.4 OWNER'S CHANGES

(a) At any time prior to issuing the Take Over Certificate, Owner may instruct Owner's Changes. Contractor shall promptly implement any such Owner's Change.

(b) If Owner requests a proposal in respect of a contemplated Owner's Change, or if Contractor is of the view that an instruction given by Owner comprises an Owner's Change, the following provisions shall apply:

(i) within 14 days after Owner's request, or such longer period as Owner allows, Contractor shall prepare and

submit to Owner a detailed proposal relating to the contemplated Owner's Change, including:

- (1) a description of how the Change would be implemented, including (where relevant) the proposed design and/or work to be performed;
- (2) any additional Cost or Cost saving and Contractor's proposal for any adjustment to the EPC Contract Price for such Cost (and if relevant Supplier's proposal for any adjustment in the Supply Contract Price under the Supply Contract) as a result;
- (3) any additional time that would be involved or any time saving and Contractor's proposal for any adjustment to the Scheduled Take Over Date as a result;

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- (4) Contractor's proposal for any consequential adjustment to the programme, construction method statement and the Milestone Payment Schedule; and
 - (5) advice as to the effect of the Owner's Change on the ability of Contractor to perform its obligations under this EPC Contract;
 - (6) advice as to the effect of the Owner's Change on the Supply Contract and/or the Equipment;
- (ii) Contractor and Owner shall then take reasonable steps to reach agreement on the Owner's Change. Upon agreement being reached Owner may then issue an instruction to Contractor to implement the Owner's Change. Any such agreement shall be conditional upon Owner being able to reach an agreement with the Supplier for any related change under the Supply Agreement and upon terms acceptable to Owner (acting reasonably);
- (iii) no agreement between Owner and Contractor as to the terms upon which an Owner's Change may be implemented shall have any contractual or other legal effect unless it is in writing and a written instruction to implement the Owner's Change has been issued pursuant to this clause;
- (iv) any such written agreement shall be binding upon Contractor and Owner according to its terms and Contractor will have no further or other entitlement under this EPC Contract in respect of such Owner's Change;
- (v) if the parties fail to reach agreement within 7 days Owner may either:
- (1) instruct Contractor under paragraph (a) to implement the Owner's Change in which case the parties shall resolve any

Dispute regarding the extension of time, compensation or other issues regarding such Change in accordance with ARTICLE 16 (Dispute Resolution); or

- (2) choose not to proceed with the Owner's Change, in which event Contractor shall have no claim of any kind whatsoever arising out of or in connection with the request for the proposal. If Owner elects to not proceed with the Owner's Change, Owner reserves the right, subject to the terms of this EPC Contract, to proceed with the work behind the proposed Change directly or through a third party.

8.5 ADJUSTMENTS

Should any Owner's Change or the occurrence of an event described in SUBSECTION 5.1.1 (other than where the occurrence of such event is due to an event of Force Majeure and Owner elects to address such failure pursuant to the terms of ARTICLE 22 (Force Majeure)) cause a material increase or decrease in the Cost of or time required for Contractor's performance of this EPC Contract or otherwise affect any provision of this EPC Contract, then after Contractor has given to Owner the required information under SECTION 8.4 of the likely effect of the Change and corresponding proposed adjustments, and Owner elects to continue with the proposed Change then the Scheduled Take Over Date and other dates in this EPC Contract shall be adjusted as provided in ARTICLE 5 (Extension of Time) and an adjustment that is reasonable in the circumstances will be made to the EPC Contract Price for the Costs of such Change plus a ten percent allowance thereon for overhead and profit (with regard to SUBSECTION 5.1.1 events, Contractor's rights under this SECTION 8.5 with regard to recovery of Costs shall be subject to the conditions set forth in SUBSECTION 5.1.1(I), (III), (IV) and (V) which provisions shall be read as if references to "delay" refer to "Costs"), and to performance warranties (where performance of the Works is attested and subject to SECTION 8.7 (Effect of Changes on Warranties and Safety) and any other provision of this EPC Contract which is thereby affected. Any increase in the EPC Contract Price due to such Change

shall be payable subject to a progress payment schedule to be submitted by Contractor as part of the proposed written Change order. Any Dispute relating to any such Change shall be determined in terms of ARTICLE 16 (Dispute Resolution), but Contractor shall continue to implement any Owner's Change notwithstanding the Dispute.

8.6 CONTRACTOR CHANGES

8.6.1 Notwithstanding the foregoing, or anything expressed or implied in this EPC Contract, if Contractor requests a Change so as to make the Binary Plant meet the Performance Guarantees, or to otherwise comply with its obligations under this EPC Contract and such request does not involve any other cause or event that would otherwise entitle Contractor to such Change under this EPC Contract, such Change shall be at Contractor's own cost and expense and shall be subject to the consent of the Owner's Representative (which consent shall not be unreasonably withheld). If the Owner's Representative withholds its

consent to such Change, and Contractor remains of the view that it is necessary for the completion of the Work in accordance with this EPC Contract, then the matter shall be referred for resolution under ARTICLE 16 (Dispute Resolution). Provided always in no event shall Owner be obliged to accept a Contractor's Change that Owner considers to be detrimental to Owner's overall interests in relation to the Plant.

8.6.2 The requirements of SECTION 8.4(B) shall apply to every request made by Contractor for a Change under this SECTION 8.6, and the provisions of SECTION 8.4(B) shall be read as if references to "Owner's Change" are to "Contractor's Change" and SECTION 8.4(B)(V) shall be read so that if the parties fail to reach agreement within 7 days the Dispute shall be determined in terms of ARTICLE 16 (Dispute Resolution).

8.7 EFFECT OF CHANGES ON WARRANTIES AND SAFETY

8.7.1 If Contractor reasonably believes that a proposed Owner's Change will result in Contractor not being able to comply with any express or implied warranty of the Works, Contractor shall serve Owner notice within fourteen (14) days of the receipt of such proposal of its belief and the believed effect together with such supporting technical data and other information as is reasonably required to confirm to Owner (acting reasonably) the predicted effect of the proposed change in the Works. If the parties are

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unable to agree upon the Owner's Change and its predictive effect and Owner wishes to proceed with the Owner's Change then the matter shall be referred for immediate resolution by a suitably qualified expert either agreed by the parties or appointed by the President or nominee of the Institute of Professional Engineers of New Zealand within 7 days of being requested to do so under this EPC Contract. The expert shall be required to make the determination within 7 days of appointment. If Owner insists, despite the expert determination to require the execution of such proposal in circumstances where the expert determines the change will result in Contractor not being able to comply with any express or implied warranty of the Works, Contractor shall comply with Owner's requirement to execute the proposal, but Contractor shall not be responsible for the resulting non compliance with affected warranties or performance guarantees, but only to the extent related to or derived from Owner's proposal.

8.7.2 If a proposed Owner's Change will cause or result in an unlawful activity or may negatively affect safety of the Binary Plant or persons in its vicinity, Contractor shall serve Owner notice within fourteen (14) days of such proposal of its belief and the believed effect, and Contractor shall not be required by Owner to unlawfully execute such proposal.

8.8 OTHER PROVISIONS UNAFFECTED

Except to the extent a Change specifically amends one or more provisions hereof, all provisions hereof shall apply to all Changes, and no Change shall be implied as a result of any other Change.

ARTICLE 9 - ACCESS AND REVIEW BY OWNER

9.1 RESPONSIBILITY FOR DESIGN

Contractor shall be responsible for the development of all technical data, design and other documentation required for the performance of the Works (including the verification of the design specification of the Equipment) and its suitability or otherwise to achieve Contractor's obligations in SECTION 3.1 (General Responsibilities), particularly relating to fitness for purpose as described in SECTION 3.1(D).

9.2 INSPECTION OF WORK

(a) In addition to inspection and testing required elsewhere under this EPC Contract (including those noted in section 1.7 of SCHEDULE A (Owner's Technical Requirements)), Owner shall have the right at all reasonable times to inspect and test, on the Site, any item of equipment, material, engineering, service or workmanship to be provided as part of the Works and to inspect and test any such major items that are being specially fabricated for Contractor in New Zealand. Alternatively, Owner shall have the right to require Contractor to demonstrate to Owner, by testing or otherwise, that any such work complies with this EPC Contract or the Supply Contract as the case may be. Contractor shall, at the request of Owner, arrange for any such inspection, testing or demonstration at the relevant location. Owner shall coordinate such requested inspections and tests with Contractor to avoid unnecessary duplication of inspections and testing and interference with the performance of the Works. Where any such matter inspected, tested or the subject of a demonstration under this clause:

- (i) does not conform with this EPC Contract or the Supply Contract, Contractor shall be responsible for all costs in respect of such inspection, testing or demonstration and the Contractor shall not be relieved of its obligations to carry out the Works in accordance with the requirements of this EPC Contract;
- (ii) conforms with this EPC Contract or the Supply Contract, such inspection, testing or demonstration shall be treated as an Owner's Change pursuant to ARTICLE 8 (Changes).

(b) Contractor shall be responsible for all costs in respect of any inspection, testing or demonstration required by any authority, other statutory or regulatory body or other authorised third party in relation to the Works and/or the Site.

(c) Contractor shall give notice to Owner whenever any work is ready for inspection or testing and before it is materially covered up, put out of sight, or packaged for storage or transport. If Contractor fails to give notice then notwithstanding

SECTION 9.2(A) (Inspection of Work) Contractor shall, if and when required by Owner, uncover the work and thereafter reinstate and make good, all at Contractor's cost.

9.3 ACCESS TO THE SITE

Owner shall have the right to access the Site at all times, shall have the right, at Owner's expense, to be present during all on-site and off-site test procedures and shall have the right to receive, upon request, a single hard copy and electronic copy of inspection and test procedures, quality control reports, and test reports and data. Contractor shall notify Owner at least ten (10) days prior to the testing of major equipment items and systems at the Site. While at the Site, Owner and its representatives shall comply with all of Contractor's safety rules and other job site rules and regulations.

9.4 DESIGN AND OTHER INFORMATION REVIEW

9.4.1 Contractor shall submit to Owner for review 4 hard copies or 1 electronic copy of the documents listed in Exhibit A01 of SCHEDULE A (Owner's Technical Requirements) and any other information reasonably requested by the Owner's Representative for the purposes of enabling commissioning and Take Over of the Permanent Works.

9.4.2 Contractor shall submit to Owner's Representative one (4) hard or one (1) electronic copy of the Design and Other Information in sufficient time to enable Owner's Representative to review such Design and Other Information in accordance with this SECTION 9.4. In the event that a re-submission of Design and Other Information is required as provided in this SECTION 9.4, such re-submission shall be made as soon as reasonably practicable after Contractor's receipt of the relevant statement of objections.

9.4.3 Following receipt of a submission of Design and Other Information in accordance with SUBSECTION 9.4.2, the Owner's Representative shall within ten (10) days from receipt return to the Contractor either:

- (a) a notice stating that he/she has no objections to the Design and Other Information as submitted (for the purposes of this ARTICLE 9, a "notice of no objection"); or

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- (b) a statement of objections which shall identify with due particularity the aspects of the Design and Other Information which do not materially comply with the provisions of this EPC Contract and/or accord in any material respect with any Design and Other Information previously submitted by Contractor.

If the Owner's Representative fails to respond within the ten (10) day period, then he/she will be deemed to have issued a notice of no objection.

9.4.4 If the Owner's Representative returns any Design and Other Information under SUBSECTION 9.4.3(A) or is deemed to have issued a notice of no objection under SUBSECTION 9.4.3, Contractor may, subject to SUBSECTION 9.4.5, proceed with the Works in accordance with this EPC Contract.

9.4.5 If the Owner's Representative considers that revisions to a submission of Design and Other Information are appropriate, but that such revisions are of minor design significance, the Owner's Representative may issue a notice of no objection subject to an appended schedule of comments identifying the relevant revisions. Subject to the restrictions set forth in SUBSECTION 9.4.6, Contractor shall cause such Design and Other Information to be revised in accordance with such comments, but shall not be obliged to re-submit such Design and Other Information solely on account of such revisions.

9.4.6 If the Owner's Representative returns any statement under SUBSECTION 9.4.3(B), Contractor shall cause the Design and Other Information to be revised so as to take account of the properly stated objections and as soon as reasonably practicable shall re-submit such Design and Other Information to Owner's Representative, provided, however, that Contractor shall not be required to make any modifications or changes which are not in accordance with this EPC Contract.

9.4.7 Submission of a document under SUBSECTION 9.4.1, and the issue of notice of objection or the issue of a notice of no objection by Owner:

- (a) does not in any way place responsibility for the document or the matters to which the document relates upon Owner or restrict any

remedy Owner would have otherwise have had with respect to the relevant Works, or any other related submission of a document by Contractor; and

- (b) shall not relieve Contractor from any of its obligations under this EPC Contract or any liability arising from the document.

