

EXECUTION COPY

TERMOBAHIA LTDA.

-and-

ABB ALSTOM POWER BRASIL LTDA.

-and-

ABB ALSTOM POWER (SWITZERLAND) LTD.

ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT FOR A 190 MW
GAS-FIRED COMBINED CYCLE POWER PLANT

LOCATED IN MATARIPE, BAHIA





BRAZIL

NY1:#3245950v18

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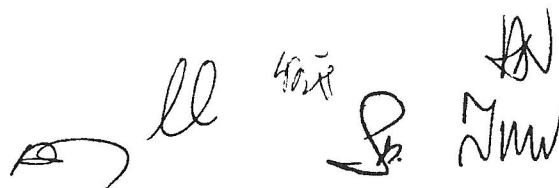
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EXHIBITS

Exhibit A	Milestones and Milestone Payment Schedules
Exhibit B	Master Equipment Lists
Exhibit C	Preliminary Outline Schedule
Exhibit D	Start-up Tests, Operational Tests and Performance Tests
Exhibit E	Performance Guarantees
Exhibit F	Technical Scope Document
Exhibit G	Technical Support and Training
Exhibit H	Project Quality Plan
Exhibit I	Operation and Maintenance Manuals
Exhibit J	Spare Parts
Exhibit K	Data, Procedures and Drawings
Exhibit L	Site
Exhibit M	Interconnection Points
Exhibit N	Gas Specifications
Exhibit O	Gas, Fluids and Consumables
Exhibit P	Form of Performance Letter of Credit
Exhibit Q	Form of Construction Contract Guaranty
Exhibit R	Contractors' Permits
Exhibit S	Owner's Permits
Exhibit T	Form of Notice to Proceed
Exhibit U	Interconnection Agreements and Interconnection Requirements
Exhibit V	Contractors' Exceptions
Exhibit W	Not Used
Exhibit X	World Bank Guidelines
Exhibit Y	Subcontractors and Related Information
Exhibit Z	Insurance Requirements
Exhibit AA	EPC Commissioning Services Agreement
Exhibit BB	Form of Comfort Letter

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THIS ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACT FOR A 190 MW GAS-FIRED COMBINED CYCLE POWER PLANT entered into as of July 7, 2000, by and between TERMOBAHIA LTDA ("Owner") and a consortium consisting of ABB ALSTOM POWER BRASIL LTDA. (the "On-Shore Contractor") and ABB ALSTOM POWER (SWITZERLAND) LTD. (the "Off-Shore Contractor") and together with the On-Shore Contractor, the "Contractors") under the leadership of the On-Shore Contractor.

PRELIMINARY STATEMENTS:

A. Owner desires to have constructed a 190 MW gas-fired combined cycle power plant (as further defined below, the "Facility") in the Municipality of Mataripe, State of Bahia, Federative Republic of Brazil, all in a manner consistent with the requirements of the laws of Brazil.

B. Subject to the terms and conditions of this Contract, Contractors desire to (i) furnish, on a lump-sum, fixed price basis, the Facility as fully constructed and operational, including the engineering, design, procurement, construction management, construction, operator training and commissioning services necessary to construct, install, start-up and test the Facility and (ii) perform the remainder of the Work, all as more fully described herein, but in a manner such that (A) Off-Shore Contractor's scope of work shall include the design, manufacturing and exportation of Materials from sources outside Brazil, and the provision of international freight; and (B) On-Shore Contractor's scope of work shall include the performance of services, including the commissioning, testing, construction, civil works, design and manufacturing of Materials from sources inside Brazil, and the importation of foreign Materials in the name of and on behalf of Owner.

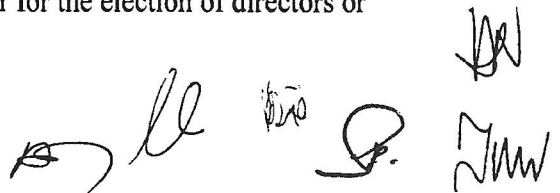
NOW, THEREFORE, in consideration of the mutual promises set forth herein, and other consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

SECTION 1 DEFINITIONS AND RULES OF INTERPRETATION

1.1 Definitions. For purposes of this Contract, the following terms, when capitalized, shall have the meaning set forth below:

"Actual Site Conditions" shall have the meaning given that term in Section 2.8.

"Affiliate" shall mean, as to any specified Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person, or (without duplication) any officer, director or partner of such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of partnership interests, voting securities, by contract or otherwise; provided, that, in any event, any Person that owns directly or indirectly securities (including partnership interests) having 20% or more of the voting power for the election of directors or



other governing body of a corporation or 20% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Laws" shall mean all Laws of any Brazilian Governmental Authority.

"Auxiliary Facilities" shall mean the auxiliary facilities, systems and buildings within the scope of the Work.

"Brazil" shall mean the Federative Republic of Brazil.

"Brazilian Governmental Authority" shall mean any Governmental Authority of Brazil.

"Business Day" shall mean any Day, except those Days which are considered to be obligatory holidays under the Laws of Brazil.

"CCON Rules" shall mean Comit  Coordenador de Operacoes do Norte/Nordeste (Coordinating Committee of North/Northeast Operations), an agency of the Electric System Operation, created by Ruling No. 1008 of the Ministry of Mining and Energy of September 20, 1974.

"Change Order" shall mean a document issued pursuant to Section 6 which authorizes a Change Order Result.

"Change Order Result" shall mean, as applicable, any of (i) a change in or to the Work, (ii) a change in the Contract Price and/or Milestone Payment Schedule, (iii) a change in the Schedule, (iv) a change in the Guaranteed Substantial Completion Date or Date Certain, (v) a change in the Scheduled Provisional Acceptance Date or deadline for achieving Final Completion, (vi) a change in the Performance Guarantees or Performance Tests (or protocol therefor), (vii) a change in the Technical Scope Document or (viii) a change in any other right, liability or obligation of either On-Shore Contractor or Off-Shore Contractor or any other provision hereof.

"Changes in Law" shall mean any of the following events occurring after the execution of this Contract as a result of any action by any Brazilian Governmental Authority: (i) a change in or repeal of an existing Applicable Law, (ii) an enactment or making of any new Applicable Law, (iii) an officially recognized change in the manner in which an Applicable Law is applied or in the application or interpretation thereof and (iv) a change in the requirements of a Permit.

"CHESF" shall mean Companhia Hidro El trica do S o Francisco, or any successor thereto.

"Civil Works" shall mean all structures, foundations and any other work requiring civil engineering in connection with the construction and start-up of the Facility, all of which shall be performed in accordance with the Contract Specifications, including paved and unpaved

areas, drainage, walls, foundations, structures, green and ecological areas, parking areas and buildings as further defined in the Technical Scope Document.

"COFINS" shall mean Contribuigas para o Financiamento da Seguidade Social.

"Connection Agreement" shall mean the CCT ("Contrato de Conexao ao Sistema de Transmissao") to be executed by the Owner and CHESF after the issuance of Notice to Proceed.

"Construction Contract Guaranty" shall mean the Guaranty executed by ALSTOM Holdings in favor of Owner, in the form attached as Exhibit Q and as such may be amended in accordance with Section 3.4(c).

"Construction Equipment" shall mean all the equipment, machinery, tools, articles, apparatus, or any material of any kind required or used by On-Shore Contractor or its Subcontractors to carry out the Work, excluding Materials.

"Contract" shall mean this Engineering, Procurement and Construction Contract.

"Contract Price" shall mean the lump sum, fixed price set forth in Section 4.1, as such amount may change from time to time pursuant to a Change Order.

"Contract Specifications" shall mean the technical, engineering, construction and performance specifications for the Work contained in or referred to in this Contract (including the Technical Scope Document).

"Contractor Event of Default" shall have the meaning given such term in Section 13.1(a).

"Contractors' Permits" shall mean those Permits set forth in Exhibit R and all other Permits other than Owner Permits.

"Contractors' Representative" shall have the meaning given that term in Section 2.6(c) hereof.

"Critical Equipment" shall mean, with respect to the Facility, the gas turbine, steam turbine, heat recovery steam generator, electrical generator and boiler feed pumps.

