

Public Disclosure Authorized

LOAN NUMBER 117 IT

Project Agreement

(Pugliese Power Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

SOCIETÀ GENERALE PUGLIESE DI ELETTRICITÀ

AND

SOCIETÀ FINANZIARIA ELETTRICA NAZIONALE
PER AZIONI

AND

SOCIETÀ ITALIANA PER LE STRADE
FERRATE MERIDIONALI

DATED JUNE 1, 1955

Public Disclosure Authorized

Project Agreement

AGREEMENT, dated June 1, 1955, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) of the one part and SOCIETÀ GENERALE PUGLIESE DI ELETTRICITÀ (hereinafter called the Company), SOCIETÀ FINANZIARIA ELETTRICA NAZIONALE PER AZIONI (hereinafter called Finelettrica) and SOCIETÀ ITALIANA PER LE STRADE FERRATE MERIDIONALI (hereinafter called Bastogi), of the other part.

WHEREAS by agreement of even date herewith between the Bank and Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (hereinafter called the Borrower), which agreement and the Schedules and Loan Regulations therein referred to and incorporated, together with any changes which may be made therein in accordance with the provisions thereof, are hereinafter called the Loan Agreement, the Bank has agreed to make a loan to the Borrower in various currencies in an amount equivalent to seventy million dollars (\$70,000,000) on the terms and conditions set forth in the Loan Agreement;

WHEREAS the Loan Agreement presently provides that an amount equivalent to \$12,000,000 of said loan shall be used by the Borrower to assist in financing the construction by the Company of the PUGLIESE Power Project as described in the Loan Agreement and the Bank agreed to such financing of such Project only on condition that the Company, Finelettrica and Bastogi agree to undertake certain obligations to the Bank as hereinafter in this Agreement set forth; and

WHEREAS the Company, Finelettrica and Bastogi have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement (as above defined) shall have the respective meanings therein set forth, provided, however, that the term "Project" shall mean the PUGLIESE Power Project as described in the Loan Agreement, subject to such modifications as may be agreed from time to time between the Bank and the Borrower, and the term "Subsidiary Loan Agreement" means the agreement and arrangements hereinafter in Section 9 of Article II of this Agreement referred to, between the Borrower of the one part and the Company, Finelettrica and Bastogi of the other part, and shall include any changes therein which shall be made with the approval of the Bank and the Borrower.

ARTICLE II

Particular Covenants of the Company

The Company hereby covenants as follows:

SECTION 1. The Company will construct the Project with due diligence and efficiency and in accordance with sound engineering and financial standards.

SECTION 2. The Company will, immediately upon the preparation thereof, furnish to the Bank the plans and specifications for the Project in such form and detail as the Bank shall reasonably request. Any material modifications or changes in such plans and specifications will be promptly furnished to the Bank.

SECTION 3. The Company will maintain books, accounts and records adequate to identify separately expenditures

on the several sections of the Project, to record the progress of construction and the results of operation of the Project, and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Company.

SECTION 4. The Company will furnish or cause to be furnished to the Bank all such information, at such times, in such form and in such detail as the Bank shall reasonably request, relating to expenditures on the Project, the progress of construction of the Project, the operation of the Project, and the operations and financial condition of the Company.

SECTION 5. The Company will enable accredited representatives of the Bank to inspect the sites, works and construction included in the Project, and any other properties or equipment owned or operated by the Company to the extent that the construction or operation thereof affects the diligent, sound and efficient construction, operation and maintenance of the Project; to examine any books, accounts, records, contracts, orders, invoices, studies, reports or other documents relating to expenditures for the Project or to the progress of construction, maintenance and results of operation of the Project or otherwise to the operations and financial condition of the Company.

SECTION 6. The Company will at all times operate its business and maintain, renew, repair and operate its plants, machinery, equipment and property, including the Project, all in accordance with sound engineering, financial and public utility standards and practices.

SECTION 7. In order to carry out this Agreement it is necessary that the corporate existence of the Company and its right to carry on operations be maintained, and that

(except as the Bank shall otherwise agree in writing) all rights, powers, concessions, privileges and franchises owned or exercised by it and necessary for the conduct of its business be maintained and renewed.

SECTION 8. In order that the Bank and the Company may cooperate to the fullest extent in assuring that the purposes of this Agreement shall be accomplished:

(a) The Company will promptly inform the Bank of any condition which prevents, or threatens to prevent, the performance by the Company of its obligations under this Agreement or the Subsidiary Loan Agreement.