In particular, without limitation, Owner shall not be obliged to review a document submitted under SUBSECTION 9.4.1 and a notice of objection does not imply that Owner has undertaken such a review.

9.4.8 Neither a proper objection raised under SUBSECTION 9.4.3(B) nor a comment made under SUBSECTION 9.4.5 shall constitute a Change.

9.4.9 Except in the case of an Owner's Change or agreed Contractor's Change, approved Design and Other Information shall not be departed from.

9.4.10 Owner and/or Owner's Representative shall have the right to inspect all of the Design and Other Information at Contractor's premises, for any part of the Works, includes as contemplated in section 1.5.1 of SCHEDULE A (Owner's Technical Requirements). Owner shall coordinate such requested inspections with Contractor to avoid unnecessary duplication of inspections and interference with the performance of the Works.

9.5 DRAWINGS NOT TO BE PROVIDED

Notwithstanding any other provisions of this EPC Contract, Contractor shall not be required to provide shop drawings nor any of Contractor's or Supplier's confidential manufacturing drawings, designs or know-how nor the confidential details of manufacturing practices, processes or operations.

9.6 USE OF DRAWINGS

Documents, drawings and information supplied by Contractor may be used by Owner, its representatives, assignees and transferees, only for the purposes of completing, operating, maintaining, adjusting and repairing the Binary Plant. No license is granted to

copy or use documents, drawings or information so supplied in order to make or have made spare parts. Documents, drawings or information so supplied by Contractor shall be subject to the confidentiality clause contained herein in ARTICLE 23 (Confidentiality) and shall not be used, copied or communicated by Owner to a third party otherwise than as strictly necessary and permitted under this EPC Contract.

ARTICLE 10 - TESTING

10.1 TEST PROCEDURES

Once Contractor has achieved commissioning of the Plant as provided in SECTION 7.1 (Commissioning), Contractor shall conduct the Performance Tests described in SCHEDULE D (Performance Tests) hereto as described therein, and test results shall be adjusted in accordance with the Correction Curves as applied in accordance with SCHEDULE D (Performance Tests). Contractor shall provide everything necessary to conduct the Performance Tests apart from the obligations of Owner under this EPC Contract (e.g., supplying the Geothermal

Fluid).

10.2 NOTICE OF TESTING

Contractor shall give Owner's Representative at least three (3) days' notice prior to the date(s) on which Contractor will be ready to perform the initial Performance Tests under SCHEDULE D (Performance Tests); provided that for any repeated test the notice period shall be at least twenty-four (24) hours before the time established by Contractor for such test. Owner's Representative shall be entitled to have, at its own cost, a suitably qualified independent party present during all such tests. If Owner's Representative and/or such independent party fails to attend at the time and place appointed for the tests, Contractor shall be entitled to proceed with the tests in the Owner's Representative's and/or such party's absence. The tests shall then be deemed to have been made in the presence of the Owner's Representative and such party and the results of the tests shall except for manifest error be accepted as accurate. Reporting the results of the tests shall be in accordance with the requirements of SCHEDULE D (Performance Tests).

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If any aspect of the Works fails to pass any test, the Owner's Representative may require such test to be repeated on the same terms and conditions and such testing shall be executed by Contractor.

10.3 CONDUCT AND REPETITION OF TESTS

Contractor may at any time prior to Take Over repeat at its cost, one or more times, any of the tests described in SCHEDULE D (Performance Tests) where Contractor, in its sole discretion, believes that the results of the prior tests are unsatisfactory. Further, Contractor may undertake remedial actions at its cost in connection with such repeated tests, provided that such remedial action does not depart from previously approved Design and Other Information without the Owner's Representative's prior consent, which shall not be unreasonably withheld and the response shall be given promptly but not later than forty-eight (48) hours after Contractor's request.

10.4 POST PERFORMANCE TESTS ALTERATIONS

(a) If Contractor alters the setting, configuration or the like of the Binary Plant during or after the successful completion of a Performance Test in a manner that would materially affect the integrity of such Performance Test, save where such alteration is part of the normal operating practice of the Binary Plant or is approved/waived by Owner in its reasonable discretion, then the results of such affected successful Performance Test shall, at the option of Owner, be invalidated.

(b) Contractor shall notify Owner of any defects in the Binary Plant discovered during the conduct of any Performance Test.

10.5 FAILURE TO PASS THE PERFORMANCE TESTS

(a) If:

(i) the Corrected Net Power Output in respect of the final Performance Test for net power output set forth in section 1.5.9 of SCHEDULE D (Performance Tests) is less than 90% of the Guaranteed Net Power Output; or

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(ii) the Corrected Pressure Drop in respect of the final Performance Test for pressure drop set forth in SCHEDULE D (Performance Tests) is greater than the

2.7 barg; or

- (iii) the Binary Plant fails to pass the Reliability Run (following any rescheduled run/s of the Reliability Run permitted by SCHEDULE D (Performance Tests) or this EPC Contract),

Owner shall be entitled to:

- (1) order Contractor to carry out corrective work and a repetition of the relevant Performance Test(s);
- (2) reject the Binary Plant, in which event Owner shall, without prejudice to any other rights or remedies under this EPC Contract or otherwise have the same remedies as are provided in SECTION 21.1 (Termination for Cause), SUBSECTION 21.1.3 (Consequences of Termination), and SUBSECTION 21.1.4 (Payment After Termination); or
- (3) accept the Binary Plant at the reduced performance level, subject to reduction of the EPC Contract Price in terms of paragraph (b) below.

(b) In the event Owner accepts the Binary Plant in terms of SECTION 10.5(A)(3) then the EPC Contract Price shall be reduced by the amount appropriate to cover the reduced value of the Binary Plant to Owner (and SECTION 8.3 (Request) shall not apply) having regard to:

- (i) an acceptable return to Owner on the revised EPC Contract Price, having regard to the electricity that can be generated from the Binary Plant and the cost of its operation; and
- (ii) any other matter which would be reasonably relevant to Owner's consideration of the price it would be prepared to pay for the

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Binary Plant given its performance, economic life and its whole of life cost,

provided always that if Owner accepts the Binary Plant in terms of SECTION 10.5(A)(3) without having agreed upon a revised EPC Contract Price with Contractor, the EPC Contract Price shall be determined in accordance with ARTICLE 16 (Dispute Resolution). Upon the determination of the reduction in the EPC Contract Price in accordance with ARTICLE 16 (Dispute Resolution), Owner shall be entitled to a further opportunity to exercise either of the options in SECTION 10.5(A)(1) or 10.5(A)(2) and not take over the Binary Plant for the reduced price so determined.

(c) In the event Owner has already paid Contractor more than the reduced EPC Contract Price, Owner may recover the amount of the overpayment as a debt due from Contractor. The acceptance of the Binary Plant by Owner, and the reduction of the EPC Contract Price shall not otherwise relieve Contractor of its obligations under this EPC Contract, save in relation to those consequences which necessarily arise as a result of the failure which gave rise to the reduction in the EPC Contract Price; provided, however, that if Owner receives any amount from Supplier for a similar claim under the Supply Contract, the

liability of Contractor under this clause shall be reduced accordingly .

(d) If the final applicable Performance Tests (which to avoid doubt must be carried out prior to the Reliability Run that is the basis for Take Over) establish that:

- (i) the Corrected Net Power Output is less than 100% (but not less than 90%) of the Guaranteed Net Power Output; or
- (ii) the Corrected Pressure Drop is more than the Guaranteed Pressure Drop (but not more than the 2.7 barg),

Contractor shall pay liquidated damages in accordance with SECTION 12.2 (Liquidated Damages for Performance Deficiency).

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ARTICLE 11 - WARRANTIES

11.1 GENERAL WARRANTY

Contractor warrants that:

- (a) the Works and the Equipment shall conform in all material respects to Laws, Owner's Consents, and the other applicable descriptions, specifications and criteria set forth in this EPC Contract and the Supply Contract;
- (b) the Works shall be performed in a workmanlike and skilful manner;
- (c) the Works and the Equipment shall be of good quality and will, on Take Over, be free from defects in workmanship, material, design and title and, as specified in SECTION 3.1(D) (General Responsibilities), fit for the purposes for which the Works are intended, each in accordance with this EPC Contract.
- (d) All materials and other items when incorporated in the Works and the Equipment shall be new and of a suitable grade of its respective kind for its intended use;
- (e) it is a corporation duly organised, validly existing and in good standing under the laws of its home country, and has full power to engage in the business it presently conducts and contemplates conducting, and is and will be duly licensed or qualified and in good standing under the laws of each jurisdiction in which it transacts business;
- (f) there are no actions, suits, proceedings or investigations pending or, to Contractor's knowledge, threatened against it, which individually or in the aggregate could result in any materially adverse effect on

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Contractor or in any impairment of its ability to perform its obligations under this EPC Contract;

- (g) it has no knowledge of any violation or default with respect to any order, writ, injunction or any decree of any court or any governmental department commission, board, agency or instrumentality which may result in any such materially adverse effect or such impairment;
- (h) it owns or has the right to use all Intellectual Property Rights necessary to perform this EPC Contract and to carry on its business as presently conducted and presently planned to be conducted without conflict with the rights of others;
- (i) it has knowledge of all of the legal requirements, business practices and other matters specific to New Zealand that must be followed or complied with in performing this EPC Contract and this EPC Contract will be performed in conformity with such requirements and practices.
- (j) it will employ, or contract with, suitably expert and experienced employees and Subcontractors to strictly discharge Contractor's obligations under this EPC Contract;
- (k) it has audited the Owner's Technical Requirements and any design provided by Owner and is unaware of any inaccuracy or defect in the same that should have been apparent to a qualified and competent contractor experienced in work of similar nature and scope as the Works;
- (l) it has exercised and will continue to exercise in the design of the Works all the skill and care to be expected of a professionally qualified and competent designer experienced in work of similar nature and scope as the Works;

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- (m) it understands the Owner's Technical Requirements and the Works will, when completed, comply in all respects with the Owner's Technical Requirements;
- (n) the Binary Plant has been or will be designed and constructed using proven up-to-date good practice and to standards appropriate to the development which are consistent with the Owner's Technical Requirements and with the intended use of the Binary Plant;
- (o) no goods or materials generally known to be deleterious or otherwise not in accordance with good engineering practice have been or will be specified or selected by Contractor or any one acting on its behalf and no goods or materials which, after their specification or selection by or on behalf of Contractor but before being incorporated into the Binary Plant, become generally known to be deleterious or otherwise not in accordance with good engineering practice, will be incorporated into the Works; and

- (p) the design of the Permanent Works has taken or will take full account of the effects of the intended construction methods, Temporary Works and Contractor's Equipment.

11.2 DEFECTS CORRECTION WARRANTY PERIOD

11.2.1 DURATION

The warranties set forth in SECTION 11.1 (General Warranty) shall inure for the benefit of Owner and its successors and assigns and, except as expressly provided below in this SECTION 11.2, the warranties set forth in SECTION 11.1 (other than the warranties set forth in SECTION 11.1(D)-(I) and (K) and (N) which are made and in effect as of the Commencement Date) shall be in effect from Take Over for the duration of:

- (a) twenty four (24) months; and

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- (b) thirty six (36) months for any defect in the Binary Plant of the kind described in SECTION 11.1 (General Warranty) that was caused by the gross misconduct of Contractor and which would not have been disclosed by a reasonable examination prior to the expiry of the above described applicable warranty period (for purposes of this paragraph, "gross misconduct" does not comprise each and every lack of care or skill but means an act or omission on the part of Contractor which implies either a failure to pay due regard to the serious consequences which a conscientious and responsible contractor would normally foresee as likely to ensue or a willful disregard of any consequences of such act or omission);

the time periods specified in paragraphs (a) and (b) being the Defects Correction Period.

The Defects Correction Period set forth in paragraph (a) above with respect to any item of the Works that is repaired, replaced, modified, or otherwise altered after Take Over by Contractor shall extend for a period of twenty four (24) months from the date of completion of such alteration, provided, however, that in no case shall the warranty extended hereunder exceed the maximum period of thirty-six (36) months from Take Over.