"Critical Milestones" shall mean those Milestones set forth as "Critical Milestones" in Exhibit A.

"Date Certain" shall mean the date which is 328 Days after the Guaranteed Substantial Completion Date.

"Day" shall mean a calendar day, except that if the end of any grace period or other lapse of time permitted hereunder ends on a Day which is not a Business Day, such period shall end on the next subsequent Business Day.

"Defect" shall mean any defect in the Work or Material which results or may result in such Work or Material ceasing, whether totally or partially, to serve its purpose or function.

"Delay Liquidated Damages" shall have the meaning set forth in Section 8.1.

"Dollar" or "\$" shall mean the lawful currency of the United States of America.

"Electrical Delivery Point" shall mean the point on the busbar where electrical energy from the Facility is delivered to the Jacaracanga Substation belonging to CHESF.

"Electrical Measuring Point" shall mean the high voltage side of the main step-up transformer.

"Electromechanical Works" shall mean the incorporation into the Facility of all the Critical Equipment, pipelines, electrical systems, control systems, instrumentation and accessories related to the Work in accordance with the Contract Specifications.

"Engineering" shall mean all basic and detailed engineering for the Facility to be carried out by Contractors in accordance with the Contract Specifications, including all technical documents, specifications, drawings, schedules, manuals and other information necessary for the design, procurement, construction, start-up, testing and operation of the Facility.

"EOH" shall mean "equivalent operating hours" as defined in Annex 1 to Exhibit F.

"Equipment Values" shall have the meaning given such term in Section 4.3(f)(i).

"Event of Default" shall mean either an Owner Event of Default or a Contractor Event of Default.

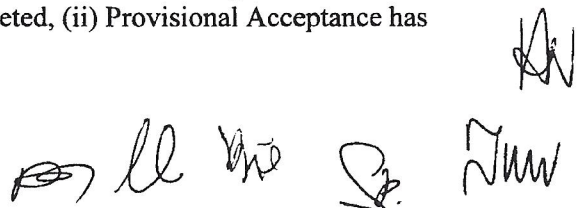
"Extension Period" shall have the meaning given such term in Section 8.2(b).

"Facility" shall mean the 190 MW electrical and steam generating plant, including all of the facilities and equipment necessary to generate the Net Electrical Output and Guaranteed Steam Export Capacity at the Measuring Points and connect to the Delivery Points in a continuous, safe and reliable manner as a complete and integrated combined cycle system, including all Auxiliary Facilities, the Transmission Line and the Gas Handling System, all operating in a manner consistent with the requirements hereof.

"Facility Site" shall mean that property described in clause (i) of the definition of Site.

"FGTS" shall mean the "Fundo de Garantia por Tempo de Servicos" as defined under the Laws of Brazil.

"Final Completion" shall mean the time when all of the following have occurred: (i) all Work, including all Punch List items, has been completed, (ii) Provisional Acceptance has



been achieved, and all Liquidated Damages and other amounts due from Contractors have been paid, (iii) all documents and drawings, including all as-builts, the final Operation and Maintenance Manual (in both printed and CD-ROM format), and other deliverables as specified in the Technical Scope Document have been delivered to Owner, (iv) all of Contractors' equipment and supplies, including any waste materials, have been removed from the Site, (v) Contractors have completed in a satisfactory manner all repairs, replacements or substitutions of defective Work or Materials in accordance with the provisions of Section 9, (vi) Owner has received from Contractors all waivers of liens relating to the Work, (vii) Contractors have resupplied any Spare Parts in accordance with Section 3.18(c) and (viii) Owner and Contractors have agreed in writing that the foregoing have occurred or have been waived.

"Final Completion Certificate" shall mean the certificate issued by Owner which establishes the Final Completion of the Facility.


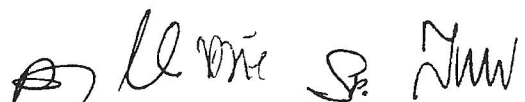
"Financial Closing" shall mean either (i) the Financing Agreements shall have been signed and are in full force and effect and the initial borrowing thereunder shall have occurred or (ii) the Financing Agreements shall have been signed and are in full force and effect and the initial equity funding by all shareholders of the Owner shall have occurred.

"Financing Agreements" shall mean any and all loan agreements, notes, bonds, indentures, security agreements (including pledges) registration or disclosure statements, subordination agreements, intercreditor agreements, mortgages, deeds of trust, letters of credit, subscription or participation agreements and other documents relating to the construction, interim and long-term financing for the Facility with the Financing Parties, including any and all modifications, supplements, extensions, renewals and replacements of any such financing or refinancing.

"Financing Parties" shall mean those entities, including their successors and assigns and any trustee or agent acting on their behalf, who will advance, directly or indirectly, to Owner, economic resources for the development and construction of the Facility.

"Flaw" shall mean a condition that limits, whether in whole or in part, the operational safety of the Facility with respect to the specifications set forth in the Contract Specifications.

"Force Majeure" shall mean any act, event or condition that causes delay in or failure of performance of obligations under this Contract (except for obligations to pay money due), to the extent that such act, event or condition (i) is beyond the reasonable control of the party to this Contract relying thereon, (ii) is not the result of any acts, unreasonable omissions or delays of a party to this Contract relying thereon (or any third Person over whom such party has control, including any Subcontractor), (iii) is not an act, event or condition, the risks or consequences of which such party has expressly agreed to assume hereunder and (iv) cannot be cured, remedied, avoided, offset, negotiated or otherwise overcome by the prompt exercise of reasonable due diligence of the party relying thereon (or any third Person over whom such party has control, including any Subcontractor). The term "Force Majeure Event" shall include the following (if the requirements described in clauses (i) through (iv) of the above sentence are satisfied): hurricanes, floods, tsunamis, monsoons, lightning, volcanic eruptions and typhoons or

other unusually severe conditions; orders or requests from Government Authorities not initiated by the Contractors or a government decreed official state of emergency; fire, earthquakes and explosions; acts of war (whether declared or undeclared) or other warlike events and hostilities; sabotage or terrorism; strikes, work stoppages or other labor actions that are of an industry-wide nature and are not directed solely at Contractors or any Subcontractor; Changes in Law. Notwithstanding the foregoing, the term "Force Majeure Event" shall not include (a) strikes, work stoppages (or deteriorations), slowdowns or other labor actions directed solely at Contractors or any Subcontractor or solely involving the employees of Contractors or any Subcontractor, (b) weather conditions which could reasonably be anticipated in coastal Bahia, Brazil by experienced professional design and construction contractors, (c) any Actual Site Conditions or any event arising therefrom, (d) the occurrence of any manpower or Materials shortages, except if such shortage results from an act, event or condition which constitutes a Force Majeure Event, (e) any failure by Contractors to obtain and/or maintain any Permit it is required to obtain and/or maintain hereunder, except if such failure results from an act, event or condition which constitutes a Force Majeure Event or (f) any delay, default or failure (direct or indirect) in obtaining Materials or of any Subcontractor or any other delay, default or failure (financial or otherwise) of a Subcontractor, except if such delay, default or failure results from an act, event or condition which constitutes a Force Majeure Event.

"Gas" shall mean natural gas meeting the specifications set forth in Exhibit N.

"Gas Handling System" shall mean the Gas system to be provided by the On-Shore Contractor, beginning at the Facility fence-line and ending at the gas turbine burners.

"Generic Defect" shall mean any design, material or manufacturing defect which requires re-design or substitution of the defective Material or component.

"Good Industry Practice" shall mean those practices, methods and equipment that are commonly used in prudent engineering, design, construction, operation and maintenance in the electric utility industry in the European Union, the United States or Brazil to design, engineer, construct, operate and maintain electric power generation and transmission equipment lawfully and with safety, reliability, efficiency, operability and maintainability.

"Governmental Authority" shall mean any government, whether federal, state or municipal government, or any ministry, department, court, commission, board, branch, agency or similar authority of any such government.

"Guaranteed Capacity Factor" shall mean the guaranteed value for the Facility's capacity factor, as set forth in Exhibit E.

"Guaranteed Emissions" shall mean all of the guaranteed values for the Facility's emissions, including stack, noise and wastewater and other effluents as set forth in Exhibit E.