(b) Each party to this Agreement shall, from time to time, as the other party shall reasonably request, afford such other party all reasonable opportunity for exchanges of views between their respective accredited representatives in regard to any and all matters relating to the Project and the matters covered by this Agreement and the Subsidiary Loan Agreement.

SECTION 9. The Company will, as soon as practicable, and, unless the Bank shall otherwise agree, in any event within 60 days after the date of this Agreement, enter, together with Finelettrica and Bastogi, into an agreement and arrangements with the Borrower providing for the terms and conditions on which the Borrower will finance the Project. Such agreement and arrangements will comply with the requirements of the Loan Agreement and include an undertaking by the Company, Finelettrica and Bastogi to the Borrower to perform their respective obligations under this Agreement.

SECTION 10. The Company will give priority to the Project in its construction and expansion program and will defer other parts of that program if and to the extent

necessary to accomplish the prompt and diligent construction of the Project.

SECTION 11. The Company will do everything necessary to carry out its obligations under this Agreement.

ARTICLE III

Provisions Relating to Finelettrica and Bastogi

SECTION 1. Finelettrica and Bastogi unconditionally guarantee, jointly and severally, the due and punctual performance by the Company of all the covenants and agreements on the part of the Company to be performed under this Agreement and under the Subsidiary Loan Agreement.

SECTION 2. Finelettrica and Bastogi shall join in the Subsidiary Loan Agreement as sureties, granting joint and several suretyship for the due and punctual performance of all the obligations of the Company to be performed thereunder.

SECTION 3. Finelettrica and Bastogi shall give to the Bank such information as the Bank shall reasonably request relating to their financial condition to the extent that such information shall relate to their ability to perform their obligations under this Agreement and under the Subsidiary Loan Agreement.

SECTION 4. The obligations of Finelettrica and Bastogi under this Agreement shall not be impaired by: (i) any extension of time or forbearance given by the Bank or the Borrower to the Company; or (ii) any assertion of, or failure to assert, any right or remedy of the Bank or the Borrower against the Company, provided that no such extension of time, or forbearance, or assertion of, or failure to assert, any such right or remedy, shall be deemed to

impair the rights of Finelettrica and Bastogi against the Company.

ARTICLE IV

Loan Agreement

The obligations undertaken by the Company, Finelettrica and Bastogi in this Agreement shall not in any way prejudice the powers of the Borrower pursuant to Sections 4.01 and 4.03 of the Loan Agreement.

ARTICLE V

Effective Date; Termination

SECTION 1. This Agreement shall come into force and effect on the date when the Loan Agreement and the Guarantee Agreement shall become effective in respect of the Project as provided in the Loan Agreement.

SECTION 2. This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine: (i) if, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement in respect of the Project; (ii) if the requirements set forth in Section 9 of Article II and Section 2 of Article III hereof shall not be complied with and the Bank shall notify the Company of its election to terminate this Agreement; (iii) by agreement between the Bank, the Borrower and the Company; or (iv) if and when all principal, interest and other sums payable by the Company, Finelettrica and Bastogi under the Subsidiary Loan Agreement shall have been paid.

ARTICLE VI

Miscellaneous Provisions

SECTION 1. No holder (other than the Bank) of any Bond shall by virtue of being holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the

conditions or obligations imposed, upon the Bank under this Agreement.

SECTION 2. Any notice, demand or request required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been duly given or made when it shall be delivered in writing or by telegram, cable or radiogram to the party to which such notice, demand or request is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice in writing to the party giving or making such notice, demand or request. The addresses so specified are:

(a) For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

(b) For the Company:

Società Generale Pugliese di Eletticità
Via P.E. Imbriani, 42
Napoli
Italia

(c) For Finelettrica:

Società Finanziaria Elettrica Nazionale
Via Lovanio, 24
Roma
Italia

(d) For Bastogi:

Società Italiana per le Strade Ferrate Meridionali
Via Quintino Sella, 54 A
Roma
Italia

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered 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/ EUGENE R. BLACK
President

SOCIETÀ GENERALE PUGLIESE DI
ELETTRICITÀ

By s/ V. ROSSI
Authorized Representative

SOCIETÀ FINANZIARIA ELETTRICA
NAZIONALE PER AZIONI

By s/ I. BRUNO BIANCHI
Authorized Representative

SOCIETÀ ITALIANA PER LE STRADE
FERRATE MERIDIONALI

By s/ MANLIO RIZZONI
Authorized Representative