11.2.2 PUNCHLIST AND DEFECTS

In order that the Permanent Works, including the Binary Plant, and the documents to be provided by Contractor under this EPC Contract are in the condition required by this EPC Contract by the expiry date of the Defects Correction Period Contractor shall, as soon as practicable after the issue of the Take Over Certificate and at its own risk and cost:

- (a) complete all items on the Punchlist and any other Works that is outstanding at Take Over; and
- (b) execute all work required to remedy defects or damage or other non-conformance in the Permanent Works, provided that where such defect, damage or non-conformance arises as a result of a

failure by Owner to comply with the operation and maintenance manuals issued by Contractor under this EPC Contract, in which event Owner shall reimburse Contractor the Cost of such work plus a ten percent allowance for overhead and profit.

11.2.3 DEFECTS WARRANTY

(a) If within the Defects Correction Period a defect in the Works occurs and Owner notifies Contractor of the defect, Contractor will promptly reperform, repair or replace, as Contractor (acting reasonably) determines is appropriate under the circumstances, the portion of the Works that has been determined to be defective. This warranty will not cover repairs or alterations (not being normal maintenance work required to be carried out by Owner under the operating and/or maintenance manuals provided by Contractor under this EPC Contract) made by Owner or a third party without Contractor's written consent. Owner shall cooperate to provide reasonable access thereto and working and workshop spaces in order to enable the Contractor to perform the repair. Further, if special rigging, cranes or heavy equipment or any labour required in connection with operating such equipment is available at the Site and necessary for the performance of such repairs, Owner shall provide Contractor with access to such equipment and labour and Contractor shall pay reasonable compensation therefor.

(b) The warranties in this EPC Contract do not extend or apply to damage, deterioration or failure resulting after Take Over from:

- (i) normal wear and tear but excluding any wear and tear attributable to a defect in the Works;
- (ii) abnormal environment over and above that which would ordinarily be expected for the site in which the Binary Plant is operated;
- (iii) failure of Owner to store, operate and maintain the Works in accordance with the Design Range or the operation and maintenance manuals furnished by Contractor in accordance

with SCHEDULE A (Owner's Technical Requirements) including, but not limited to, the fuel, lube oil and water specifications; or

- (iv) an event of Force Majeure.

11.2.4 FAILURE TO REMEDY DEFECTS

(a) If Contractor fails to remedy any defect and directly resulting damage as soon as reasonably practicable, Owner may give written notice to Contractor requiring Contractor to remedy the defect or damage within a specified reasonable time.

(b) If Contractor fails to remedy the defect and directly resulting damage by this notified date, the failure shall constitute a fundamental breach of Contractor's obligations under this EPC Contract and Owner may:

- (i) carry out the work itself or by others and

the Contractor shall pay to the Owner the costs reasonably incurred by the Owner in remedying the defect or damage, or

- (ii) if the defect and directly resulting damage deprives the Owner of substantially the whole benefit of the Works or any major part of the Works, exercise the Owner's rights under ARTICLE 21 (Termination).

(c) In connection with the warranty provisions set forth in this ARTICLE 11 (Warranties), the parties shall comply with the provisions of SCHEDULE F (Warranty Procedures).

11.2.5 REMOVAL OF DEFECTIVE WORK

If the defect or damage cannot be remedied expeditiously on the Site and Owner gives consent, Contractor may remove from the Site for the purposes of repair such items of the Works as are defective or damaged. As a condition of such consent Owner may require Contractor to provide a performance bond or other appropriate security.

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11.2.6 FURTHER TESTS

As part of the work of remedying of any defect or damage after Take Over, Owner (acting reasonably) may require Contractor to test the replaced component or, where reasonably appropriate, related system or subsystem to substantiate that such defect or damage has been properly remedied. The requirement shall be made by notice within 28 days after the defect or damage is remedied. The parties shall use reasonable endeavours to agree upon the nature and extent of the testing reasonably required in the circumstances and in the event that they are unable to agree either party may request the nature and extent of the testing reasonably required in the circumstances be fixed by an expert appointed by the President or nominee of the Institute of Professional Engineers New Zealand and the determination of that expert shall be final and binding upon the parties

The agreed or expert determined repeat tests shall be carried out in accordance with the terms applicable to the previous tests at the risk and cost of Contractor with due allowance for degradation as is appropriate. For the avoidance of doubt ARTICLE 12 (Liquidated Damages) shall not apply.

11.2.7 FINAL ACCEPTANCE CERTIFICATE

(a) Owner shall issue the Final Acceptance Certificate within 10 days after the end of the Defects Correction Period (not taking into account the period specified in SUBSECTION 11.2.1(B) but including any extension of the period specified in SUBSECTION 11.2.1(A) as provided in SUBSECTION 11.2.1), or within 10 days of Contractor completing all items on the Punchlist, remedying any defects or damage and otherwise completing all of the Works required by this EPC Contract, whichever is the later.

(b) On the issuance of the Final Acceptance Certificate Owner shall release the replacement performance bond provided under SECTION 7.4 (Replacement Performance Bond) and the parent company guaranty provided under SECTION 13.1(D) (Security Provided by Contractor). Further, upon the end of the twenty-four month period after Take Over, the replacement performance bond shall be reduced to the amount mutually agreed upon by the parties that reasonably reflects the value of the Works that

were replaced or corrected by Contractor during the Defects Correction Period prior to such date. If the parties are unable to agree upon such values, then the parties shall promptly refer the matter for determination under the Disputes resolution procedure set forth in ARTICLE 16 (Dispute Resolution).

11.2.8 REMEDIES

The guarantees and warranties provided in this EPC Contract are exclusive and are given and accepted in lieu of:

- (a) any and all other warranties and/or guarantees, statutory, or implied (including, without limitation, the implied warranties of merchantability and fitness for a particular purpose, and all warranties arising from course of dealing or usage of trade);
- (b) any warranties or conditions implied by the Sale of Goods Act 1908 relating to quality and suitability.

The remedies of Owner for any breach of guarantees and warranties shall be limited to those permitted in this EPC Contract, to the exclusion of any and all other remedies. No agreement varying or extending the foregoing guarantees, warranties, remedies or limitations will be binding upon Contractor unless in writing and signed by a duly authorized representative of Contractor.

11.2.9 CLEARANCE OF SITE

Within two weeks of receiving the Final Acceptance Certificate, Contractor shall have removed any remaining Contractor's Equipment, surplus material, wreckage, rubbish and Temporary Works from the Site.

11.3 DISCLAIMER AND RELEASE

11.3.1 EXCEPT FOR GROSS NEGLIGENCE OR FRAUD ON THE PART OF CONTRACTOR:

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- (A) THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF CONTRACTOR,
- (B) AND RIGHTS AND REMEDIES OF OWNER,

SET FORTH OR PERMITTED IN THIS EPC CONTRACT WITH RESPECT TO ANY NON-CONFORMANCE OR DEFECT IN ANY WORKS OR EQUIPMENT ARE EXCLUSIVE.

11.3.2 OWNER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, AND LIABILITIES ON THE PART OF CONTRACTOR, TOGETHER WITH ALL OTHER RIGHTS, AND REMEDIES OF OWNER AGAINST CONTRACTOR, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO ANY:

(A) WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE;

(B) WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(C) OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF CONTRACTOR, ACTUAL, PASSIVE OR IMPUTED;

(D) OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY PRODUCT OR PART OF THE WORKS;

(E) LIABILITY OF OWNER TO ANY THIRD PARTY; AND

(F) INCIDENTAL OR CONSEQUENTIAL DAMAGES.

11.3.3 CONTRACTOR'S WARRANTY UNDER THIS EPC CONTRACT DOES NOT APPLY TO ANY NON-CONFORMANCE OR DEFECT IN ANY PRODUCT, EQUIPMENT OR PART OF THE PLANT, TO THE EXTENT SUCH

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NON-CONFORMANCE OR DEFECT HAS BEEN DIRECTLY OR INDIRECTLY CAUSED BY ANY OTHER NEGLIGENT ACT OR OMISSION OF OWNER.

ARTICLE 12 - REMEDIES

12.1 LIQUIDATED DAMAGES FOR DELAY IN TAKE OVER

12.1.1 After the Scheduled Take Over Date, Contractor shall pay to Owner as liquidated damages, and not as a penalty, for each day or part of a day which shall elapse between the Scheduled Take Over Date and the date of the Take Over a sum equal to NZ\$18,000 (plus GST if any) per day; provided, however, that if Take Over does not occur by the Scheduled Take Over Date, but nevertheless the Binary Plant is generating electricity, then the liquidated damages payable by Contractor under this SUBSECTION 12.1.1 shall be reduced (but not to less than zero) by the amount of the net revenue (including payments under any hedge agreement, to the extent such hedge agreement is applicable to the Binary Plant) received by Owner until the date Take Over occurs.

12.1.2 Owner may, without prejudice to any other method of recovery, deduct the amount of such liquidated damages from any monies due, or to become due, to Contractor under this EPC Contract. The payment or deduction of such damages shall not relieve Contractor from its obligation to complete the Works, or from any other of its duties, obligations or responsibilities under this EPC Contract.

12.1.3 If at any time after the Scheduled Take Over Date, Contractor is delayed in carrying out the Works as a result of any event identified in SUBSECTION 5.1.1 (Extension of Time) which would have entitled Contractor to an extension of time had it occurred prior to the Scheduled Take Over Date, Contractor's obligation to pay liquidated damages under SUBSECTION 12.1.1 shall be suspended for such period as represents the extension of time to which Contractor would have been entitled had SUBSECTION 5.1.1 (Extension of Time) applied.

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12.2 LIQUIDATED DAMAGES FOR PERFORMANCE DEFICIENCY

If:

(a) the Corrected Net Power Output in respect of the Net Power Output Performance Test described in SCHEDULE D (Performance Tests) upon which Take Over is based is less than 100% (but not less than 90%) of the Guaranteed Net Power Output then Contractor shall pay Owner liquidated damages of NZ\$4,575 (plus GST if any) per kilowatt for each kilowatt that the Corrected Net Power Output is below 100% of the Guaranteed Net Power Output; and

(b) the Corrected Pressure Drop in respect of the Pressure Drop Performance Tests described in SCHEDULE D (Performance Tests) upon which Take Over is based is more than the Guaranteed Pressure Drop (but not more than

the 2.7 barg), then Contractor shall pay Owner liquidated damages of NZ\$145,200 (plus GST if any) for each 0.1 barg that the Corrected Pressure Drop exceeds the Guaranteed Pressure Drop.

12.3 MAXIMUM LIQUIDATED DAMAGES

In no event shall the aggregate amount of liquidated damages payable by Contractor pursuant to SECTION 12.1 (Liquidated Damages for Delay in Take Over) and SECTION 12.2 (Liquidated Damages for Performance Deficiency) exceed twenty-five percent of the sum of the EPC Contract Price and the Supply Contract Price (as that term is defined in the Supply Contract) provided however that if Owner shall receive any liquidated damages from Supplier under the Supply Contract, the aggregate amount of liquidated damages payable by Contractor as specified above shall be reduced accordingly.

12.4 EVENT CHARGES

If at any time before Take Over, Owner incurs an instantaneous reserve event charge (or like charge) under its Grid operator services arrangement with Transpower (or equivalent arrangement from time to time) due to any act or omission of Contractor or defect in the Works or the Equipment, Contractor shall pay liquidated damages calculated in accordance with the calculation for such instantaneous reserve event charge (net of any

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rebates) in Transpower's posted terms for Grid operator services (or equivalent document) from time to time.

12.5 PAYMENT

Owner shall be entitled to demand payment of any liquidated damages which accrue under this ARTICLE 12 (Remedies) at any time after they have accrued. Contractor shall pay the amount so demanded (plus GST if any) within 21 days after receipt of such notice.

12.6 GENUINE ESTIMATE

Contractor acknowledges that the liquidated damages under this ARTICLE 12 reflect genuine estimates of the losses Owner is likely to suffer in the event of a default by Contractor of a type referred to in this ARTICLE 12.

12.7 EXCLUSIVE REMEDY

(a) Subject to paragraph (b) and to Owner's right to reject under SECTION 10.5 (Failure to Pass the Performance Tests) and to recover losses during retesting under SECTION 12.8 (Make Right Obligation]

- (i) liquidated damages net of any net generation revenue received from Owner under Section 12.1 (Liquidated Damages for Delay in Take Over) shall be the only damages payable by Contractor for failing to achieve Take Over in terms of SECTION 7.2 (Take Over) by the Scheduled Take Over Date, but shall not otherwise limit the Owner's rights and remedies under this EPC Contract for claims other than for delays, and
- (ii) liquidated damages under SECTION 12.2 (Liquidated Damages for Performance Deficiency) shall be Owner's sole and exclusive remedy for failure by Contractor to achieve the Guaranteed Net Power Output and the Guaranteed Pressure Drop or other Binary Plant output or operating performance.

(b) In the event the EPC Contract is terminated by Owner pursuant to ARTICLE 21 (Termination), liquidated damages shall apply up to the date of such termination and general damages shall apply from the date of such termination.