"Guaranteed Net Electrical Output" shall mean the guaranteed value for the Facility's net electrical output, as set forth in Exhibit E.

"Guaranteed Net Heat Rate" shall mean the guaranteed value for the Facility's net heat rate, as set forth in Exhibit E.

"Guaranteed Reliability" shall mean, after Substantial Completion has been achieved, the value to be achieved for the Facility's reliability during the Reliability Test as set forth in Section 1 of Exhibit E.

"Guaranteed Steam Export Capacity" shall mean the guaranteed value for the Facility's steam export capacity, as set forth in Exhibit E.

"Guaranteed Substantial Completion Date" shall mean the date which is 25 months after the Notice to Proceed is issued, as such date may be adjusted pursuant to a Change Order.

"Hazardous Materials" shall mean any hazardous toxic or polluting substance, material or waste, including any substance the storage, handling, treatment, use, generation, disposal or exposure to which is directed, regulated or limited by Applicable Law.

"HS Codes" shall mean the Harmonized System Code, used for the designation and codification of goods.

"IGPM" means a general index price of the market, as issued by Fundação Getúlio Vargas, or if the aforementioned ceases to exist, then a replacement index as agreed to by the Parties.

"Independent Engineers" shall mean the Lenders' Independent Engineer and the Owner's Engineer.

"Interconnection Agreements" shall mean the Connection Agreement, the Transmission Use of the System Agreement and the Operative Agreement, the most current forms of which as of the date of this Contract are attached to Exhibit U.

"Interconnection Points" shall mean the points at which connections are made to the RLAM so that various fluids can pass between the RLAM and the Facility, as defined in Exhibit M.

"Interconnection Requirements" shall mean (i) the ONS Manual of Procedures and (ii) the Owner Requirements, the most current forms of which as of the date of this Contract are attached to Exhibit U.

"Jacaracanga Substation" shall mean the electrical substation, owned by CHESF, which will receive the electrical energy produced by the Facility.

"Laws" shall mean all laws, statutes, treaties, regulations, ordinances, orders, consents, directives, authorizations, norms, decrees, rules, decisions, judgments, injunctions, and interpretations thereof issued by any Governmental Authority having jurisdiction regarding the matter in question and which are in effect at the moment in question.

"Lenders' Independent Engineer" shall have the meaning set forth in Section 14.3.

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"Liquidated Damages" shall mean the Delay Liquidated Damages and the Performance Liquidated Damages.

"Major Subcontractors" shall mean each Subcontractor of the On-Shore Contractor with a subcontract for a value in excess of Five Hundred Thousand Dollars (\$500,000) or the equivalent in Reais.

"Master Equipment Lists" shall mean the lists of Materials for the On-Shore Contractor and Off-Shore Contractor included as Exhibit B.

"Materials" shall mean any equipment (including the Critical Equipment), materials, substances and any other tangible items, including all components and accessories thereof, necessary or appropriate for incorporation into the Facility in accordance with the terms of this Contract.

"Milestones" shall mean each date or event identified as a milestone on each Milestone Payment Schedule as provided in Exhibit A.

"Milestone Payment Schedules" shall have the meaning given such term in Section 4.5.

"Minimum Performance Limits" shall mean achievement of the following performance levels, each while in compliance with the Guaranteed Emissions (provided, however, that compliance with the Guaranteed Emissions shall be required only at such times as the Facility is operated at Baseload, as such term is defined in Exhibit D), (x) at least 90% of the Guaranteed Net Electrical Output, (y) at least 90% of the Guaranteed Steam Export Capacity, and (z) no more than 110% of the Guaranteed Net Heat Rate.

"Mobilization Date" shall mean the date described in Exhibit C as the "Mobilization Date".

"Month" shall mean a calendar month.

"Notice to Proceed" shall mean a written notice from Owner to Contractors substantially in the form of Exhibit T.

"ONS Manual of Procedures" shall mean the ONS Manual of Procedures (the Parties have attached Module 3 of such ONS Manual of Procedures in Exhibit U, and shall attach the remaining portions upon finalization).

"Operation and Maintenance Manuals" shall mean the manuals that are to be delivered by Contractors as a pre-condition of both Substantial Completion and Final Completion, which manuals shall contain the information described in Exhibit I.

"Operational Tests" shall mean the tests described as such in Exhibit D and which shall be conducted by On-Shore Contractor in accordance with Section 7.11.

"Operative Agreement" shall mean the "Operative Agreement" ("Acordo Operativo") referred to in the Connection Agreement.

"Owner Caused Delay" shall mean any delay in the performance and completion of the Work (i) that is directly and proximately caused by an act or omission by Owner and (ii) occurs at a time when either On-Shore Contractor or Off-Shore Contractor, as is applicable, is and continues to be willing and able to perform such Work; provided, however, that Owner Caused Delay shall not include (a) any act or omission that is permitted under, and is taken or caused in accordance with, the terms of this Contract or (b) any act or omission of Owner acting under or in accordance with Contractors' or any Subcontractors' instructions.

"Owner Engineer" shall have the meaning set forth in Section 14.4.

"Owner Event of Default" shall have the meaning given such term in Section 13.1(b).

"Owner Performed Earth Works" shall have the meaning given that term in Section 2.10(h).

"Owner Requirements" shall mean the document prepared by the Owner Engineer containing both the ONS and CHESF requirements relating to the Transmission Line, Jacaracanga Substation and high-voltage switchyard, which shall not, in any event, exempt the Contractor from compliance with the ONS Manual of Procedures nor the Interconnection Agreements.

"Owner Risk Event" shall mean (i) any event of Force Majeure which is not insured under the terms of the erection-all-risk policy required to be maintained by this Contract or (ii) any negligent act or omission by Owner (not attributable to Contractors) or any breach by Owner of its obligations hereunder in each case which is not insured under the erection-all-risk policy required to be maintained by this Contract, or any intentional acts or omissions or willful misconduct of Owner.

"Owner's Permits" shall mean those Permits to be obtained by Owner as set forth in Exhibit S and each other Permit required by Owner to perform its obligations under this Contract.

"Owner's Representative" shall have the meaning given that term in Section 2.10(g).

"Parties" shall mean Owner, On-Shore Contractor and Off-Shore Contractor.

"Party" shall mean Owner, On-Shore Contractor or Off-Shore Contractor.

"Payment Retainage" shall have the meaning set forth in Section 4.5(c).

"Performance Guarantees" shall mean the Guaranteed Net Electrical Output, Guaranteed Steam Export Capacity, the Guaranteed Emissions, the Guaranteed Net Heat Rate, the Guaranteed Capacity Factor and the Guaranteed Reliability.

"Performance Letter of Credit" shall have the meaning set forth in Section 3.4.

"Performance Liquidated Damages" shall have the meaning set forth in Section 8.2(a).

"Performance Liquidated Damages Letter of Credit" shall have the meaning assigned to such term in Section 8.2(a).

"Performance Tests" shall mean each of (i) the Net Electrical Output Performance Test, (ii) the Steam Export Capacity Performance Test, (iii) the Net Heat Rate Performance Test, (iv) the Capacity Factor Performance Test and (v) the Reliability Test, all as further described in Exhibit D and in Section 7.12 and which shall be used to determine compliance with the Performance Guarantees.

"Permits" shall mean all permits, licenses, authorizations, consents, exemptions, registrations, approvals or other authorizations of any kind which are required to be obtained from or granted by any Governmental Authority for the execution and performance of this Contract, including the permits specified in Exhibits R and S.

"Person" shall mean, unless otherwise specified, a natural person, corporation, company, partnership, trust, joint venture, unincorporated association or consortium or other entity, including a Governmental Authority.

"Petrobrás" shall mean Petróleo Brasileiro S.A.

"PIS" shall mean Programa de Integracao Social.

"Pre-Contract Works" shall have the meaning assigned to such term in the Pre-Contract Works Agreement.

"Pre-Contract Works Agreement" shall mean the Pre-Contract Works Agreement, dated as of November 10, 1999 between ABB Alstom Power (Switzerland) Ltd., the predecessor of the Off-Shore Contractor, and ABB Energy Ventures Inc.

