

CONFORMED COPY

LOAN NUMBER 4013 LT

Project Agreement

(Klaipeda Geothermal Demonstration Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

UZDAROJI AKCINE BENDROVE "GEOTERMA"

Dated June 28, 1996

LOAN NUMBER 4013 LT

PROJECT AGREEMENT

AGREEMENT, dated June 28, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and UZDAROJI AKCINE BENDROVE "GEOTERMA" (EG).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Lithuania (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to five million nine hundred thousand dollars (\$5,900,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that EG agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and EG, the proceeds of the loan provided for under the Loan Agreement will be made available to EG on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS EG, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and

the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. EG declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices and in accordance with the PIP, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. (a) EG shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

(b) For the purposes of Section 9.08 of the General Conditions, and without limitation thereto, EG shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and EG, a plan for the future operation of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with EG on said plan.

Section 2.04. EG shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, EG shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) EG shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) EG shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by EG of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.06. Without limitation to the provisions of Sections 9.01 and 9.07 of the General Conditions, EG shall:

(a) not later than March 31 and September 30 of each year, prepare and furnish to the Bank a report, of such scope and detail as the Bank shall reasonably request, on the progress of and the execution of the Project, including estimated and revised costs and time-tables, and a comparison of actual results with budgets; and

(b) not later than October 31 of each year, prepare and furnish to the Bank for review and approval, its operating and capital investment budget for the upcoming year and the overall budget for the Project.

ARTICLE III

Management and Operation of EG

Section 3.01. EG shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. EG shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. EG shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) EG shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) EG shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. Except as the Bank shall otherwise agree, during implementation of the Project, EG shall not enter into any new geothermal ventures or incur any additional debt which must be repaid in twelve (12) months or longer after its incurrence.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of EG thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify EG thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For Enterprise Geoterma:

UAB "Geoterma"
A. Juozapaviciaus 13
2005 Vilnius
Republic of Lithuania

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of EG may be taken or executed by the Director or such other person or persons as the Director shall designate in writing, and the Director shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil Kavalsky
Acting Regional Vice President
Europe and Central Asia

UZDAROJI AKCINE BENDROVE "GEOTERMA"

By /s/ Alfonsas Eidintas
Authorized Representative

SCHEDULE

Procurement

Section I: Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

Goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