12.8 MAKE RIGHT OBLIGATION

Notwithstanding that Contractor may have paid liquidated damages for the performance deficiency pursuant to SECTION 12.2 (Liquidated Damages for Performance Deficiency):

(a) Contractor may carry out such remedial Work and repeat the Net Power Output and/or Pressure Drop Performance Test, in accordance with ARTICLE 10 (Testing), within 120 days following Take Over;

(b) if the results of the last such repeated Performance Test show that such performance deficiency has been reduced or rectified or that the liquidated damages payable thereon have been reduced, Owner shall refund ninety percent of the difference between the amount of liquidated damages previously paid by Contractor for such performance deficiency and the amount of liquidated damages, if any, payable by Contractor under SECTION 12.2 (Liquidated Damages for Performance Deficiency) based upon the results of such last repeated Performance Test; and

(c) All such remedial Work and repeat tests shall be coordinated with Owner and conducted by Contractor in such a way and at such times as to minimize so far as reasonably possible interference or disruption to the normal operation of the Binary Plant. To the extent that such remedial work requires power generation from the Binary Plant to be reduced to effect the remedial work, Contractor shall reimburse Owner for this lost generation on a pro rata basis of NZ\$18,000 per day /14.38 MW (plus GST if any) for each MW lost.

12.9 GENERAL LIMITATION OF LIABILITY

(a) Without prejudice to the Contractor's liquidated damages obligations in this Contract or its obligations in SECTION 12.9(C), Contractor shall in no event be liable to Owner, by way of indemnity or by reason of any breach of this EPC

Contract or in tort, including negligence and strict liability, or otherwise, for loss of profit or revenues or similar, claims of the Owner's customers or other damages or losses not being direct damages for losses.

(b) The total liability of Contractor to Owner on all claims of any kind (other than under SECTION 17.3) shall in no case exceed the aggregate of the EPC Contract Price and the Supply Contract Price (as that term is defined in the Supply Contract) provided however that if Owner shall receive any amount from Supplier directly for any claims under the Supply Contract, the maximum liability of Contractor shall be reduced accordingly.

(c) Nothing in this SECTION 12.9 shall limit the liability of Contractor for general damages in any case of fraud or gross misconduct.

ARTICLE 13 - SECURITIES

13.1 SECURITY PROVIDED ON BEHALF OF CONTRACTOR

(a) Contractor's obligations under this EPC Contract shall as

an essential term of this EPC Contract be secured by a performance bond in the form of a standby letter of credit provided or confirmed by a reputable investment grade surety company or financial institution as assessed by Moody's Investors Service from time to time (reasonably acceptable in all respects to Owner) substantially in the form attached hereto as SCHEDULE H-1 (any material changes in such form shall be subject to the approval of Owner (acting reasonably)) in the maximum amount equal to ten percent of the New Zealand dollar portion of the EPC Contract Price (initially, Seven Hundred Fifty-Two Thousand Two Hundred Forty-Five New Zealand Dollars (NZ\$752,245)) (the "NZ\$ Denominated L/C"). The NZ\$ Denominated L/C shall be provided prior to receipt of the first NZ\$ payment under the Milestone Payment Schedule, shall become effective upon Contractor's receipt of the first NZ\$ payment under the Milestone Payment Schedule and shall be increased from time to time by the New Zealand dollar amounts received by Contractor from Owner under the Milestone Payment Schedule up to the foregoing maximum amount.

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(b) Contractor's obligations under this EPC Contract and Supplier's obligations to deliver Equipment under the Supply Contract shall as an essential term of this EPC Contract be secured by a performance bond in the form of a standby letter of credit provided or confirmed by a reputable investment grade surety company or financial institution as assessed by Moody's Investors Services from time to time (reasonably acceptable in all respects to Owner) substantially in the form attached hereto as SCHEDULE H-2 (the "US\$ Denominated L/C") (any material changes in such form shall be subject to the approval of Owner (acting reasonably)) . The US\$ Denominated L/C shall be provided prior to receipt of the first US\$ payment under either the Milestone Payment Schedule of this EPC Contract or the Supply Contract, shall become effective upon the earlier of Contractor's receipt of the first US\$ payment under this EPC Contract or Supplier's receipt of the first payment under the Milestone Payment Schedule of the Supply Contract and shall be increased from time to time by (i) the United States dollar amounts received by Contractor from Owner under this EPC Contract up to a maximum of Eighty-Three Thousand United States Dollars (US\$83,000) plus (ii) the amounts received by Supplier from Owner under the Supply Contract Milestone Payment Schedule for payment Milestones nos. 1-18. The US\$ Denominated L/C shall be reduced from time to time upon Supplier's delivery to the Site of Equipment or parts thereof under the Supply Contract as evidenced by a delivery acknowledgment document (either a packing slip or other delivery document from the carrier delivering such item to the Site) that is countersigned by Owner's Representative or his designee (or if such individual fails to countersign within 24 hours of Contractor's request, countersigned by SGS New Zealand Limited or such other independent third party mutually agreed upon by Owner and Supplier, with Contractor paying the expenses of such third party) after such third party's confirmation of delivery by the applicable Supply Contract Milestone Payment Schedule amounts for such delivered items; provided, however, that the US\$ Denominated L/C shall not be reduced below the sum equal to ten percent of the sum of the U.S. Dollar portion of the EPC Contract Price and the Supply Contract Price (initially, One Million Seven Hundred Twenty-Nine Thousand Four Hundred Ninety United States Dollars (US\$1,729,490)). Contractor shall provide contemporaneous written notice to Owner of each request that Contractor submits to the financial institution issuing the US\$ Denominated L/C for a reduction in the amount of the same as provided above.

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(c) Both the NZ\$ Denominated L/C and the US\$ Denominated L/C shall remain valid until the earlier of (i) issue of the Take Over Certificate or (ii) the termination of this EPC Contract; provided, however, that if at such

termination Owner has a Dispute with Contractor that is in the process of being resolved in accordance with ARTICLE 16 (Dispute Resolution), then the release of the NZ\$ Denominated L/C and the US\$ Denominated L/C shall be subject to Contractor posting a replacement bond, letter of credit or other security acceptable to Owner (acting reasonably) in an amount mutually agreed upon by the parties that reasonably reflects the value of claim(s) of Owner that are the subject of such Dispute. If the parties are unable to agree upon such amount, then the parties shall promptly refer the matter for determination under the Disputes resolution procedure set forth in ARTICLE 16 (Dispute Resolution) with such replacement security being released upon resolution or satisfaction of such Dispute. If the NZ\$ Denominated L/C or the US\$ Denominated L/C by its terms will expire before the issue of the Take Over Certificate, then Contractor shall provide to Owner evidence of the renewal or replacement of said performance bond at least ten (10) business days before such expiration date.

(d) Contractor shall as an essential term of this EPC Contract, procure that ORMAT Industries Ltd. shall provide a parent company guaranty in the form in SCHEDULE G (ORMAT Industries Ltd. Guaranty) hereto upon execution of this EPC Contract, to guarantee Contractor's obligations to perform hereunder.

13.2 EPC CONTRACT AND SUPPLY CONTRACT

The Supply Contract shall be collateral to this EPC Contract to the intent that:

(a) any default by Supplier under the Supply Contract shall be a default by Contractor under this EPC Contract and the Owner may exercise its rights on such default in respect of either or both of the Supply Contract and this EPC Contract as Owner (acting reasonably) deems appropriate,

(b) any default by Owner under the Supply Contract shall be a default by Owner under this EPC Contract and on such default Contractor may exercise its rights under this EPC Contract, as Contractor (acting reasonably) deems appropriate;

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(c) any termination of the Supply Contract, whether for cause, convenience, extended suspension or force majeure, shall unless otherwise agreed upon by the parties be a similar termination of this EPC Contract; and

(d) Contractor shall cooperate and coordinate with Supplier so that pursuant to the terms of this EPC Contract and the Supply Contract Owner is provided at Take Over 14.38 MW (net, at Guarantee Conditions) binary plant capable to operate safely and lawfully on the Site using Owner-supplied Geothermal Fluid meeting the Design Range and capable of dispatching electricity to the Grid interface with the Wairakei Station all in accordance with the requirements set out in SCHEDULE A (Owner's Technical Requirements).

ARTICLE 14 - CARE OF THE WORK; TITLE

14.1 RISK OF LOSS

Contractor shall bear the risk of physical loss or destruction of or damage to the Equipment from the point in time such items are delivered FOB (Incoterms 2000) until Take Over Certificate is issued. Contractor shall bear the risk of physical loss or destruction of or damage to the Works (excluding Equipment) and shall retain care of the Works until the issue of the Take Over Certificate.

14.2 CONTRACTOR'S CARE OF THE BINARY PLANT

(a) Contractor shall take full responsibility for the care of the Binary Plant until the Take Over Certificate is issued when, subject to paragraph (b), responsibility for the care of the Binary Plant shall pass to Owner.

(b) Notwithstanding that responsibility may have passed to Owner under paragraph (a), Contractor shall remain responsible for the repair of any aspect of the Binary Plant which is defective or outstanding on the date stated in the Take Over Certificate, until this defective or outstanding work has been completed in accordance with this EPC Contract.

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(c) If any loss or damage happens to the Binary Plant prior to the issue of the Take Over Certificate, or if loss or damage happens to any aspect of the Binary Plant for which Contractor remains responsible for the repair of under paragraph (b), Contractor shall rectify the loss or damage at Contractor's risk and cost, so that the Binary Plant is provided to Owner in accordance with this EPC Contract.

(d) Contractor shall be liable for any loss or damage to the Works caused by any act or omission of Contractor after the Take Over Certificate has been issued until the later of Final Acceptance or the completion of Contractor's performance of Works at the Site, except to the extent that the same was caused by Owner. Contractor shall also be liable for any loss or damage to the Works which occurs after the Take Over Certificate has been issued and which arose from a previous event for which Contractor was liable, except to the extent that such loss or damage was caused by Owner.

14.3 DELIVERY

Contractor shall be responsible to assure safe delivery of all materials, equipment, tools, supplies and other items to the Site related to the Works including all of the Equipment.

14.4 TITLE

Contractor warrants that it has good title to the Works and shall procure that title to the Works shall pass to Owner free of all liens, claims, charges, security interests (including security interests under the Personal Property Securities Act 1999) and encumbrances upon the earlier of delivery to the Site or payment to Contractor or Supplier as the case may be under this EPC Contract or the Supply Contract for the applicable Works or Equipment.

14.5 TITLE TO ELECTRICITY

Owner has title to and is entitled to the commercial benefit of all electricity produced from the Binary Plant, including electricity produced during commissioning and testing.

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ARTICLE 15 - INSURANCE

15.1 CONTRACTOR PROVIDED INSURANCE

Contractor shall provide the following insurance no later than the times specified in SECTION 6.4(B) (Preconditions to Milestone payments) with the indicated limits, with its insurance carriers, naming Owner as an additional insured and shall maintain such insurance in full force and effect until Take

Over. In the event this insurance or any portion of it becomes commercially unavailable on commercially reasonable rates and terms Owner and Contractor shall cooperate in their efforts to obtain such replacement insurance as may be available and this EPC Contract shall be modified accordingly:

(a) Comprehensive General Liability - with combined single limits of NZ\$10,000,000 per occurrence and in the aggregate;

(b) Equipment and Contractor's plant, goods and materials loss in transit to the Site, including ocean marine shipment (replacement value);

(c) New Zealand Statutory Liability Insurance - NZ\$1,000,000, and

(d) Contract Works Insurance for the full value of the Works including earthquake. Cover for earthquake, fire, collapse, flood and any other catastrophic perils shall be in such sub-limits that are commercially available at reasonable rates in the commercial insurance market.

15.2 POLICIES

All policies of insurance maintained pursuant to this ARTICLE 15 shall:

(a) require forty-five (45) days' prior notice to the additional insured parties of cancellation, non-renewal or material change in coverage;

(b) provide that such insurance is primary without right of contribution from any other insurance which might otherwise be available to the insured party;

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(c) provide that, in the event of any loss payment under a policy, the insurer shall waive any rights of subrogation against the insured party and shall waive any setoff or counterclaim or any other deduction whether by attachment or otherwise; and

(d) include a cross-liability endorsement providing that inasmuch as the policies are written to cover more than one insured, all terms and conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

15.3 EVIDENCE OF INSURANCE

Upon request by Owner, Contractor shall furnish Owner with the policy wording and a Certificate of Insurance, issued by the Insurer, as evidence that Contractor provided insurance is being maintained..