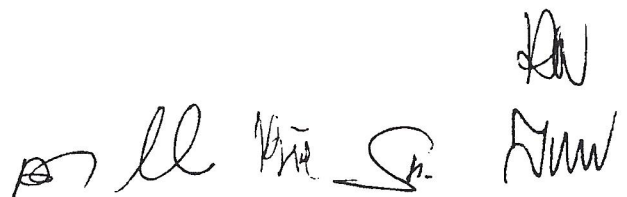
"Pre-Existing Environmental Conditions" shall have the meaning given that term in Section 2.10(b) hereof.

"Progress Report" shall mean the periodic reports described in Section 3.8 hereof.

"Project Quality Plan" shall mean the Project specific guidelines for quality assurance, whose requirements are set forth in Annex 1 of Exhibit H.

"Provisional Acceptance" shall mean the time at which Contractors have (i) achieved Substantial Completion and (ii) achieved the Guaranteed Reliability.

"Provisional Acceptance Certificate" shall mean the certificate issued by Owner which establishes the date for Provisional Acceptance of the Facility.

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"Punch List" shall mean such items that are outstanding as of Substantial Completion that are of a minor nature, the non-completion of which will not affect the safe, reliable operation of the Facility.

"Quality Assurance Manual" shall mean the Management System Manual for Quality and Environment, ABB Power Generation Ltd., Switzerland, Issue of: May 1999, Ident. No. KW23005.

"Quality Assurance Program" shall mean the Contractors' program for quality assurance documented in the Quality Assurance Manual.

"Real" or "Reais" shall mean the lawful currency of Brazil.

"Reliability Test" shall mean the Performance Test used to determine compliance with the Guaranteed Reliability, as further described Exhibit D.

"Remaining Owner Performed Earth Works" shall have the meaning given that term in Section 2.10(h).

"Request for Payment" shall mean Contractors' Monthly request for payment in accordance with Section 4.5.

"RLAM" shall mean the oil refinery known as "Refinaria Landulpho Alves Mataripe" owned and operated by Petrobrás.

"Schedule" shall mean the detailed master schedule for the performance of the Work which is consistent with the Milestone Payment Schedule and which is developed and updated pursuant to Section 3.7.

"Scheduled Provisional Acceptance Date" shall mean the date which is 180 Days after the date Substantial Completion is achieved.

"Site" shall mean (i) the property conveyed to the Owner by Petrobras on which the Facility, except the Transmission Line, shall be constructed and located, and whose boundaries, dimensions and ancillary rights are described in Exhibit L, (ii) the Transmission Line Corridor and (iii) the property at the Jacaracanga Substation on which the On-Shore Contractor is required to perform any portion of the Work required herein.

"Spare Parts" shall mean the spare parts and special tools referred to in Section 3.18(a).

"Start-Up Tests" shall mean the tests described as such in Exhibit D and which shall be conducted by the On-Shore Contractor in accordance with Section 7 hereof.

"Steam Delivery Point" shall mean the point in the Facility's fence-line where the steam piping from the Facility interconnects to the piping of the refinery. This point is located at the connection to be welded which is shown in Contractors' drawing 1 AHV 001 384, Revision J. Drawing 1 AHV 001 384, Revision J is included in the Technical Scope Document.

"Steam Measuring Point" shall mean the point in the Facility at which the temperature, pressure and flow rate of the steam provided to the RLAM is measured, as further defined in Exhibit F.

"Subcontractor" shall mean any Person (other than Contractors) who performs any portion of the Work (including the supply of any Materials), whether hired directly by Contractors or by a Person hired by Contractors and including each tier of Subcontractor or sub-Subcontractor and so forth.

"Substantial Completion" shall mean that Contractors have (i) completed the Work (except for any Punch List items) in accordance with the Contract Specifications, (ii) established that the Facility has achieved, while in compliance with the Guaranteed Emissions (provided, however, that compliance with the Guaranteed Emissions shall be required only at such times as the Facility is operated at Baseload, as such term is defined in Exhibit D), (w) at least 95% of the Guaranteed Net Electrical Output, (x) at least 95% of the Guaranteed Steam Export Capacity, (y) no more than 105% of the Guaranteed Net Heat Rate, and (z) the Guaranteed Capacity Factor, (iii) supplied the Spare Parts requested by Owner pursuant to Section 3.18(a), and the tools necessary to support continued operation of the Facility as required by the Contract, (iv) provided substantially complete drafts of the Operation and Maintenance Manuals adequate for the operation and maintenance of the Facility, (v) completed the training program for the operating and maintenance personnel of Owner, (vi) completed all emissions testing as required by Exhibit D and (vii) paid the required Liquidated Damages or posted security in accordance with this Contract.

"Substantial Completion Certificate" shall mean the certificate issued by Owner which establishes the Substantial Completion of the Facility.

"Substantial Completion Performance Guarantees" shall mean those Performance Guarantees associated with the achievement of Substantial Completion.

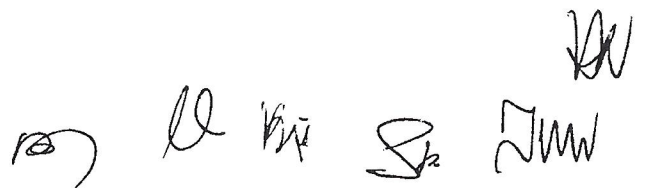
"Substantial Completion Performance Tests" shall mean those Performance Tests required for the achievement of Substantial Completion.

"Tax" shall mean each and every tax (including, without limitation, income, gross income, sales, use, property, value added taxes, stamp taxes, and taxes on invoices, services and equipment), fees (including, without limitation, documentation, license and registration fees), levies, duties or withholdings of any nature, together with any and all penalties, fines, surcharges, tax increases and interest thereon, charged, levied, or imposed by any Governmental Authority.

"Technical Scope Document" shall mean the technical scope document as set forth in Exhibit F.

"Technical Support" shall have the meaning given that term in Section 3.16 hereof.

"Tests" shall mean the Start-Up Tests, Operational Tests and Performance Tests.

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"Transmission Line" shall mean the double circuit, 230 kv transmission line from the Facility Site into the Jacaracanga Substation as further described in the Technical Scope Document, including the components required to make the instrumentation, control and protection connection and electric power interconnection to the Electrical Delivery Point, as further specified in Exhibit F, Section 2.

"Transmission Line Corridor" shall mean the property on which the Transmission Line is to be built.

"Transmission Use of the System Agreement" shall mean the CUST ("Contrato de Uso do Sistema de Transmissao") to be executed by Owner and Operador Nacional do Sistema Elétrico – ONS.

"Utility" shall mean Eletrobras, CHESF or an affiliate thereof.

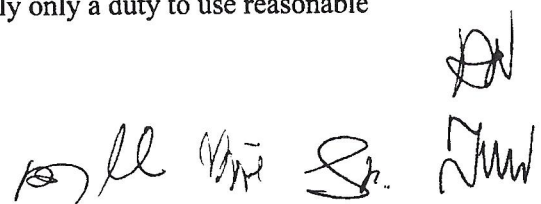
"Warranty Period" shall mean the period commencing upon the date the Provisional Acceptance Certificate is issued and ending on the first anniversary thereof; provided, however, (i) the Warranty Period shall expire upon accrual of 10,000 EOH (which accrual shall commence upon the achievement of Provisional Acceptance) if such event occurs prior to the first anniversary of Provisional Acceptance, and (ii) if Provisional Acceptance is delayed due to Owner Caused Delay or Force Majeure, the Warranty Period shall not extend beyond 18 months after the original Guaranteed Substantial Completion Date. Notwithstanding the foregoing, the Warranty Period may be extended pursuant to Section 9.2.

"Week" shall mean any period of seven consecutive Days.

"Work" shall mean the totality of the planning, design, Engineering, Pre-Contract Works, procurement of Materials, Civil Works, Electromechanical Works, Auxiliary Facilities, Tests, Technical Support and any other works and services of any nature to be supplied or performed by Contractors, which are specifically provided for in this Contract or contemplated within the scope of this Contract.

