

CO-OPERATION AGREEMENT

The present Cooperation Agreement (hereinafter “Agreement”) is made between:

- On the one hand

.....**Municipality**

Company Seat:

Represented by:Mayor

Hereinafter “**Municipality,**”

- On the other hand

..... (**Project Company Name**)

Company Seat:

Represented by:

Hereinafter “**Project Company,**”

- On the third hand

..... (**Other Business Party Name**)

Company Seat:

Represented by:

Hereinafter “**Business**”

The Municipality, Project Company and Business shall be jointly referred to as the “**Parties**”

in the place and time signed with the following conditions as detailed below:

I.

RECITALS

- A. Based on the information available, it is the opinion of the Parties that economically feasible geothermal energy sources can be found inside the economic jurisdiction of City, and its surrounding area.
- B. Protection of nature and the environment, meeting consumers' needs, decreasing the use of primary energy sources, expansion of existing energy resources, both the energy policies of Hungary and the European Union support the use of renewable energy sources (geothermal energy sources).
- C. The Parties agree that according to City General Assembly (hereinafter "Assembly") order numbered (hereinafter "Order"), and in the interest of creating a geothermal heat generation system, the Municipality and the Business decided to found the Project Company with the name(Project Company name).

The Parties declare that legal framework for the above described cooperation shall be the following:

II.

OBJECT OF THE COOPERATION

The Parties, based on the present Agreement, shall cooperate on the territory under the jurisdiction of City and its surroundings, in order to find locations for geothermal sources (thermal water under the land's surface having a temperature of at least 90 °C)

- (a) The Project Company shall build and operate a geothermal Energy Plant ("Energy Plant") producing steam and even electric energy as the primary utilization, further
- (b) As a part of the primary utilization, the thermal water used by the Energy Plant shall provide warm water to industrial and public users, or this shall be carried out in a different way as a secondary utilization.

(The above described object of the Parties' cooperation is hereinafter called the "Project")

III.

INCREASED COOPERATION OBLIGATION

- 3.1 The Parties are aware that, on the day of signature on this Agreement, the operative legal rules for geothermal energy state that the land of the entire country, from the surface to 2500 meters under the surface, shall be considered a closed area.

- 3.2 Based on the above, and the significant cost of the Project realization, the Parties expressly agree that, in the interest of a successful Project realization, they will cooperate in a close and intense manner, and as a part of such cooperation they will, without delay, share all known information relevant to the Project, including information received after the cooperation begins.
- 3.3 The project Company, in the interest of maintaining an obligation of mutual cooperation, shall report quarterly to the Assembly about the conditions necessary for the Project realization, methodology examination data, steps it has taken toward securing tender and market capital sources necessary for the financing, as well as analyze, based on assessments and trial tests, locatable geothermal heat sources in the jurisdiction, analyze the public and residential steam power needs and plan a geothermal steam power system suitable to those needs while meeting its obligations in the Order.
- 3.4 As a part of their cooperation obligation the Parties declare that the present Agreement – especially considering potential modifications to the legal environment, will be modified or supplemented as necessary without delay, further, they will make the legal declarations contained in the Agreement, where, in the interest of the Project realization it becomes necessary for the progression of the Project. The Assembly may decide for the Project Company, after the occurrence of its reporting obligation contained in the Order point, and conditional to the contents of the reporting - as to the necessity of modifying the present Agreement. In the case of this decision by the Assembly, the founders of the Project Company will cooperate to integrate the required modifications to this document.

IV.

CONFIDENTIALITY, INSIDER INFORMATION

- 4.1 The Parties declare that the Project and all information pertaining thereto – to include all information about the present Agreement – shall be confidential information, the keeping of such confidentially is connected to a real interest of the Parties. Considering the above, the Parties accept the obligation that, unless otherwise required by a clear conflict with the law or allowed by the written permission of the other party, that they shall only give information about the Project or the present Agreement to those employees, representatives or advisors, or other third parties, who clearly require the given information in the interest of the successful realization of the Project.
- 4.2 The Parties agree that they shall only use, and pass on, the information legally and they will bring this legal obligation to the attention of all employees, representatives and advisors, as well as all other third parties, to whom any information about the Project is given. In this regard the Parties declare that, parallel to the signing of the present Agreement they will sign a Confidentiality Agreement with each other, which forms an inseparable part of this Agreement.