ARTICLE 16 - DISPUTE RESOLUTION

16.1 RESOLUTION BY PARTIES

Owner and Contractor desire that this EPC Contract operate between them fairly and reasonably. If during the term of this EPC Contract, a Dispute arises between Owner and Contractor, or one party perceives the other as acting unfairly or unreasonably, or a question of interpretation arises hereunder, then either party identifying the Dispute shall serve notice on the other (a "Notice of Dispute") stating the nature of the Dispute, together with brief particulars of the facts and circumstances relied on by the party serving the Notice of Dispute and the Owner's Representative and Contractor's Representative shall then promptly confer and exert their best efforts in good faith to reach a reasonable and equitable resolution of the Dispute. If the Owner's Representative and the Contractor's Representative are unable to resolve the

Dispute (whether because of a disagreement between them or because they did not communicate or respond) within five (5) business days after the Notice of Dispute, the matter shall be referred after notice by either party to the other within two (2) business days of the lapse of the aforementioned five (5) business days to the parties' responsible corporate officers for resolution. Neither party shall seek resolution by arbitration of any Dispute arising in connection with this EPC Contract until at least ten (10) business days after the above-referenced referral to the

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parties' responsible corporate officers, who shall be identified by each party from time to time, to provide them an opportunity during such period to resolve the Dispute.

16.2 RESOLUTION BY ARBITRATION

If the Dispute is not resolved within the above described period for resolution by the responsible corporate officers, then at the request of either party Owner and Contractor shall enter into binding arbitration as set forth herein. Notice of the demand for arbitration shall be delivered to the other party and the Dispute shall be referred to three arbitrators, one each appointed by the parties and the third appointed by the parties' appointees by agreement between the parties' appointees or if they are not able to agree within ten (10) business days of service of notice referring the dispute to arbitration, then by the President of the New Zealand District Law Society on request of either party.

The parties shall proceed with the arbitration expeditiously and shall conclude all proceedings there under in order that a decision may be rendered within forty (40) days from service of the demand for arbitration.

Each party shall bear its own expenses in connection with any arbitration, including but not limited to counsel fees, and all joint expenses shall be apportioned in the award of the arbitrators.

Any arbitration shall be conducted in Wellington, New Zealand in accordance with the provisions of the Arbitration Act 1996 (as amended or substituted from time to time).

16.3 URGENT RELIEF

Nothing in this ARTICLE 16 shall preclude either party from bringing court proceedings seeking urgent interlocutory relief.

16.4 CONDITIONS PRECEDENT

Each step in the Dispute resolution process in this ARTICLE 16 shall be a condition precedent to proceeding to the next step. In particular, a party may not commence arbitration in respect of a Dispute unless that Dispute has first been negotiated, mediated

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and discussed by the parties' responsible corporate officer in accordance with SECTION 16.1 (Resolution by Parties). The parties may, however, agree otherwise in relation to any particular Dispute.

16.5 CONTINUED PERFORMANCE

The parties shall continue to perform their obligations under this EPC Contract pending the final settlement or determination of any dispute.

ARTICLE 17 - INDEMNIFICATION

17.1 CONTRACTOR'S INDEMNITY

Contractor shall defend, indemnify and hold harmless Owner and its directors, officers, agents, employees, shareholders and affiliates from any and all third party claims, suits, actions and proceedings and all costs, expenses and other liabilities (including reasonable attorney fees) related thereto arising out of any actual or alleged injury or death of persons or damage to property arising out of (i) the negligence, willful misconduct or default of Contractor, its Subcontractors or their employees (except only to the extent that the same have been caused by the negligence or default of Owner or its employees) or (ii) the violation of any Law, Consents or Standards by Contractor, its Subcontractors or their employees.

17.2 OWNER'S INDEMNITY

Owner shall defend, indemnify and hold harmless Contractor and its Subcontractors and their respective joint venture partners, directors, officers, agents, employees, shareholders and affiliates from any and all third party claims, suits, actions and proceedings and all costs, expenses and other liabilities (including reasonable attorney fees) related thereto arising out of (i) any actual or alleged injury or death of persons or damage to property arising out of the negligence, willful misconduct or default of Owner (except only to the extent that the same have been caused by the negligence or default of Contractor, its Subcontractors or their employees); (ii) the violation of any Law, Consents or Standards by Owner or its employees; or (iii) the use of the Site or the use or disposal of the Geothermal Fluid as contemplated in this EPC Contract (except only to the extent

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that the same has been caused by the failure of Contractor, its Subcontractors or their employees to comply with the applicable Consents with regard to such disposal).

17.3 PATENT INDEMNITY

Contractor shall indemnify Owner from and against all third party claims and proceedings for or on account of infringement of any Intellectual Property Rights in respect of the Works and from and against all claims, demands, proceedings, damages, costs, charges and expenses whatsoever in respect of or in relating to such rights, except for any use of the Works other than for the original purpose for which it is intended or any infringement which is due to the use of the Works in association or combination with any other plant or item not supplied by Contractor or Supplier.

17.4 NOTICE AND SETTLEMENT OF CLAIMS

17.4.1 A party seeking the benefit of an indemnity shall give the other party prompt notice of any claim giving rise to the indemnity. The indemnifying party may at its own cost conduct negotiations for the settlement of such claim and any litigation that may arise there from. The party claiming the benefit of the indemnity shall not make any admission (other than appropriate admissions in strict liability actions) which might be prejudicial to the indemnifying party unless the indemnifying party fails to take over the conduct of the negotiations or litigation within a reasonable time after having been so requested. The party claiming the benefit of the indemnity shall have the right to have its own counsel, at its expense, participate in the defense and negotiation of the claim or action.

17.4.2 The party claiming the benefit of the indemnity shall, at the request of the indemnifying party, provide reasonable assistance for the purpose of contesting any such claim or action, and shall be paid all reasonable costs incurred in doing so.

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ARTICLE 18 - ASSIGNMENT

18.1 ASSIGNMENT BY OWNER

(a) Owner may assign any or all of Owners rights, obligations or interests under this EPC Contract. Owner will nevertheless be responsible to discharge Owner's obligations under this EPC Contract in the event that the assignee fails to do so.

(b) Where default of the Supply Contract has occurred or a remedy or obligation been triggered so as to entitle Owner to claim under the Supply Contract, and Contractor has at Owner's request remedied the default or provided the remedies or performed the obligation in question under this EPC Contract such that further remedies or performance of such obligation under the Supply Contract would comprise an unreasonable duplication, Owner unconditionally and irrevocably assign all of its rights and obligations to the additional Supply Contract obligation or remedies in relation to the claim in question to Contractor. Owner further agrees that all its rights and obligations with respect therewith shall inure to the benefit of Contractor as if Contractor were a party to the Supply Contract, and that this assignment shall inure to the benefit of and shall be binding upon the parties' respective successors and assigns.

18.2 NO ASSIGNMENT BY CONTRACTOR

(a) Contractor may assign all of its right, title and interest in and to or arising out of or in connection with this EPC Contract as security for the benefit of its lender(s) or to a related company (as defined in clause (b) below) for which ORMAT Industries Ltd. is the ultimate parent provided that such related company signs a document assuming and agreeing to perform all of Contractor's obligations under this EPC Contract. No such assignment shall relieve Contractor of any obligation hereunder.

(b) Contractor shall not assign any of Contractor's rights, interests or obligations under this EPC Contract. For the purposes of this SECTION 18.2, assignment shall include the transfer of shares in any related company (within the meaning of section 2(3) of the Companies Act 1993) of the Contractor that directly or indirectly results in a change of control of the Contractor such that ORMAT Industries Ltd. is no longer its ultimate parent.

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18.3 SUCCESSION

This EPC Contract shall inure to the benefit of and be binding upon the successor and permitted assigns (as provided for by SECTION 18.1 (Assignment by Owner) or SECTION 18.2 (Assignment by Contractor)) of the parties hereto. Owner shall cause any assignees or transferees of its interest or any portion thereof in this EPC Contract or in the Works, including any lien holder or party holding a security interest with respect thereto, to be bound by the releases and limitations of liability set forth herein.

ARTICLE 19 - SUBCONTRACTORS

19.1 SUBCONTRACTS

Contractor may enter into subcontracts for the performance of parts of the Work and shall be solely responsible for the management and satisfactory performance of all its Subcontractors in their performance of the Work. Contractor shall not subcontract any major components of Work (other than for the purchase of proprietary goods and materials or for the provision of labour on a piecework basis) except to Subcontractors appearing on the Approved Major Subcontractors List (as described below). Contractor shall be responsible for the acts, defaults and neglects of any Subcontractor, its agents or employees in their performance of the Work as if they were the acts, defaults or neglects of Contractor, its agents or employees. The issuance of any subcontract shall not relieve Contractor of any of its obligations under this EPC Contract.

19.2 SUBCONTRACTING

(a) Contractor shall provide all such information (other than price and other proprietary information) relating to its Subcontractors as Owner may reasonably require.

(b) No subcontract or purchase order shall bind or purport to bind Owner.

19.3 CONTRACTOR'S RESPONSIBILITY

Contractor shall be responsible for performance by all Subcontractors under their respective subcontracts and for the acts or defaults of its Subcontractors and its

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Subcontractors' personnel, agents and employees, and any other entity employed by any of them in connection with the Works, as if they were the acts or defaults of Contractor.

19.4 APPROVED MAJOR SUBCONTRACTOR LIST

The Approved Major Subcontractors List in SCHEDULE B (Contractor's Technical Proposal) is preliminary, and may be amended in the following manner. In the case the need arises to add a Subcontractor to the Approved Major Subcontractors List, in Contractor's opinion, Contractor shall propose such addition to Owner's Representative in writing identifying the type of Work that could be subcontracted to such Subcontractor and details of the Subcontractor, including relevant experience. Within ten (10) days after receipt of Contractor's proposal, Owner's Representative shall have the right to advise Contractor of any such potential Subcontractors to which it reasonably objects, together with the reasons for objection and may propose additional Subcontractors based on his or her experience concerning such potential Subcontractor. Contractor shall not add any potential Subcontractor to the list to which Owner's Representative so reasonably objects and shall give due consideration to adding to the list any Subcontractors proposed by the Owner's Representative. If Owner's Representative fails to respond within such ten (10) day period, Contractor shall have the right to add said potential Subcontractor to the list.

19.5 SUBCONTRACT TERMS

(a) Contractor shall cause each subcontract entered into by Contractor with a value of NZ\$500,000 or more to contain terms that entitle Contractor to disclose the subcontract (excluding price and other proprietary information) to Owner, that acknowledge that the subcontract works are being carried out by the Subcontractor for the benefit of Owner in terms of the Contracts (Privity) Act 1982 and to agree that upon termination of this EPC Contract for due to

Contractor's default:

- (i) Owner may upon the default of Contractor and termination of this EPC Contract pursuant to SECTION 21.1.2 (Termination for Cause) take an assignment or novation of the benefit of the subcontract (together with a term that the Subcontractor acknowledges that it by signing the subcontract it has agreed to such novation); and

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- (ii) upon assignment or novation under paragraph (i):
 - (1) Owner shall not become responsible for any outstanding obligations or liabilities of Contractor to the Subcontractor under the subcontract relating to the period prior to the such assignment or novation, including payments due to the Subcontractor for work carried out; and
 - (2) Owner will be responsible to pay the Subcontractor only for all action taken by the Subcontractor at the written instruction of Owner at the prices in the subcontract.

(b) Contractor acknowledges that:

- (i) it will, if requested by Owner, disclose the existence of any subcontract with a value of NZ\$500,000 to Owner;
- (ii) it consents to an assignment or novation to Owner under SECTION 19.5(A)(I);
- (iii) upon such assignment or novation Owner may exercise all of the rights of Contractor under or in relation to the subcontract as if it were Contractor;
- (iv) upon such assignment or novation Contractor shall not be relieved of, and subject to the agreement of such Subcontractor, Owner shall not become liable for, the obligations or liabilities of Contractor relating to the period prior to such assignment or novation. If Subcontractor's agreement as referred to in this SECTION 19.5(B)(IV) is not forthcoming, Contractor agrees and acknowledges that it shall promptly reimburse Owner for any amounts Owner is required to pay to Subcontractor for any obligations or liabilities of Contractor relating to the period prior to such assignment or novation.

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19.6 PAYMENT OF SUBCONTRACTORS

(a) Contractor shall pay all sums due to Subcontractors by the due date for payment and nothing in this EPC Contract shall require Contractor to pay any sums to a Subcontractor that are being disputed in good faith by Contractor in accordance with applicable Law.

(b) Contractor shall, at its option, either provide confirmation from Subcontractors that such Subcontractors have been paid or other reasonable

evidence of payment of Subcontractors if requested by Owner.