"World Bank Guidelines" shall mean the guidelines provided for by the World Bank regarding compliance with environmental and social standards as set forth in Exhibit X (subject to the Contractors' qualifications with respect to such guidelines, as set forth in Exhibit X), including the reporting obligations typically required by multilateral lenders to ensure compliance with such guidelines.

1.2 Rules of Interpretation. This Contract shall be interpreted and construed as follows: (i) words of the masculine gender shall include corresponding words of the feminine or neuter genders and vice versa, (ii) where the context requires, the plural shall include the singular and vice versa, (iii) unless the context indicates otherwise, all references herein to Sections, paragraphs, Exhibits, schedules, or appendices shall refer, respectively, to the Sections, paragraphs, Exhibits, schedules or appendices of or to this Contract, (iv) the words "includes" or "including" mean "including, but not limited to" and are not limiting, (v) any reference to a Person includes such Person's successors and assigns, (vi) "or" shall not be exclusive and (vii) "ensure" shall not be construed as a guaranty, but shall imply only a duty to use reasonable effort and care, consistent with Good Industry Practice.



1.3 Conflict Among Documents. Each Party shall promptly notify the other in writing of any discovered conflict or inconsistency among any of the Exhibits or between any Exhibit and the Sections of this Contract. In the event of any conflict between provisions of Sections of this Contract, drawings and specifications and Exhibits, the following order of precedence for construction and interpretation shall apply unless the Parties otherwise agree: (i) Sections of this Contract, (ii) Exhibits to this Contract and (iii) drawings and specifications. Subject to the foregoing, if any provision of an Exhibit is in conflict with any other provision of an Exhibit, whether or not in the same Exhibit, the more detailed provision shall prevail. Notwithstanding the above, the provisions of this Contract, including all Exhibits, shall be wherever possible construed as complementary rather than conflicting.

1.4 Financing Provisions. To the extent Financial Closing has not yet occurred, references herein to the Financing Parties and the Lenders' Independent Engineer shall be deemed omitted until such time as Financial Closing occurs.

1.5 Incorporation of Pre-Contract Works. The Parties acknowledge that the predecessor of Off-Shore Contractor executed the Pre-Contract Works Agreement with ABB Energy Ventures, Inc. and that by terms of Section 2.2 of the Pre-Contract Works Agreement, such agreement shall terminate upon the issuance of the Notice to Proceed hereunder. With respect to the Pre-Contract Works Agreement the Parties hereby agree as follows:

(a) Any payment made under the Pre-Contract Works Agreement or any approval or acceptance by ABB Energy Ventures, Inc. of the Pre-Contract Works or part thereof shall not (i) be construed as acceptance or approval of the Works under this Contract or (ii) relieve either the On-Shore Contractor or Off-Shore Contractor of any of its obligations or liabilities under this Contract.

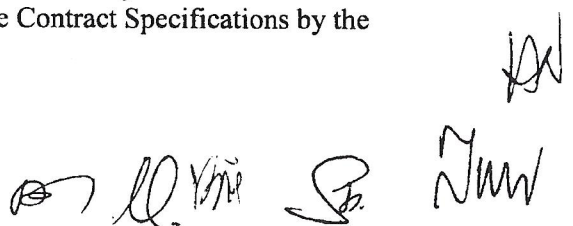
(b) Contractors' liabilities under this Contract shall not be diminished, amended or altered to the extent any such liability actually or allegedly arises from the Pre-Contract Works. Furthermore, Contractors shall not be entitled to any additional cost, extension of time or variation of the Works under this Contract due to any omission, error or discrepancies arising from the Off-Shore Contractor's predecessor's performance of the Pre-Contract Works.

1.6 Good Industry Practice. Good Industry Practice shall apply in this Contract unless this Contract (including any standards and codes) establishes requirements that are more specific.

1.7 Use of Term "Contractor" in Exhibits. As used in the Exhibits, the term "Contractor" shall refer to the Contractors, unless otherwise specified.

SECTION 2 PERFORMANCE OF THE WORK

2.1 Obligation for Fully Operational Facility. Owner is engaging and relying on Contractors to perform the Work in order to provide Owner with a fully constructed and operational Facility complete in every detail according to the Contract Specifications by the

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Guaranteed Substantial Completion Date, and to do and furnish everything necessary in connection therewith. Contractors acknowledge such reliance and accept the engagement.

2.2 Notice to Proceed. Upon the satisfaction of the following conditions, Owner will issue, and Contractors shall accept, a Notice to Proceed, which Notice to Proceed shall be issued on the date required for the Contractors to commence the Work:

- (i) Execution and delivery of this Contract by each of the Parties;
- (ii) Finalization of all Exhibits to the satisfaction of the Owner and Contractors;
- (iii) Subject to Section 3.4(c), the Construction Contract Guaranty in the form attached as Exhibit Q shall have been executed and delivered and shall be in full force and effect;
- (iv) The Owner shall have delivered to the Contractors copies of the Financing Agreements in effect on the date Notice to Proceed is issued, which demonstrate that construction funding is available or will be made available as and when required to meet the Owner's payment obligations hereunder;
- (v) A letter agreement to be entered into between the Contractors and the Owner regarding the use of refinery and rich gas, in form and substance acceptable to the Owner, shall have been executed and delivered; and confirmation by the Contractors of the acceptance of the fuel gas samples collected by the Owner and provided to the Contractors;
- (vi) The Owner shall have obtained all Owner's Permits required to issue the Notice to Proceed to Contractors;
- (vii) The Owner shall have paid to the Contractors the amount required to be paid upon the issuance of the Notice to Proceed in accordance with Exhibit A;
- (viii) The insurance policies required to be obtained hereunder shall have been obtained and shall be in full force and effect; and
- (ix) The Owner shall have provided to the Contractors letters executed by ABB Financial Services Limited and Petrobras, in the forms attached as Exhibit BB.

Contractors shall immediately acknowledge, in writing, their receipt of the Notice to Proceed.

2.3 Effectiveness of Contract. This Contract shall become effective upon the execution and delivery hereof by both Parties.

2.4 Commencement of the Work. Contractors shall commence the Work on the date the Notice to Proceed is issued; provided, however, that before such date Contractors shall perform (i) any tasks specifically required herein or in the Pre-Contract Works Agreement to

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occur before such date and (ii) such tasks reasonably necessary to support Owner in its meetings with Petrobrás and others regarding the Facility.

2.5 Completion Date. Contractors shall diligently pursue the Work, assigning to it a priority that will comply with the Schedule and cause the Facility to satisfy the Performance Guarantees and to achieve Substantial Completion at a date no later than the Guaranteed Substantial Completion Date and Provisional Acceptance at a date no later than the Scheduled Provisional Acceptance Date.

2.6 Obligations of Contractors. Contractors shall, in accordance with the requirements set forth herein (including any allocation of responsibility provided herein) and in the Exhibits attached hereto:

(a) Design, engineer, schedule, procure, construct, test and commission the Facility and otherwise perform the Work in a manner that satisfies the requirements of and enables the Facility to satisfy the requirements of:

(i) this Contract (including the Performance Guarantees), Applicable Laws, Permits and the Contract Specifications;

(ii) all environmental operating requirements of the Permits as obtained by Owner and Contractors;

(iii) the World Bank Guidelines; and

(iv) Good Industry Practice.