- 4.3 The Parties declare that, unless there is an agreement that conflicts with the given confidentiality rules, in the case the present Agreement expires or is terminated, the rules shall remain enforceable as long as the legal rules applying to insider information or business secrets can be applied to any information pertaining to this Agreement.

V.

THE PROJECT REALIZATION PHASES

At the time of signing the present Agreement, the Parties decided on the phases of Project realization and the main tasks associated thereto as being the following:

- (a) Following the signing of the Present Agreement, the Parties mutually determine the permitting authority proceedings necessary for the Project preparation and realization, further, the important legal steps necessary for such permits. Having determined the permitting proceedings and the main legal steps, to determine a planned timetable for the Project realization, and to allocate the tasks required;
- (b) Regarding the Project preparation and realization, the Parties, following the signing of the present Agreement, shall continuously and mutually determine how to secure any state support (including European Union support) (including conditions for the support, determining the timing of the handing over of the support);
- (c) The Municipality, with the inclusion of the Project Company, the Business, and possibly other project partners, will prepare and send in the Intelligent Energy Europe (IEE) tender, which pertains to the preparation of the Preliminary Realization Study, which, if necessary, will be described in detail in the Syndication Agreement to be signed with the partners of the Municipality following the signing of this Agreement;
- (d) depending on the decision on the tender described in point (c), the Project Company or the winner of the public procurement proceeding will evaluate the geothermal information at its disposal and, based on that, and after the information handover to the Municipality, shall prepare a Preliminary Realization Study, the goal of which will be to determine the properties within the jurisdiction of City and surroundings, on which there is a producing thermal water well that ensures the long term successful energy production for the power plant, as well as that wells can be drilled successfully. The cooperation will continue depending on the conclusion of the Preliminary Realization Study regarding returns (profitability);
- (e) The Municipality, in accordance with point 8 (“Property Usage”) of the present Agreement – while continuously following the applicable law – shall make it possible that, on the properties identified in the Preliminary Realization Study (hereinafter “Producing Properties”), the Project Company may, without delay, start and carry out the tests necessary for a well-grounded evaluation of possible Project realization (including well drilling);
- (f) The Parties shall carry out technical and legal viability testing, as well as economic testing necessary for a detailed evaluation – part of which will require a permit from

authorities – after the signing of the present Agreement, the Project Company shall direct the tests without delay on the Producing Properties, after being allowed to in accordance with point 8 of the present Agreement (“Property Usage”), the data shall be evaluated and based on such evaluation, a detailed Final Realization Study – acceptable for the applicable law – including a business plan, shall be prepared;

- (g) The subject of the Preliminary Realization Study and the following Final Realization Study is to determine the technical parameters necessary to the realization of the Project (for example, number of wells, depth, location, location for the energy plant, location for a possibly realizable electrical plant, path for construction of electrical lines, etc.). The Project Company accepts and declares that it will prepare the concrete and final technical and financial descriptions and schedule based on the ‘creation of water rights’ from the Final Realization Study’s data, and based on the construction permit planning documents and the implementation plans;
- (h) The Project Company shall carry out the permit authority proceedings necessary for the plant’s trial run, as well as for smooth operation, further, it shall close the contracts necessary for the same.

The Parties agree that the above listed order and subject of the tasks may be modified during the preparation or realization of the Project. The Parties will do all in their power in order that the power plan may begin operation as soon as possible following the signing of the present Agreement, the decision of Project viability and/or the decision on the power plant. The Parties state, however, that significant changes to the domestic regulations on energy production are expected following the signing of this Agreement and therefore certain decisions can only be made following the finalization of the new legal environment and the analysis of the same by the Parties.

VI.