19.7 ASSIGNMENT OF SUBCONTRACTOR WARRANTIES

Upon Final Acceptance, Contractor shall assign to Owner all warranties or guarantees which Contractor has received from Subcontractors in respect of the Works.

19.8 COMPLIANCE WITH CONSTRUCTION CONTRACTS ACT 2002 (CCA)

(a) Contractor shall ensure that compliance with the requirements of CCA are not breached but if any notice of suspension of any part of the Works is received by Contractor from any Subcontractor Contractor shall immediately notify the Owner's Representative including the amount that Contractor allegedly owes to any Subcontractor who exercises any lawful right to suspend work in accordance with section 72 of the CCA (the subcontractor's debt).

(b) Owner shall be entitled but not obliged to pay the subcontractor debt when due directly to the Subcontractor in order to avert any lawful suspension of work by that Subcontractor under the CCA. If payments are made by Owner direct to any Subcontractor under this clause such payment shall be deemed to be in satisfaction of the Owner's obligation to pay Contractor such amounts due under this EPC Contract. The value of payments made direct to any Subcontractor under this clause shall be deducted from future progress payments made to Contractor.

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(c) Contractor shall indemnify Owner against any cost, losses, liabilities or damages suffered by Owner which may arise out of or in consequence of any lawful suspension of all or any part of the Works by any Subcontractor under the CCA.

ARTICLE 19A - PERSONNEL

19A.1 CONTRACTOR'S RESPONSIBILITY

Contractor shall be responsible for the acts and defaults of its employees and agents as if they were the acts or defaults of Contractor.

19A.2 CONTRACTOR'S REPRESENTATIVE

(a) Contractor shall designate a Contractor's Representative who shall act as a single point of contact with Owner in all matters (including administration of the Supply Agreement) on behalf of Contractor. The Contractor's Representative shall be available or be represented on the Site during business hours after the commencement of the Works at the Site, and on call after hours, to receive all instructions from Owner and shall be authorised by Contractor to act on its behalf in relation to all matters arising under this EPC Contract. Owner shall not be obliged to issue instructions to any other person.

(b) Contractor shall not remove the Contractor's Representative without first consulting with Owner about such removal unless such persons (or any replacements as aforesaid) become incapacitated or no longer in the employment of Contractor. Contractor shall give the Owner notice forthwith on becoming aware of any such event.

(c) Any replacement Contractor's Representative shall have appropriate qualifications, experience and expertise and shall be subject to Owner's approval (which shall not be unreasonably withheld).

19A.3 REMOVAL OF PERSONNEL

(a) Owner shall be entitled, after consultation with Contractor, to

require the removal from the carrying out of the Works of any person employed by Contractor or any Subcontractor whose performance or conduct, in the reasonable opinion of Owner, is unsatisfactory.

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(b) In the event that any personnel is removed under SECTION 19A.3(A), Contractor shall at no cost to Owner replace such person with a person with appropriate qualifications, experience and expertise.

19A.4 LABOUR ISSUES

Contractor shall immediately notify Owner of any and all events and circumstances giving rise to claims, disputes, grievances, bans, disruptions, work stoppages and other labour issues which affect or have the potential to affect Contractor's workforce, the workforce of any Subcontractor, or the workforce of any other contractors, or which constitutes a project wide concern.

ARTICLE 20 - SUSPENSION

20.1 RIGHT OF OWNER TO SUSPEND THE WORKS

Owner's Representative may suspend performance of the Works by Contractor hereunder, in whole or in part, by written notice of such suspension to Contractor. If Owner elects to suspend Supplier's performance of the Supply Contract, Owner shall notify Contractor and, unless Contractor otherwise agrees, Owner shall be deemed to suspend performance of the Works by Contractor hereunder. During such suspension, Contractor shall protect, store and secure the Works or such part of the Works, including any affected Equipment, against any deterioration, loss or damage. Upon receipt of permission, instruction or notice to resume the Works in accordance with this EPC Contract, the parties shall jointly examine the Equipment and the Works affected by the suspension and determine an orderly, reasonable and safe plan for implementing such suspension. Such suspension shall continue for the period specified in the suspension notice.

20.2 CONSEQUENCES OF SUSPENSION

(a) If Contractor suffers delay as a result of complying with Owner's instructions under SECTION 20.1 (Right of Owner to Suspend Work), Contractor shall be entitled, subject to ARTICLE 5 (Extension of Time), to an extension of time for any such delay.

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(b) If as a result of complying with Owner's instructions under SECTION 20.1 (Right of Owner to Suspend the Works) Contractor incurs or will incur Cost:

- (i) in protecting, storing and securing the Works, or any part of the Works, against any deterioration, loss or damage;
- (ii) for personnel, Subcontractors or rented Contractor's Equipment, the payments of which, with Owner's prior written agreement, is continued during the suspension period; and/or
- (iii) for demobilisation and re-mobilisation,

Contractor shall be entitled to payment of such Cost plus an allowance of ten percent thereon for overhead and profit.

(c) Contractor shall not be entitled to an extension of time, payment of any costs (including Cost) or an adjustment of the EPC Contract Price for

making good the consequences of Contractor's faulty design, workmanship or materials, or of Contractor's failure to protect, store or secure in accordance with SECTION 19.1 (Right of Owner to Suspend the Works).

20.3 EXTENDED SUSPENSION

In the event suspensions by Owner exceed one hundred and twenty (120) days in the aggregate and provided that such suspensions do not arise as a result of default on the part of Contractor under this EPC Contract or on the part of Supplier under the Supply Contract or an event of Force Majeure (in which case SECTION 22.5 (Extended Force Majeure) shall apply), then Contractor may give notice to the Owner's Representative requesting permission to proceed within twenty-eight (28) days. If permission is not granted within that time, Contractor may by giving notice to Owner and treat the suspension as an Owner's Change omitting the affected part of the Works. The provisions of SECTION 8.3 (Requests) relating to reduction of the EPC Contract Price shall not apply to the suspension. If the suspension affects the whole of the Works, Contractor may terminate its obligations under this EPC Contract by so notifying Owner in writing

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and Contractor shall be entitled to be paid as provided in SUBSECTION 21.1.5 (Termination for convenience) or, if applicable, SECTION 22.5 (Extended Force Majeure).

20.4 RIGHT OF CONTRACTOR TO SUSPEND

Contractor may suspend performance of the Work hereunder, in whole or in part, upon 10 days' prior written notice of such suspension where Owner has not paid by the due date any amount invoiced by Contractor unless Owner places any unpaid or disputed amount in an interest bearing escrow account for the benefit of and immediate payment to the party in whose favour the Dispute is ultimately resolved. Any interest carried on any monies held in escrow shall be paid to the party in whose favour the Dispute is resolved. Such suspension shall continue until the money is put into escrow.

ARTICLE 21 - TERMINATION

21.1 TERMINATION BY OWNER

21.1.1 NOTICE TO CORRECT

Within 10 days from the issue of a notice of any breach of this EPC Contract from the Owner's Representative, Contractor shall either remedy such breach or provide to Owner a plan acceptable to Owner (acting reasonably) for the remedy of the breach complained of. Such plan shall address both the actions that Contractor is proposing to undertake and the timeframe for such actions, which timeframe shall be that period reasonably necessary and practicable for remedying such breach. Contractor must promptly and diligently commence and continue to effect the remediation measures specified in the agreed upon plan in accordance with the timeframe or particular programme agreed. To avoid doubt, Owner shall be under no obligation under this SUBSECTION 21.1.1 to agree to an extension of the Scheduled Take Over Date.

21.1.2 TERMINATION FOR CAUSE

Owner shall be entitled to terminate this EPC Contract immediately by notice to Contractor, if the Supply Contract is terminated other than as a result of default by Owner, or if Contractor:

- (a) fails, within the 10 day period specified in SUBSECTION 21.1.1, to either (i) remedy the breach or (ii) provide the plan for remediation that is acceptable to Owner (acting reasonably) as required under SUBSECTION 21.1.1;
- (b) fails to diligently commence and continue to effect the cure of a breach of this EPC Contract in accordance with the agreed upon plan of remediation as described in SUBSECTION 21.1.1 or Owner does not accept the remediation plan provided by Contractor pursuant to SUBSECTION 21.1.1 and in each case does not rectify such failure within 2 days of receipt of notice of such failure from Owner; or
- (c) becomes bankrupt or insolvent, goes into liquidation, has a receivership or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which under any Law has a similar effect to any of these acts or events.

Each of (a) to (c) of this SUBSECTION 21.1.2 is a "Default". The Owner's election to terminate this EPC Contract under this SUBSECTION 21.1.2 shall not prejudice any other rights or remedies of the Owner, under this EPC Contract or otherwise.

21.1.3 CONSEQUENCES OF TERMINATION

Upon termination under SECTION 21.1.2 (Termination for cause):

- (a) Contractor shall immediately comply with any instructions included in the notice of termination for the protection of life or property or for the safety of the Plant;
- (b) Contractor shall then leave the Site and:
 - (i) deliver to Owner all Contractor's Equipment then at the Site (only if Owner elects to complete the Binary Plant as provided in clause (c) below, Equipment (including Equipment off site) and Temporary Works;
 - (ii) deliver to Owner all documents (in whatever state of completion) and information created by or on behalf of Contractor that Contractor would have been required to submit or provide to Owner under this EPC Contract but for the termination and for avoidance of doubt excluding all documents which Contractor was not otherwise obligated to provide under this EPC Contract; and
 - (iii) comply with any instructions included in the notice of termination for the novation of any subcontract with any Subcontractor;
- (c) Owner may (but shall not be obliged to) complete the

Binary Plant and/or arrange for any other entities to do so. Owner and these entities may use for this purpose any Contractor's Equipment, Plant, Temporary Works, documents and information made by or on behalf of Contractor; and

- (d) on completion of the Binary Plant Owner shall give notice that the Contractor's Equipment and Temporary Works will be released to Contractor at or near the Site. Contractor shall promptly arrange their removal, at the risk and cost of Contractor.

21.1.4 PAYMENT AFTER TERMINATION

After termination under SECTION 21.1.2 (Termination for

cause):

- (a) Owner may withhold any further payments to Contractor until any costs of design, execution, completion of the Works and remedying of any defects, losses and general damages arising from

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Contractor's breach (including for delay in completion), and all other costs incurred by Owner, have been established; and

- (b) Owner shall be entitled to recover from Contractor Owner's costs and general damages arising from Contractor's breach (including for delay in completion and costs of completing the Works (subject to the limitations of this EPC Contract).

21.1.5 TERMINATION FOR CONVENIENCE

- (a) In addition to Owner's rights to terminate under SUBSECTION 21.1.2 (Termination for cause), Owner shall be entitled to terminate this EPC Contract at any time, by giving notice of such termination to Contractor. The termination shall take effect on the date on which Contractor receives notice.
- (b) Upon termination under SUBSECTION 21.1.5(A):
 - (i) the provisions of SUBSECTION 21.1.3(A) TO (D) (Consequences of termination) shall apply except that Contractor shall be entitled to remove the Contractor's Equipment upon leaving the Site;
 - (ii) the parties shall co-operate to achieve an equitable wash-up of debits and credits between them in relation to this EPC Contract and Contractor shall be entitled to payment of the following:
 - (1) such proportion of the EPC Contract Price that is equivalent to the proportion of the Works completed in accordance with this EPC Contract by

Contractor (including on account of Milestones achieved by reference to the Milestone Payment Schedule or if equitable in the circumstances a fair and just pro rata payment on account of Milestones partly achieved),

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less any amounts previously paid to Contractor for such work, any liquidated damages due under ARTICLE 12 (Remedies) and any other undisputed amount then due to Owner from Contractor in connection with any breaches of this EPC Contract by Contractor;

- (2) actual cancellation charges due to Subcontractors as a result of the termination;
- (3) reasonable costs incurred by Contractor for its own efforts to implement termination and demobilisation (subject to Contractor using reasonable endeavours to minimise such costs), and
- (4) a cancellation fee calculated in accordance with SCHEDULE I,

but shall not be entitled to payment for any other consequential costs of any kind or to payment on account of its overhead or anticipated profit in respect of the unfinished work.

- (c) Prior to exercising the right of termination under SUBSECTION 21.1.5(a), Owner shall be entitled to require Contractor to advise of the Subcontractor cancellation charges Contractor would incur in the event of such termination. Contractor shall use its Best Endeavors to provide such information within 7 days or as soon thereafter as reasonably practicable. Provided Owner exercises the right of cancellation within 14 days after receipt of such information, the amount due under SUBSECTION 21.1.5(b)(ii)(2) shall not exceed the figure advised by Contractor under this SUBSECTION 21.1.5(c).