(b) Without limiting the generality of the foregoing, be responsible for:

(i) project management, designing, engineering, expediting, procuring all Materials, transporting all Materials to the Site, and constructing the Facility on the basis of a fully constructed and operational facility to meet all Performance Guarantees in accordance with Applicable Laws and Permits;

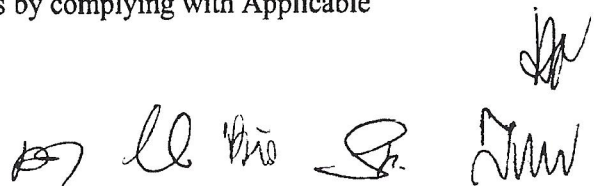
(ii) completion of all Civil Works (including constructing all buildings or structures for the power plant, administration, operation and laboratories) and Electromechanical Works in accordance with the Contract Specifications;

(iii) procuring and delivering to the Site all of the Construction Equipment, mobile equipment, tools, consumable materials (through Provisional Acceptance), labor, supervision and services required for the timely completion of the Work;

(iv) connecting the Facility to the Electrical and Steam Delivery Points, and other interconnections in accordance with the Contract Specifications;

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- (v) inspecting and testing Materials during manufacture and preparation;
- (vi) subject to Section 2.10(h), preparing the Site for construction of the Facility, including excavation, leveling, storing topsoil, and drainage;
- (vii) modifying or creating any public or private roads required to perform the Work, and repairing damage to any such roadways, other than damage due to ordinary wear and tear; provided, however, that the modification, relocation or creation of any roads, including separate access roads, at the request of Owner which are not required to perform the Work shall be at the expense of Owner;
- (viii) submitting in a timely fashion during the performance of the Work all data, procedures, drawings and specifications, as set forth in more detail in Exhibit K, for review and approval by Owner;
- (ix) obtaining all Contractors' Permits, licenses and project labor agreements necessary to perform the Work and to construct the Facility;
- (x) furnishing and installing all breakers, relays, switches, synchronization equipment and other protective and control devices for full hook-up and parallel operation with the Brazilian electric system at the specified voltage level and frequency in accordance with the Technical Scope Document;
- (xi) starting-up, commissioning, testing and placing into operation the Facility, including the Tests;
- (xii) providing Technical Support to Owner as provided in Section 3.16;
- (xiii) directing Owner's operating staff from commissioning through Provisional Acceptance of the Facility in a manner consistent with Applicable Laws, Good Industry Practice and prudent operating practices for similar power plants, all in a manner consistent with Section 3.16;
- (xiv) providing a complete record of as-built drawings and documents necessary for the operation and maintenance of the Facility;
- (xv) performing the Work using an adequate number of qualified, experienced and competent personnel;
- (xvi) construction of internal roads, parking, cleaning up the Site during and after completion of the Work, including landscaping in accordance with the Technical Scope Document;
- (xvii) assuring the health, safety and protection of their employees and the employees of their Subcontractors by complying with Applicable

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Laws and applicable safety rules and regulations and providing a construction safety program, fire protection program, accident prevention program and first aid on the Site;

(xviii) importing all necessary goods and services for the Work and the Facility, in accordance with the provisions of Section 4.3(g);

(xix) implementing and complying with a Quality Assurance Program for the Work, in accordance with the provisions of Section 3.11;

(xx) preparing and providing a monthly report to Owner, the Financing Parties and the Independent Engineers on the progress of the Work, unusual events, any schedule variances as they occur, and such other reports as may be requested reasonably by Owner;

(xxi) providing reasonable assistance to Owner in obtaining Owner's Permits;

(xxii) making provisions for the physical security of the Site (including the provision of guards), the Facility and other components of the Facility, such as guard houses, as further specified in the Technical Scope Document;

(xxiii) obtaining and maintaining insurance as set forth in Section 10 and Exhibit Z;

(xxiv) satisfying any liability (including any action, damage, claim, lien, demand, request, judgment, award, fine, loss, royalty, penalty, cost, expense, suit or fee) which may arise because of Contractors' noncompliance with Applicable Laws or Permits;

(xxv) satisfying their warranty responsibilities under Section 9 of this Contract;

(xxvi) prior to executing a purchase order for any Critical Equipment, cooperate with Owner so that Owner has the reasonable opportunity, prior to the execution of such purchase order, to review those spare parts associated therewith as the vendor may suggest. Additionally, Contractors shall include in each subcontract and purchase order relating to any Critical Equipment a requirement that, until the end of the Warranty Period, the vendor (i) notify Contractors and Owner in the event vendor intends to discontinue supplying any functional spare parts and (ii) permit Owner to order directly from such vendor any quantity of any such parts at the prices prevailing prior to such discontinuance of supply;

(xxvii) providing all consumables except those to be provided by Owner as set forth in Exhibit O;

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(xxviii) designing, engineering, procuring and constructing the Transmission Line and related support structures and making the instrumentation, control and protection connection and electric power interconnection to the Electrical Delivery Point, as more fully described in Exhibit F and the Parties agree to negotiate in good faith the use of ABB PASS in the high-voltage switchyard; and

(xxix) providing technical information to Owner concerning the interconnection to Utility (including the instrumentation, control and protection information), including any routing or other information required to support Owner in obtaining any Owner's Permits relating to the Transmission Line.

(c) Contractors' Representative. Contractors shall designate an individual to serve as their representative ("Contractors' Representative") to be the contact for Owner with respect to the performance of the Work and who shall coordinate and administer this Contract on Contractors' behalf, and, when appropriate, make information available to Owner and its designees. Contractors may choose to appoint an internationally reputable engineer to act on their behalf as Contractors' Representative in matters related to the Contract, as they may designate in writing to Owner.

2.7 Implicit Obligations. It is expressly agreed that the obligations of Contractors under this Contract shall include all of the Work which is not explicitly set forth, described or referenced in this Contract but which nonetheless is necessary or appropriate in the reasonable judgment of Owner for the satisfactory completion of the Facility.

2.8 Petrobrás Requirements. The Contractors shall:

- (a) be deemed to be familiar with the regulations, practices and requirements of Petrobrás in respect of the Petrobrás refining business or other activities at or near the Site in so far as such regulations, practices or requirements relate to the On-Shore Contractor's activities or performance of the obligations of the On-Shore Contractor outside the boundaries of the real property included in the definition of the Site, including and in relation to, inter alia, temporary construction, safety, access and all applicable regulations in respect thereof; and
- (b) not be entitled to any increase in the Contract Price or extension of any performance deadline for delays or increased costs caused as a result of its failure to comply with such regulations, practices and requirements of Petrobras in effect on the date of Notice to Proceed.

2.9 Actual Site Conditions. Subject to, and except with respect to the matters acknowledged by the Contractors in Section 2.8, Owner represents to Contractors that there are no restrictions placed in the Facility's fence-line by adjacent property owners other than any restrictions provided by Applicable Law. Contractors have had sufficient opportunity to review (A) information provided to them by Owner and (B) the information they have developed on their own (whether through sub-surface testing or otherwise), and subject to Section 2.10(h) and

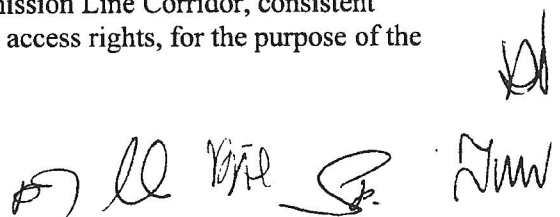
the immediately preceding sentence, they are sufficiently informed about the Site and surrounding locations, including both surface and subsurface conditions, to the full extent they deem necessary for the performance of the Work and are familiar with and have satisfied themselves with respect to (i) the nature and location of the Work and (ii) the general and local conditions with respect to (a) environment, (b) transportation (including to the Site and within the Site), (c) access, (d) the handling, storage and disposal of Hazardous Materials and other wastes brought to the Site by Contractors or any Subcontractor, (e) handling and storage of Materials, (f) availability and quality of temporary construction electric power, (g) availability and condition of roads, climatic conditions and seasons, (h) physical conditions at the Site and the surrounding area as a whole, (i) topography and ground surface conditions, (j) subsurface geology and naturally occurring subsurface conditions, (k) nature and quantity of surface and subsurface materials (other than manmade/manlocated materials) to be encountered, (l) location of underground utilities which were, prior to the date of this Contract, (I) disclosed to Contractors by Owner in writing, (II) identified by Contractors (or any Affiliate thereof) or (III) otherwise reasonably foreseeable or identified by Contractors after performing their own reasonable due diligence and (m) equipment and facilities needed prior to and during performance of all Contractors' obligations under this Contract (the foregoing collectively the "Actual Site Conditions"). Notwithstanding any provision of this Section 2.9 to the contrary, Contractors have not satisfied themselves with the need for any piling to be done at the switch-yard on the Facility Site, the Transmission Line Corridor and the property described in clause (iii) of the definition of Site; provided, however, that Contractors shall not be entitled to receive any Change Order hereunder for any pilings which may be required at the Site unless (x) with respect to the Facility Site and the property described in clause (iii) of the definition of Site, the On-Shore Contractor provides reasonable documentation and evidence that such pilings are required and other reasonable alternatives are not available to it to avoid such pilings and (y) with respect to the Transmission Line Corridor, the conditions of the previous clause (x) are satisfied and the On-Shore Contractor shall have worked with the Owner in good faith to accommodate any reasonably requested alternatives for routing the Transmission Line Corridor so that pilings are not required. Actual Site Conditions shall not include any Hazardous Materials unless brought onto the Site by or at the direction of Contractors or any Subcontractor.

