

LEASE ACT

§ 1 Contractual Parties:

Party A: The village of Da Tung as the owner of the power station represented by the village leader

Party B: The leaseholder Mr.

The Small Hydropower Project Committee at Doi Long county level and the Project Office of the Water Conservancy Bureau (WCB) in Lhasa shall provide consultancy services to the parties involved in order to overcome problems arising during operation. These offices are also responsible for training of the lease holder and his staff.

§ 2 Subject of Lease Act

- (1) Objective of this Lease Act is the supply of Da Tung population with electric power in order to improve life conditions, to provide means for an increasing agricultural and industrial production and to participate in the improvement of peoples welfare.
- (2) Subject of Lease Act is the leasing of the Da Tung power station located in the village itself including all necessary equipment, machinery, electric devices, buildings, transformer stations and main transmission lines.

§ 3 Water Rights

- (1) For the time of the contract the water rights for the utilisation of the river water for electric power generation is transferred to the leaseholder (Party B).
- (2) Any other utilisation which might influence the power generating has to be agreed upon by Party B. Arrangements shall be done in a written way and shall be compiled as an essential part in an annex to this contract.
- (3) Any non-authorized utilisation of water which might effect the power generating shall be immediately (latest within one week) come to known to the responsible institutions which are obliged to find a suitable solution within latest 10 days. If no solution could be obtained Party B has the right for immediate termination of this contract and to claim for compensation.

§ 4 Responsibilities:

(1) Party A shall:

1. lease the power station of Da Tung village to Party B. The contract will be valid from the date of undersignment on for 5 years.
2. The leasing contract includes: The power station including all necessary equipment, machinery, buildings, tools, wear and spare parts as mentioned in the inventory list, the transformer station at the power house, the transmission main, the transformers at the consumer side including the general meters.
3. be held responsible for any major replacement, especially for the replacement of turbine, generator, penstock, transformer and electric control device.
4. operate and maintain the village distribution network from the general meter at the village transformer until and including the household meter in such a way, that electric power can be always supplied in the quantities demanded by the consumers.
5. be responsible for collection of consumption fees from the consumer at a monthly or other appropriate regularly time basis
6. pay for the produced electric energy to Party B according to the meter readings at the transformer points at an agreed rate on monthly basis.
7. keep a ledger in which all expenses and revenues are listed

(2) Party B shall:

1. lease the power station of Da Tung village from Party A. The contract will be valid from the date of undersignment on for 5 years.
2. be held responsible for operation, maintenance and daily repair of the power station including all equipment, buildings and materials according to actual demands and instructions of the operation manual.
3. run a diary according to the operation instructions and will be responsible to provide all information to the respective institution at the respective time as described in the operation instructions.
4. run the power station in order to supply the population with electric power at a high quality standard at any time they need.
5. keep a ledger in which all expenses and revenues are listed.

§ 5 Rent, Fees, and other Payments

(1) Rent

Party B is obliged to pay an annual rent to the owner of the power station. The rent shall be 30 % of the total revenue for electric energy supplied by the power station. The rent will be deducted from the monthly revenues to be paid by Party A to Party B. In case no electric energy could be produced.

1.1 Due to circumstances which are to justify by Party A,

Party A has to pay the average monthly fee at minimum RMB 1.000,-- (one thousand only), whereby the 30% rent is already deducted.

If power can not be transmitted for more than 15 days in one month, Party B is obliged to inform the arbitration committee and the Project Office of the WCB. The arbitration committee will proof and will order Party B to take immediate actions in order to allow a continuous supply to the households furtheron.

1.2 Due to circumstances which are to justify by Party B,

Party B has to pay the rent and in addition to fine RMB 50,-- (fifty RMB only) per day of no operation.

If power cut off has lasted more than 15 days Party A is obliged to inform the arbitration committee and the Project Office of the WCB. The arbitration committee will proof and will order Party B to dissuade from in a written way.

If the power station is not or only less than 15 days operated in the following month, too, the arbitration committee can dismiss Party B without a moment's notice.

(2) Fees

2.1 Connection Fees

Each household has to pay a connection fee for the first connection as a contribution to the distribution main and to the meter installed in the respective household. The connection fee shall be paid to Party A. The Connection fee runs up to RMB 50,-- (fifty only) per household and RMB 100,-- (one hundred only) per three-Phase-Machine.

2.2 Electric Power Fees

For the consumption of electric power a fee will be charged on a monthly basis. The fee amount to RMB 0,5 /kWh for household purposes and 0.25 RMB/kWh for industrial / agricultural utilisation. The fee shall be paid against bill according to the readings of the respective meter.

2.3 Payment Regulations

All payments shall be made within 15 days after receiving of bill. All payments made lateron are subject to a surcharge in order to cover extra administrative work:

0 - 15 days after billing: RMB 0,-- (no surcharge)
16 - 30 days after billing: RMB 5,-- (five only)
31 - 45 days after billing: RMB 10,-- (ten only).

If payments have not been made within 45 days the respective consumer will be cutted-off. Re-connection will be done after payment of the open bill and the connection charge only.

2.4 Payment to Party B

At each transformer station a meter is installed at the low voltage side. Party B is paid by Party A according to these meter readings regularly on a monthly basis. The fee amounts to RMB 0.5/kWh for lightening and 0.25/kWh for three-phase-machines. Party A is responsible to divide the total readings into the two tariffs according to the billing. Party B has the right to proof.

All payments shall be done within 15 days after meter reading. All payments made lateron are subject to a surcharge in order to cover extra administrative work:

0 - 15 days after billing: RMB 0,-- (no surcharge)
16 - 30 days after billing: 10%
31 - 45 days after billing: 15%.

If payments have not been made within 45 days, Party B is obliged to inform the arbitration committee and the Project Office of the WCB. The arbitration committee will proof and will undertake appropriate measures.

(3) Illegal utilisation of electric power

Any manipulation of the meter and/or electric network from the main distribution lines until the meter and/or the connection box at the meter will be strictly sentenced undependend from the success of the trial. The household will be immediately cut-off. The power consumption for the last month shall be assessed as being 10 times the maximum monthly power consumption of the respective consumer. I addition the household is fined by RMB 50,--. Re-Connection will be done after paying of all outstanding fees and fines, of the connection fee and of a deposit of one monthly fee (average consumption).

(4) Accounting

Each Party is obliged to run a ledger which ha to be approved by the project committee, the Project office of the WCB or any legal institution at least on an annual basis.

(5) Utilisation of Revenues

The revenues received by Party A shall be remitted to a bank account and shall be solely used for purchasing of spare parts and for replacement investments as far those are under the responsibility of Party A. Any other use is illegal.

The revenues received by Party B shall be used for covering the operation costs and to build up reserves in order to cover the cost for bigger repairs which are under the responsibility of Party B. These reserves shall amount up to at least RMB 10.000,--.

§ 6 Arbitration

An arbitration committee shall be founded to overcome problems in the daily working routine among the two parties

Members of the arbitration committee are:

Names.....XXX,YYYY

In case oft any dissension among the two parties or if any party does not fulfil their tasks, the arbitration committee shall be involved by either of both parties. The committee shall proof the arguments of either party and come to a decision within 10 working days. The decision is obligatory.

§ 7 Cancellation of contract

This contract is fixed for the time of five years starting with the undersignment by either Party.

It shall be cancelled in written form before half a year before end of contract. Otherwise this contract will be automatically prolonged for another year.

Any cancellation without a moment's notice out of important reasons shall be agreed by the arbitrary committee or by any other legal institution.

Da Tung.....

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Party A

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Party B