COST SHARING

- 6.1 At the time of signing this Agreement, the existing and relevant information, from the point of view of Project realization, shall be evaluated by the Business. Regarding the preparation of the Preliminary Realization Study, the Municipality, the Business, the Project Company and possibly other project partners shall prepare a tender (Intelligent Energy Europe, IEE). It is necessary, in order to file the tender described in this point, and in order to produce preparatory funds necessary for Project realization, that the Parties mutually provide for certain costs, including the tender own-capital requirement, or costs not supported or supportable by the tender that may arise as a part of realization pre-financing that cannot be covered by the tender prepayment.
- 6.2 The necessary tests and measurements for the precise evaluation of the technical and legal viability of the Project, it’s economic viability, evaluation of the data, preparation of the Final Realization Study and the business plan, production of the funds for the startup of normal operations for the Project Company shall burden the Business first, with the understanding that the Municipality shall be a supporter as to getting financial support and as to the successful conclusion of permitting proceedings for authorities and others, and shall provide the necessary data, information and declarations for the filing of a successful tender.

VII.

THE PROJECT DECISION-MAKING PROCESS

Following the founding of the Project Company, decisions about stopping the Project, modification of the Project, or decisions about the Project assets (including information valued as an asset), are authorized to be made by the Project members into the Project Company founding documents, in accordance with The Act on Business Entities 2006/IV (hereinafter “BA”), further that the founders of the Project Company shall do so in accordance with the signed Syndication Agreement.

VIII.

PROPERTY USAGE

- 8.1 If it is found during the Project preparation or realization, that in the interest of the successful operation of the Project Company, that the usage of properties owned by the Municipality or a third party becomes necessary, and the Project Company does not want to secure the ownership right of said properties (including the circumstance when, in the opinion of the Project Company, the available information concerning the Project does not justify acquisition by Project Company), as well as when the ownership right cannot be secured for a reason outside the control of the Parties,
- (a) The Municipality, in the interest of the goals described above, and on the basis of a separate agreement, shall provide to the Project Company access to the properties owned by it with the usage necessary for the successful operation of the Project Company, long term and in a legally binding form (hereinafter “Property Usage Agreement”);
 - (b) Regarding properties owned by third parties and necessary to the successful operation of the Project Company, the Project Company may sign private legal agreements, including the necessary usage, with these parties. In the interest of successfully moving the Project forward, regarding such agreements, the Municipality agrees that it shall support the Project Company – as allowed by law.
- 8.2 If it is found during the Project preparation or realization, that in the interest of the successful operation of the Project Company, that the usage of properties owned by the Municipality becomes necessary (for well drilling, for moving a building of the Project Company, in order to approach a building of the Project Company, as well as to ensure infrastructure connections), then the Municipality, in addition to the contents of 8.1 a.), - within its legal framework – agrees to transfer ownership of the given property for its market price, or shall ensure the property’s long term exclusive or joint usage under another legal title.
- 8.3 If it is found during the Project preparation or realization, that in the interest of the successful operation of the Project Company, that the usage of properties owned by third parties becomes necessary (for well drilling, for moving a building of the Project

Company, in order to approach a building of the Project Company, as well as to ensure infrastructure connections), then the Municipality agrees to assist the Project Company – while continuously following the applicable laws – in securing the ownership rights to the given properties owned by third parties.

- 8.4 The Parties further declare that if any of the properties to be transferred to the Project Company are qualified as agricultural land, the Municipality, in accordance with the property acquisitions mentioned above, and at the expense of the Project Company, shall take all possible measures, in accordance with applicable laws, to assist in the termination of the agricultural land zoning, in order for the Project Company to be able to secure the ownership right over such properties.
- 8.5 The Parties expressly agree, in accordance with point 3.2 of this Agreement, that in the interest of the successful operation of the Project Company, that the usage of properties becomes necessary (including, before anything else, property usage necessary for well drilling) that they shall clarify, without delay, the legal framework of point 8 following receipt of the information referred to in point 5.

IX.