2.10 Obligations of Owner. Owner shall satisfy the obligations set forth in this Section in a timely manner, free of charge to Contractors.

(a) Access to Site and Jacaracanga Substation.

(i) Subject to clause (ii), Owner will provide Contractors with access to the Site and ensure that the Contractors are provided in a timely manner with continuous and unrestricted ingress and egress to the Site, all consistent with Applicable Laws and Owner's rights to the Site. Owner will indemnify and hold harmless Contractors from any liability to third parties with respect to any claims of title, use or ownership with respect to the Site itself.

(ii) Owner will provide the On-Shore Contractor access to the Jacaracanga Substation and the Transmission Line Corridor, consistent with Applicable Laws and the Owner's access rights, for the purpose of the

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On-Shore Contractor making the electrical interconnection with the Electrical Delivery Point and the instrumentation, control and protection connection; provided, however, with respect to the Jacaracanga Substation and Transmission Line Corridor, any legal or regulatory restrictions which limit the On-Shore Contractor's access to the Jacaracanga Substation or Transmission Line Corridor as may be required to perform the Work in accordance with the Schedule may result in Owner Caused Delay provided the other requirements of the definition of Owner Caused Delay are satisfied (and for purposes of this proviso of clause (ii) the requirement of clause (i) of the definition of Owner Caused Delay shall apply to both the Owner and any third party restricting access).

(iii) Owner shall complete construction of the access road detailed in Exhibit L. If Owner does not complete such access road, On-Shore Contractor shall use the Petrobras refinery roads existing on the date hereof. Contractors shall not be entitled to any relief for Owner Caused Delay in the event that Owner does not complete the access road unless Contractors cannot use the existing Petrobras refinery roads.

(b) Pre-Existing Environmental Conditions. Owner will indemnify Contractors with respect to any liability or cost associated with pre-existing Hazardous Materials on the Site ("Pre-Existing Environmental Conditions"), unless such condition was exacerbated by Contractors' negligence or willful misconduct. Contractors shall give immediate notice to Owner of any claim brought by third parties, and Contractors shall use their best efforts to assist Owner in a defense against such third party claim.

(c) Approvals. Owner shall provide expeditious review and, if and to the extent provided in Exhibit K, approve such drawings, specifications, proposals and requests made by Contractors which are to be submitted for approval of Owner in accordance with this Contract. Owner shall provide such approval within a reasonable time, not to exceed two weeks.

(d) Permits and Licenses. Owner shall acquire and maintain all Owner's Permits.

(e) Owner Personnel. Owner shall provide personnel to regularly interface with Petrobrás and Utility, operate the Facility under On-Shore Contractor's direction during start-up and commissioning through Provisional Acceptance, and to receive training by On-Shore Contractor prior to commissioning and testing of the Facility.

(f) Consumables. Owner shall provide Gas, fluids and other consumables described in Exhibit O to On-Shore Contractor in the amounts, and by the dates, set forth therein.

(g) Owner's Representative. Owner shall designate an individual ("Owner's Representative") to serve as its representative with respect to the performance of the Work and who shall be authorized to act on behalf of Owner to administer this Contract, to agree on procedures for coordinating Owner's efforts with those of Contractors and, when appropriate, to make information available to Contractors. Owner may choose to appoint an internationally

reputable engineer to act on its behalf as Owner's Representative in matters related to the Contract, as it may designate in writing to Contractors.

(h) Facility Site Work.

(i) Owner and Contractors agree that prior to the Mobilization Date, Owner shall perform leveling and other earth works at the Facility Site pursuant to specifications for such work provided by the Off-Shore Contractor prior to the issuance of the Notice to Proceed (which earth works and leveling shall include removal of the canteen existing on the Facility Site as of the date hereof) (such works, the "Owner Performed Earth Works"). Prior to the Mobilization Date, the Contractors may not claim Owner Caused Delay for failure to access the Facility Site because of the performance of Owner Performed Earth Works.

(ii) On-Shore Contractor shall provide a representative at the Facility Site during the course of any Owner Performed Earth Works and Remaining Owner Performed Earth Works to confirm that such are performed in accordance with the specifications provided by the Off-Shore Contractor for such Owner Performed Earth Works and Remaining Owner Performed Earth Works. Subject to clause (iv), the Parties agree that the Owner shall not be responsible for any additional costs or additional work, and Contractors shall not receive any relief in the Schedule or any adjustment in the Contract Price or any other term of this Contract, as a result of any Owner Performed Earth Works or Remaining Owner Performed Earth Works.

(iii) No later than two weeks prior to the Mobilization Date Owner and On-Shore Contractor shall meet and reasonably agree on any Owner Performed Earth Works which as of the Mobilization Date either (x) will not have been performed or (y) the representative of the Contractors will not have had sufficient time to confirm in accordance with clause (ii) (such Owner Performed Earth Works, the "Remaining Owner Performed Earth Works") and the reasons for any Remaining Owner Performed Earth Works. The Owner shall be obligated to complete (or in the case of clause (y) make any corrections to) any Remaining Owner Performed Earth Works.

(iv) The performance by Owner of any Remaining Owner Performed Earth Works may result in Owner Caused Delay if the performance of any Remaining Owner Performed Earth Works is not delayed due to reasons attributable to the Contractors and the requirements of the definition of Owner Caused Delay are satisfied.

(i) Timely Payment. Owner shall pay in a timely manner the Contract Price and all other sums, if any, required to be paid by it to Contractors pursuant to the terms of this Contract.

(j) Certificates. Owner shall issue to the Contractors the Substantial Completion Certificate, Provisional Acceptance Certificate and Final Completion Certificate,

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upon the request of Contractors which shall be made only upon satisfaction of the requirements for Substantial Completion, Provisional Acceptance and Final Completion, respectively.

(k) Financing Agreements. The Owner shall ensure that it continues to have adequate financial resources pursuant to the Financing Agreements to satisfy its payment obligations hereunder.

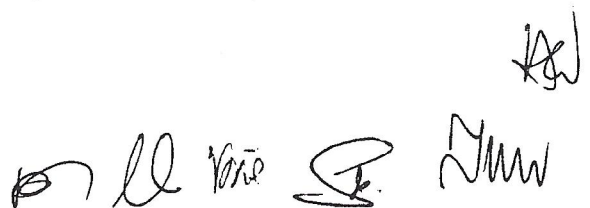
2.11 Use of ABB. The Contractors hereby agree with the Owner that the Contractors shall place firm orders for US\$12 million of equipment, materials or services from any subsidiary of ABB Ltd. (the "ABB Equipment") for any of (i) the Work under this Contract, (ii) work related to the power project being constructed by TermoRio, S.A. or (iii) work related to the power project being constructed by BSE (Baixada Santista Energia Ltda--- the "Cubatao Project") as follows: (x) US\$8 million of firm orders for ABB Equipment shall be placed within 12 months from the date Notice to Proceed is issued and (y) the remaining US\$4 million may be placed within 18 months from the date Notice to Proceed is issued; provided, however, that, if within 18 months from the date Notice to Proceed is issued, any portion of such US\$12 million is not used in connection with the projects referred to in clauses (ii) and (iii) then such portion shall be used for the Work under this Contract.

SECTION 3 GENERAL PROVISIONS OF THE WORK

3.1 Site and Local Conditions. Contractors acknowledges that the On-Shore Contractor has visited the Site, and hereby affirms its acceptance thereof and of the Actual Site Conditions and acknowledges that Owner shall have no liability of any kind with respect to the suitability thereof. Any failure of On-Shore Contractor to familiarize itself with all matters, data and information referred to in this Section 3.1 shall not relieve Contractors from their responsibilities under this Contract and shall not be cause for any Change Order.