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- (d) Owner's election to terminate this EPC Contract under SUBSECTION 21.1.5(A) shall not prejudice any other rights of Owner or Contractor under this EPC Contract or otherwise.

In addition to its other rights and remedies under law or otherwise, Contractor shall be entitled to terminate this EPC Contract on 5 days notice only if one of the following defaults occur and continue for 30 days (20 days in the event of payment default) following a notice by Contractor to cure such default or (except in the case of a default in any payment obligation) if cure cannot be effected within such period, without promptly commencing and diligently pursuing a cure thereof:

- (a) Contractor does not receive a payment when such payment was due (except for any amount disputed in good faith by Owner);
- (b) an extended suspension affects the whole of the Works as described in SECTION 20.3 (Extended suspension);
- (c) Owner becomes bankrupt or insolvent, goes into liquidation, has a receivership or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which under any Law has a similar effect to any of these acts or events.

Each of (a) to (c) of this SUBSECTION 21.2 is a "Default". Contractor's election to terminate this EPC Contract under this SUBSECTION 21.2 shall not prejudice any other rights or remedies of the Contractor, under this EPC Contract or otherwise.

21.3 PAYMENT ON TERMINATION

After termination under SECTION 21.2 (Termination by Contractor) Contractor's remedy shall be an entitlement to payment in accordance with SECTION 21.1.5

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(Termination for convenience) and to termination, without draw, of the performance bonds and parent company guaranty furnished by Contractor under this EPC Contract.

ARTICLE 22 - FORCE MAJEURE

22.1 FORCE MAJEURE

(a) Force Majeure as used in this EPC Contract shall be an exceptional event or circumstance which is beyond the control of Owner, Contractor or Supplier, such party could not reasonably have provided against before entering into this EPC Contract or the Supply Contract as appropriate, and which having arisen, either Owner or Contractor (for purposes of this SECTION 22.1, the "affected party") could not reasonably have avoided or overcome and which materially affects the affected party's performance of its obligations under this EPC Contract, and shall include, but not be limited to, the following events:

war, declared or not, or hostilities, or belligerence, blockade, revolution, insurrection, riot, expropriation, requisition, confiscation, or nationalization, export or import restrictions by any authorities, closing of harbours, docks, canals, or other assistances to or adjuncts of the shipping or navigation of or within any place, rationing or allocation, whether imposed by law, decree or regulation by, or by compliance of industry at the insistence of any governmental authority, or fire, unusual flood, earthquake, hydrothermal eruption, volcanic eruption, storm, lightning, tidal wave, perils of the sea,

accidents of navigation or breakdown or injury of vessels, accidents to harbours, docks, canals or other assistance to or adjuncts of the shipping or navigation, epidemic, quarantine, strikes or combination of workmen, lockouts or other labour disturbances (except for strike or other labour disturbances by Contractor's employees), or governmental acts and decrees that in fact delay the Work or increase the cost of the Works but excluding failures of plant and equipment, non-availability of labour, goods, materials, equipment or other resources, strikes or other employee disputes, adverse weather not identified above, or lack of financial resources.

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(b) To the extent that the affected party is prevented from or delayed in complying with any of its obligations under this EPC Contract by reason of an event of Force Majeure, such obligation shall be suspended for the duration of the impact of such event upon the affected party. The burden of proving the Force Majeure event shall be on the party claiming Force Majeure.

(c) Non-performance of a Subcontractor is a Force Majeure event, provided the Subcontractor's non-performance is due to an exceptional event or circumstance in terms of paragraph (a) and the Subcontractor uses its best endeavours to continue to perform its obligations under the subcontract, to minimise any delay, to correct or cure the circumstances preventing performance and otherwise to remedy its inability to perform.

22.2 NOTICE

If either party's ability to perform its obligations under this EPC Contract is or is likely to be affected by Force Majeure, such party shall promptly give notice to the other party stating the nature of the circumstances or anticipated circumstances, their effect or anticipated effect upon the performance of such party's obligations, the anticipated duration of the circumstances and any action being taken to avoid or minimise the effect of the circumstances.

22.3 CONTINUED PERFORMANCE

The suspension or delay of performance due to Force Majeure shall be of no greater scope and no longer duration than is required. The excused party shall use its Best Endeavours to continue to perform its obligations under this EPC Contract, to minimise any delay, to correct or cure the circumstance preventing performance and otherwise to remedy its inability to perform.

22.4 ACCRUED OBLIGATIONS

No obligations of either party which arose before the occurrence of Force Majeure shall be excused as a result of such occurrence.

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22.5 EXTENDED FORCE MAJEURE

If circumstances of Force Majeure have occurred and shall continue for a period of 180 days then, notwithstanding that Contractor may by reason thereof have been granted an extension of time for completion of the Work, either party shall be entitled to serve upon the other party 28 days written notice to terminate this EPC Contract. If at the expiry of the period of 28 days the Force Majeure event shall still continue then this EPC Contract shall terminate and Contractor shall be entitled to the payments contained in SUBSECTION 21.1.5

except for the cancellation fee.

ARTICLE 23 - CONFIDENTIALITY

The contents of this EPC Contract and the Supply Contract and any other information that is in or comes into the possession of either party ("the Transferee"), its employees, Subcontractors or other third parties for which it is responsible relating to the other party is disclosed in confidence and the Transferee shall restrict its use of such information solely to uses:

- (a) required for the purpose of giving effect to performance of this EPC Contract;
- (b) required for the purpose of giving effect to or the conditions of any Consent;
- (c) required by law or any stock exchange listing rules (provided that prior to disclosure the Transferee must advise the other party and must only disclose such information as the Transferee's legal advisors reasonably believe is necessary to disclose by law); or
- (d) in relation to information that is in the public domain (other than as a result of a breach of this ARTICLE 23).

Contractor and Owner shall treat all such information as private and confidential and neither of them shall transfer, copy, list or disclose the same or any particulars thereof without the previous written consent of the other, provided that nothing in this Article

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shall prevent the publication or disclosure of any such information that has come within the public domain otherwise than by breach of this Article.

ARTICLE 24 - NOTICES

All notices and other communications required or permitted by this EPC Contract shall be in writing and shall become effective (a) if by hand delivery, upon receipt thereof, (b) if by official government mail, three (3) days after deposit in the mail, postage prepaid, certified or registered mail, return receipt requested or (c) if by next day delivery service, upon such delivery, at the addresses set forth below or at such other addresses as the party receiving notice shall subsequently designate by written notice to the other party. Notwithstanding the foregoing, the parties may communicate via email at such email addresses designated by each party in the manner provided above with regard to communications other than notices of breach, default, termination or other similar material matters. Without obviating the obligation to timely provide such notice to both Owner or Contractor addressees set forth below, a notice or communication to Owner or Contractor hereunder shall become effective upon the first date of delivery to or receipt of such notice by either Owner or Contractor addressee set forth below.

If to Owner:

Contact Energy Limited
PO Box 10742
Wellington, New Zealand

Attention: Tom Zink

with a copy to:

: Contact Energy Limited
PO Box 2001
Taupo, New Zealand

Attention: Wayne Christie

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If to Contractor:

ORMAT Pacific Inc.
New Zealand Branch
P. O. Box 1717
Taupo
New Zealand

with a copy of notices of
breach or termination to:

Robert E. Giles
Perkins Coie LLP
1201 Third Avenue
48th Floor
Seattle, WA 98101-3099

ARTICLE 25 - MISCELLANEOUS

25.1 APPLICABLE LAW

Throughout the course of performance of this EPC Contract, the parties shall comply with all applicable Laws relating to this EPC Contract and its performance. This EPC Contract shall be interpreted under and governed by the laws of New Zealand.

25.2 SEVERABILITY

In the event that any of the provisions or portions, or applications thereof, of this EPC Contract are held to be unenforceable or invalid by any court of competent jurisdiction, Owner and Contractor shall negotiate an equitable adjustment in the provisions of this EPC Contract with a view toward effecting the purpose of this EPC Contract, and the validity and enforceability of the remaining provisions or portions, or applications thereof, shall not be affected thereby.

25.3 AMENDMENTS AND WAIVERS

This EPC Contract may not be changed or amended orally, and no waiver hereunder may be oral, but any change or amendment hereto or any waiver hereunder must be in writing and signed by the party or parties against whom such change, amendment, or waiver is sought to be enforced.

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25.4 COUNTERPARTS

This EPC Contract may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

25.5 ENTIRE CONTRACT

This EPC Contract constitutes the entire agreement between the parties hereto relating to the subject matter hereof, and supersedes any previous agreements or understandings between the parties.

25.6 EFFECT OF WAIVERS

Either party's waiver of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of this EPC Contract at any time shall not in any way affect, limit, modify or waive that party's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision hereof, any course of dealing or custom of the trade notwithstanding. The waiver by Supplier or Owner of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of the Supply Contract at any time shall not in any way affect, limit, modify or waive Owner's or Contractor's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision of this EPC Contract, any course of dealing or custom of the trade notwithstanding.

25.7 REPRESENTATIONS

By their execution hereof, the parties warrant that they are authorized to enter into this EPC Contract, that it does not conflict with any agreement, lease, instrument or other obligation to which either is a party or by which either is bound, and that it represents their valid and binding obligation, enforceable in accordance with its terms.

25.8 HEADINGS

The headings contained herein are not part of this Contract and are included solely for the convenience of the parties.

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25.9 PUBLICITY

Without limiting ARTICLE 23 (Confidentiality), Contractor shall not release public or media statements or publish material related to this EPC Contract, the Works or Owner's business activities or interests without Owner's approval, which approval will not be unreasonably withheld or delayed. Owner shall as and when it considers it appropriate to do so give consideration to acknowledging the role of Contractor as the contractor of the Binary Plant and the use of the ORMAT equipment in the Binary Plant in the press releases and other publications issued by Owner about the Binary Plant.

25.10 COUNTERPARTS; TRANSMITTED COPIES

This EPC Contract may be executed in any number of counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. To expedite the process of entering into this EPC Contract, the parties acknowledge that Transmitted Copies of this EPC Contract will be equivalent to original documents until such time (if any) as original documents are completely executed and delivered. "TRANSMITTED COPIES" mean copies that are reproduced or transmitted via facsimile or another process of complete and accurate reproduction and transmission.

25.11 FURTHER ASSURANCES

[The rest of this page is intentionally left blank. The next page is the signature page.]

IN WITNESS WHEREOF, the parties have caused this EPC Contract to be executed as of the date first above written.

Owner: Contact Energy Limited

By: /s/ Stephen P. Barrett

Name: Stephen P. Barrett

Title: Managing Director and Chief Executive

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LICENSE AGREEMENT
ENTERED INTO THIS 15TH DAY OF JULY 2004

THIS LICENSE AGREEMENT (this "AGREEMENT") is made and entered into as of the 1st day of July, 2004 (the "EFFECTIVE DATE") by and among Ormat Industries Ltd., an Israeli public corporation with principal place of business at the Industrial Area of Yavne ("OIL"), and Ormat Systems Ltd., an Israeli corporation with principal place of business at the Industrial Area of Yavne ("OSL"). OIL and OSL may be referred to individually as a "PARTY" or collectively as "PARTIES".

WHEREAS, Concurrently with the execution and delivery of this Agreement, the Parties have entered into an Asset Purchase Agreement (the "PURCHASE AGREEMENT") dated as of the date hereof, pursuant to which OIL will transfer to OSL, and OSL will acquire, among other things, the Purchased Business as defined in the Purchase Agreement;

WHEREAS, In connection with the Purchase Agreement and the transfers and acquisitions under the Purchase Agreement, effective as of the Effective Date, OIL wishes to grant OSL: I) an exclusive, perpetual, fully paid license to the Patents and Trademarks set forth in ANNEX A attached hereto (the "PATENTS" and the "EXCLUSIVE TRADEMARKS"); and a non-exclusive perpetual, fully paid license to the trademarks set forth in Annex B attached hereto (the "Non-Exclusive Trademarks"). (the Non-Exclusive Trademarks and the Exclusive Trademarks together, the "Trademarks").

NOW, THEREFORE, in consideration of the mutual representations, covenants and warranties contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, OIL and OSL intending to legally bound hereby, mutually agree as follows:

1. DEFINITIONS

Unless otherwise expressly defined in this Agreement, any capitalized term used herein shall bear the meaning ascribed to it in the Purchase Agreement.