SALE OF STEAM POWER

- 9.1 The intent of the Parties is to sell the geothermal power produced by the Project Company, within the Project framework, partially as steam energy to be sold through a steam energy company (“Steam Company”) of which the Municipality is the majority owner.
- 9.2 It is the intent of the Parties that, following the determination of the (expected) amount of steam power that the Project Company shall sell the Steam Company, the Municipality, the Project Company and the Steam Company shall immediately begin negotiations in the interest of signing a steam power sales agreement, which shall be for the long term (25 years, but at least 20 years).

X.

RIGHTS REGARDING THE PROJECT COMPANY PROFIT

Profits deriving from the operation of the Project Company shall be divided according to the BA and the rules of the BA shall be the controlling rules.

XI.

EXCLUSIVITY

- 11.1 After the signing of the present Agreement, the Project Company, the Municipality and the Business intend, regarding impossibility as described in point 3.3) of the Syndication Agreement, and until consensus is reached among the members of the

Project Company, that the Municipality will not begin or carry out any negotiations with any third parties regarding a business venture similar to the Project, such negotiations, whether direct or indirect, would be damaging to the Project business interests of the Business.

- 11.2 The exclusivity obligation of the Municipality in the present point shall expire on that day, when the quorum of the Project Company sends notice to the Municipality that, besides a finding of impossibility, the quorum has decided to cancel the Project, or if this Agreement is terminated for any reason.

XII.

COMPENSATION OBLIGATION

The Party that breaches this Agreement shall be liable to the other Party for all damages suffered.

XIII.

TRANSACTION CAPACITY

- 13.1 The Project Company declares that it has all company authority necessary to conclude the present Agreement.
- 13.2 The Municipality declares that it has the general assembly decision necessary to conclude the present Agreement has occurred.
- 13.3 The Business declares that it has all company authority necessary to conclude the present Agreement.

XIV.

NOTICES

- 14.1 Any notice or declaration required by the present Agreement – after electronic notice it can be paper-based as well – must be made in writing and must be sent by registered letter, fax or email to the other Party, addressed to the following persons:

- For the Municipality:
 - Addressed person:
 - Address:
 - Fax:
 - E-mail...

- For the Project Company:
 - Addressed person:
 - Address
 - Fax:

- E-mail...
- For the Business:
 - Addressed person:
 - Address.....
 - Fax:
 - E-mail...

14.2 Any notice or document shall be considered delivered when:

- (a) In the case of personal delivery, at the time of handover;
- (b) In the case of registered mail, the time of handover on the delivery card;
- (c) In the case of a fax, at the time of recorded transmission on the successful transmission sheet;
- (d) In the case of an email, at the time on the automatic confirmation message, confirming arrival of the email.

XV.

LOSS OF EFFECT

The Parties state that in the case of impossibility as described in point 3.3) of the Syndication Agreement, to be signed by the Municipality and the Business following the signing of the present Agreement, that the planned realization of the Project becomes impossible due to reasons outside the control of the Parties, in this case every further legal declaration loses validity as if it never happened.

XVI.

COMPLETE AGREEMENT

If any part of this Agreement becomes invalid or unenforceable, it shall not affect the validity or enforceability of the other parts of this Agreement. The Parties are obliged, after finding such part, without delay, to replace the invalid or unenforceable part with a new part which follows the goals to be achieved in the present Agreement.

XVII.

MODIFICATIONS TO THE AGREEMENT

The present Agreement can only be modified in writing, signed by all three parties together, according to the rules of point III. 3.3, in the form of a signed written document, and can only be terminated or canceled with the joint agreement of the Parties. Any party to the present Agreement can make a unilateral declaration, the Contracting Parties exclude the possibility

of normal termination with the understanding that the present Agreement expires automatically, without any further legal declaration, if the Project Company expires or is closed, or if any member's rights expire.

XVIII.

CLOSING PROVISIONS

18.1 Those issues not regulated by the present Agreement shall be controlled by the Hungarian Civil Code 1959/IV, as modified.

18.3 The Parties signed this Agreement after reading and understanding it, in accordance with their will.

Sent:

.....
Municipality	(Project Company name)
Represented by:	Represented by:
.....
Mayor	Managing Director

.....

(Business name)
Represented by:
.....
Managing Director