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2. LICENSE

- 2.1 Effective as of the Effective Date, and subject to the terms hereof, OIL hereby grants OSL, only with respect to the Patents, for the duration of the term specified in Section 6.1, a fully-paid, royalty-free, irrevocable, perpetual exclusive license, without the right to grant sublicenses except as specified in Section 2.5, to make, have made, use, sell, offer to sell, import and create derivatives of (including without limitation modifications, improvements, fixes, enhancements, and upgrades) the inventions claimed in the Patents.
- 2.2 Effective as of the Effective Date, and subject to the terms hereof, OIL hereby grants OSL, for the duration of the term specified in Section 6.1, a fully-paid, royalty-free, irrevocable, perpetual exclusive license, without the right to grant sublicenses except as specified in Section 2.5, to use and display the Exclusive Trademarks in connection with the goods and services for which they are described in ANNEX A.
- 2.3 Effective as of the Effective Date, and subject to the terms

hereof, OIL hereby grants OSL, for the duration of the term specified in Section 6.1, a fully-paid, royalty-free, irrevocable, perpetual non-exclusive license, without the right to grant sublicenses except as specified in Section 2.5, to use and display the Non-Exclusive Trademarks in connection with the goods and services for which they are described in ANNEX B.

2.4 Any sale and/or transfer by OIL of Patents or Trademarks licensed hereunder, in any way whatsoever, to any third party, shall be subject to all rights granted to OSL pursuant to this Agreement.

2.5 OSL may grant: i) to any third party sublicenses of OSL's rights to the Patents or the Exclusive Trademarks; and ii) to OTI a sublicense of OSL's rights to the Non-Exclusive Trademarks, provided that such sublicense shall provide that OTI may not further sublicense such rights except to OTI's direct and indirect subsidiaries who sign a sublicense agreement in the form acceptable to OIL.

3. DERIVATIVES AND RESERVATION OF RIGHTS

3.1 Rights to Derivatives.

As between the Parties, OSL shall own all derivatives created by or for OSL from the Patents licensed herein or any part thereto ("OSL DERIVATIVES"); provided,

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however, that OSL shall only have such rights to such derivatives which are derived from Patents expressly licensed herein.

3.2 Reservation of Rights.

Except as expressly provided herein, no license or immunity is granted under this Agreement by OIL, directly or by implication, estoppel or otherwise to OSL, OTI, OR any third parties acquiring items or services therefrom, whether singly or for the combination of such acquired items or services with other items or for the use of such combination.

4. TRADEMARK QUALITY CONTROL

4.1 OSL acknowledges that OIL is the owner of the Trademarks and the goodwill associated with the Trademarks, and agrees that all goodwill, including any increase in the value of the Trademarks as a result of this Agreement, will inure solely to OIL's benefit. OSL will not claim any title or any proprietary right to the Trademarks or in any derivation, adaptation, or variation thereof. OSL agrees that nothing in this Agreement shall give OSL any right, title or interest in the Trademarks other than the right to use the Trademarks in accordance with this Agreement. OSL agrees not to challenge the Trademarks, or to register or attempt to register the Trademarks as a trademark, service mark, Internet domain name, trade name, or any similar trademarks or name, with any domestic or foreign governmental or quasi-governmental authority or otherwise.

4.2 OSL may use the Trademarks in accordance with the

specifications, directions, and processes furnished to OSL by OIL from time to time. OSL shall not make any use of the Trademarks that impair or are likely to impair the goodwill associated therewith. The quality of the products manufactured and services offered by OSL shall be satisfactory to OIL or as specified by or approved by OIL. OIL shall have the right to review OSL's use of the Trademarks and the goods and services offered thereunder upon reasonable notice to verify that is in accordance with such specifications, directions, processes and quality.

5. INFRINGEMENT

Each party shall notify the other in writing within seven (7) days of becoming aware of any infringements or imitations by others of Patents or Trademarks. OSL may, only with OIL's prior written approval, institute legal proceedings at its own expense against any third party

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that OSL reasonably believes to be infringing a Patent or Trademark in order to eliminate such infringement. OIL may, at its option, join as a party plaintiff in such action at its own expense. After OSL has recovered and distributed its own and OIL's reasonable attorney's fees and direct costs expenses in litigation related to the infringement of the Patents or Trademarks, or, if litigation is not initiated, in the investigation and analysis related to the potential litigation, all remaining recovery shall be for the account of OSL unless OIL has participated in such action, in which case all remaining recovery shall be shared equally between OSL and OIL; provided, however, that OSL may not settle or compromise any such action without the prior written consent of OIL, which consent shall not be unreasonably withheld or delayed. With the exception of litigation already commenced by filing appropriate pleadings in court, upon expiration or termination of this Agreement, any and all rights or obligations of OSL in resolving any possible infringement claim hereunder shall revert to OIL.

6. TERM AND TERMINATION

6.1 TERM. This Agreement is effective as of the Effective Date and continues in perpetuity thereafter, unless terminated earlier in accordance with this Section 6. The term of all Patent licenses granted hereunder shall continue until the earlier of (i) expiration of such Patents; (ii) the termination of this Agreement or (iii) the assignment of the Patents to OSL. The term of all Exclusive Trademark licenses granted hereunder continues until the earlier of: (i) the termination of this Agreement; or (ii) the assignment of the Exclusive Trademarks to OSL. The term of all Non-Exclusive Trademark licenses shall continue until the termination of this Agreement.

6.2 Termination for Insolvency. Either party may cancel the Agreement forthwith by written notice to the other, and may regard the other party as in default under this Agreement, if the other party becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, or becomes subject to any proceedings under any bankruptcy or insolvency law, voluntarily or otherwise. In the event that any of the above events occur, the effected party shall immediately notify the

other party of its occurrence. Notwithstanding the foregoing, OSL can elect to retain all of its rights under this Agreement despite OIL's bankruptcy or insolvency.

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- 6.3 Termination for Material Breach. Either party may terminate this Agreement in writing for the material breach of this Agreement by the other party that remains uncured thirty (30) days following receipt of a written notice of such breach.
- 6.4 Effect of Termination. Upon termination of this Agreement, the licenses granted hereunder, and all sublicenses of those rights shall terminate, and neither OSL nor its sublicensees or any further sublicensees shall have any further right to use the Patents or Trademarks.

7. WARRANTY DISCLAIMERS

THE PATENTS AND TRADEMARKS ARE LICENSED ON AN "AS IS" BASIS, AND OIL MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE LICENSED PATENTS, THE LICENSED TRADEMARKS AND/OR THE LICENSES GRANTED IN THIS AGREEMENT. OIL HEREBY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF NONINFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY WILL BE LIABLE FOR INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, ARISING IN CONNECTION WITH THIS AGREEMENT.

8. MISCELLANEOUS PROVISIONS

- 8.1 Binding Effect; Successors and Assigns; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns and legal representatives. Without derogating from the provisions of Section 2.5 above, neither party may assign this Agreement in any manner, including without limitation by change in control, merger or reorganization, in whole or in part without the prior written consent of the other party. Any assignment in violation of the foregoing shall be void.
- 8.2 Counterparts; Signatures; Titles and Headings. This Agreement may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument. This Agreement shall be deemed executed and delivered upon the delivery of original signed copies, or facsimile copies containing telecopied signatures, to each other party hereto. The

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headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

- 8.3 Governing Law; Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without reference to choice of law principles thereof, and the parties agree to submit to the exclusive jurisdiction and venue of Israel and the courts of Tel-Aviv-Jaffa, Israel.

It is hereby clarified that in case the first paragraph of this Section 8 is found, by a court of competent jurisdiction, to be unenforceable or otherwise invalid, each party hereto waives its right to trial of any issue by jury.

- 8.4 Severability. If any provision of this Agreement shall be determined by any court of competent jurisdiction (or any other agreed-upon dispute resolving body) to be unenforceable or otherwise invalid as written, the same shall be enforced and validated to the fullest extent permitted by law. All provisions of this Agreement are severable, and the unenforceability or invalidity of any single provision hereof shall not affect the remaining provisions.
- 8.5 Notices. Except as otherwise provided herein, all notices shall be in writing and shall be effective upon receipt, if delivered personally or if mailed by overnight courier, postage prepaid, or upon generation of a confirmation if sent by facsimile (provided that such transmission is followed by mailing of a conforming copy) to the parties at their addresses set forth in the first paragraph of this Agreement or such other address as subsequently may be specified in writing by a party to the other parties.
- 8.6 No Strict Construction; Interpretation. The parties hereto acknowledge that this Agreement has been prepared jointly by the parties hereto and their respective legal counsel, and shall not be strictly construed against any party as a result of the party drafting any given provision hereof. Unless otherwise indicated to the contrary herein by the context or use thereof, (a) the words "herein," "hereto," "hereof," and words of similar import refer to this Agreement as a whole and not to any particular Section, subsection or paragraph hereof, (b) words importing the masculine gender shall include the feminine and neutral genders and vice versa, and (c) words importing the singular shall include the plural and vice versa.
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- 8.7 Entire Agreement; Modification and Waiver. Except for the agreements specifically referenced in or contemplated by this Agreement, this Agreement constitutes the entire agreement between the parties with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings between them with respect to such matters. This Agreement may be amended or modified only by a writing signed by the party against whom enforcement of such amendment or modification is sought. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties entitled to the benefit thereof, but only by a writing signed by the party or parties waiving such terms or conditions. No waiver of any provisions of this Agreement or of any rights or benefits arising hereunder shall be deemed to constitute or shall constitute a waiver of any other provisions of this Agreement (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day first above written.

ORMAT INDUSTRIES LTD.

By: /s/ Lucien Y. Bronicki

Name: Lucien Y. Bronicki
Title: Chairman of the Board

ORMAT SYSTEMS LTD.

By: /s/ Etti Rosner

Name: Etti Rosner
Title: V.P. Contract Administrator

EXHIBIT 21.1

LIST OF SIGNIFICANT SUBSIDIARIES OF THE COMPANY, THE STATE OR
JURISDICTION OF INCORPORATION OR ORGANIZATION OF EACH, AND THE
NAMES UNDER WHICH SUCH SUBSIDIARIES DO BUSINESS

NAME OF SIGNIFICANT SUBSIDIARY	STATE/JURISDICTION OF INCORPORATION OR ORGANIZATION
Ormat Systems Ltd.	Israel
Ormat International, Inc.	Delaware
Ormat Nevada, Inc.	Delaware
Ormat Funding Corp.	Delaware
OrCal Geothermal, Inc.	Delaware
OrHeber 1, Inc.	Delaware
ORMESA LLC	Delaware
Ormat Holding Corp.	Cayman Islands
Heber Field Company	California
Second Imperial Geothermal Company L.P.	California
Heber Geothermal Company	California
OrPower 4, Inc.	Cayman Islands

Ormat Momtombo Power Company	Cayman Islands
Orleyte Company	Cayman Islands
Ormat-Leyte Co. Ltd.	Philippines
OrMammoth Inc.	Delaware

Exhibit 23.1

 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated as follows:

- o July 19, 2004 relating to the financial statement of Ormat Technologies, Inc. and subsidiaries,
- o April 30, 2004, except for Notes 3 and 9, as to which the date is July 1, 2004, relating to the financial statements of Puna Geothermal Venture,
- o July 19, 2004 relating to the financial statements of Combined Heber and Affiliates, and
- o January 26, 2004 relating to the financial statements of Mammoth-Pacific L.P.

These reports appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
 PricewaterhouseCoopers LLP

Sacramento, California
 July 20, 2004

Exhibit 99.1

PROJECTS	GOVERNMENT LEASES	RENT (\$)	TERM EXPIRATION	ACREAGE	ROYALTY(1)
STEAMBOAT HILLS	BLM N-12085	n/a	*	502.5	x
MAMMOTH	BLM CA-11667	n/a	*	1590	x
DESERT PEAK	BLM N-13069	n/a	*	640	x
	BLM N-13072A	n/a	*	1280	x
ORMESA	BLM CA-964	n/a	*	1791.6	x
	BLM CA-6219	n/a	*	1920	x
	BLM CA-6218	n/a	*	2486	x
	BLM CA-6217	n/a	*	1600	x
	BLM CA-17568	n/a	*	633.32	x
	BLM 1903	4480	*	2240	x
BRADY	BLM N-62739	1280	2008	640	

(1) Royalty rates which vary from month to month depending on production levels are defined in the Geothermal Steam Act of 1970.

* No expiration as long as production continues.

Exhibit 99.2

BLM Site Leases

PROJECTS	GOVERNMENT LEASES	RENT (\$)	TERM EXPIRATION	ACREAGE
MAMMOTH	BLM CA-21918	600	2019	1280
ORMESA	BLM CA-17129	1542	2015	15.42
	BLM CA-20172	970	2017	9.7
	BLM CA-22079	900	2019	8.166
	BLM CA-22405	556	2018	5.56

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