3.2 Pre-Existing Environmental Conditions. As described in Section 2.10(b), Contractors shall have no liability for any Pre-Existing Environmental Conditions, except to the extent such Pre-Existing Environmental Conditions are exacerbated by Contractor's negligence or willful misconduct. Owner and Contractors acknowledge that the Work does not involve the removal, treatment, disposal or remediation of any Hazardous Materials, unless brought onto the Site by Contractors, its agents or employees; provided, however, that if Contractors encounter any Hazardous Materials during the performance of the Work, Contractors shall exercise reasonable care in accordance with Good Industry Practice in connection therewith. If the presence of any Hazardous Materials, other than that brought onto the Site by Contractors, its agents or employees, impedes the performance of the Work, Contractors shall be entitled to receive a Change Order in connection therewith in accordance with Section 6.

3.3 Record-Keeping. Contractors shall maintain up-to-date books and records of the progress of the Work, as well as any incidents that may occur with respect to the same. The books and records shall include accounting records maintained in accordance with generally accepted accounting principles in Switzerland or Brazil, as applicable to either Contractor, and construction industry practices. The records relating to the progress of the Work (other than



Contractors' accounting records) shall be available at reasonable times, upon prior notice, for the review of Owner or Owner's designated representatives.

3.4 Performance Security.

(a) Upon the Guaranteed Substantial Completion Date, the Contractors shall issue to Owner a Letter of Credit in form and substance as set forth in Exhibit P (the "Performance Letter of Credit"), and from an issuer, satisfactory to Owner, in an amount equal to 20% of the Contract Price to support its obligations to pay Liquidated Damages pursuant to Section 8. If, pursuant to Section 3.5, the Performance Letter of Credit shall have been issued prior to, and is still in effect on, the Guaranteed Substantial Completion Date, the Contractors shall increase the Performance Letter of Credit to an amount equal to 20% of the Contract Price in accordance with this Section 3.4. Such Performance Letter of Credit shall be drawn in accordance with Section 8 and, subject to the following sentence, shall be released when Contractors have satisfied their obligations to Owner to pay all amounts of Liquidated Damages owed by Contractors to Owner hereunder. The "stated amount" (as such term or similar term is defined in the Performance Letter of Credit) shall be reduced by the Owner, by delivery of the appropriate certifications to the issuer of the Performance Letter of Credit, one time each month after the Guaranteed Substantial Completion Date in the amount of any Liquidated Damages paid by the Contractor prior to such reduction. Such "stated amount" may only be reduced in accordance with the preceding sentence or by a draw on the Performance Letter of Credit by Owner. If the Performance Letter of Credit is drawn by the Owner due to its early expiry as set forth in Section 3 of the Performance Letter of Credit, such amount shall be held by the Owner and utilized solely to offset amounts otherwise owed by the Contractor pursuant hereto.

(b) Subject to clause (c) below, on the date Notice to Proceed is issued, Contractors shall provide to Owner and Contractors shall maintain for the term of this Contract, the Construction Contract Guaranty. Owner agrees to pay Contractors a fee for the provision of the Construction Contract Guaranty, which fee shall be payable for the period of time after Provisional Acceptance, in accordance with a fee arrangement to be agreed between Owner and Contractors prior to Notice to Proceed; provided, however, that such fee shall not be greater than 0.5% per year.

(c) On or prior to 12 noon (Rio de Janeiro time) on July 26, 2000, the Contractors shall provide to Owner an amended Construction Contract Guaranty identical to the Construction Contract Guaranty then in effect but adding the following provision as the last paragraph of Section 15:

Notwithstanding Section 7(h), the Guarantor covenants and agrees, at all times, to maintain its ownership of no less than 90% of all assets, rights and properties of the Alstom Group. "Alstom Group" means Alstom S.A., and all of its affiliates and subsidiaries. In the event that such ownership by the Guarantor is less than 90%, the Guarantor shall provide to Owner a substitute or replacement guaranty or other form of security acceptable to Owner and the banks and third party financial institutions providing financing to the Owner (if any) in their sole discretion.

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If such amended Construction Contract Guaranty is not provided to Owner by 12 noon (Rio de Janeiro time) on July 26, 2000, the Owner shall have the right to terminate this Contract without any further liability to the Parties in respect of such termination.

3.5 Supplemental Performance Security.

(a) In the event that the On-Shore Contractor or the Off-Shore Contractor, as the case may be, fails to perform the Work required to achieve any Critical Milestone by the required date as set out in the Milestone Payment Schedules, and such failure is not due to Owner Caused Delay or otherwise excusable under this Contract, the Contractors shall, within five (5) days after notice from the Owner of any such failure, furnish to the Owner the Performance Letter of Credit referred to in Section 3.4 in an amount equal to the product of:

- (i) the aggregate number of days by which any such Critical Milestone is delayed; and
- (ii) US\$35,000;

provided, however, that (x) the amount of any such initial Performance Letter of Credit shall not be less than US\$245,000, and (y) the amount of the Performance Letter of Credit as adjusted from time to time in accordance with clause (c) below, shall not at any time exceed five percent (5%) of the Contract Price.

(b) The Owner shall be entitled to draw upon the Performance Letter of Credit as provided in Section 3.4. In the event that the Performance Letter of Credit is not issued to the Owner pursuant to this Section 3.5 within ten (10) days after the required date, the Owner shall be entitled to retain from any further payments otherwise due to the Contractors an amount equal to the amount required for the Performance Letter of Credit at the time until the Performance Letter of Credit is provided.

(c) Once the Performance Letter of Credit is required, the Contractors, shall, until the Guaranteed Substantial Completion Date, adjust the Performance Letter of Credit (increase or decrease) at the end of each period of thirty days thereafter as follows: (i) for any continued delay in achieving the Critical Milestone the Performance Letter of Credit shall be increased in accordance with the formula set forth in clause (a); provided, however, the amount in clause (a)(ii) to be used in such formula shall remain US\$35,000 even if more than one Critical Milestone is not achieved, and (ii) if, after the Performance Letter of Credit is required in accordance with clause (a), the Contractors achieve a subsequent Critical Milestone by the date required pursuant to the Milestone Payment Schedules, then the Performance Letter of Credit shall be returned to the Contractors until it shall again be required to be reinstated by either clause (a) above or Section 3.4.

(d) Notwithstanding any provision of this Section 3.5 to the contrary, the Contractors shall provide and maintain the Performance Letter of Credit as and when required by Section 3.4.

3.6 Demobilization Plan. Prior to Provisional Acceptance, On-Shore Contractor shall submit to Owner for approval, such approval not to be unreasonably withheld, On-Shore

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Contractor's plans for demobilization at the Site and shall comply with such demobilization plans as approved by Owner. It is understood that On-Shore Contractor shall not demobilize from the Site prior to Provisional Acceptance.

3.7 Schedule.

(a) Within ten (10) Business Days of the date Notice to Proceed is issued, Contractors shall provide Owner and the Independent Engineers with the Schedule, which shall be prepared in recognition of the Guaranteed Substantial Completion Date and Scheduled Provisional Acceptance Date and in accordance with the critical path method ("cpm") of scheduling and which shall set forth Milestones and activities for the performance of the Work at a level of detail reasonably requested by Owner (provided, that such detail is not less than "level 3"), and in a manner summarizing such Milestones, activities and the related durations all on a basis consistent with the Guaranteed Substantial Completion Date and the Scheduled Provisional Acceptance Date.

(b) As part of the Progress Report, the Schedule shall be updated Monthly for each Month up to and including the Month in which the Provisional Acceptance Certificate is issued for the Facility. Unless otherwise stated in writing by Owner, Contractors shall schedule and coordinate the details of the Work being performed to meet the general and specific schedule requirements set forth herein.

(c) During the performance of the Work, as part of the Progress Report, Contractors shall submit each Month updates comparing the Work completed against the Schedule, or, if Contractors' performance is not in compliance therewith, more frequently as requested by Owner. If Contractors' performance of the Work is not in compliance with the Schedule, without restricting any other rights or remedies of Owner hereunder, Contractors shall (i) submit their plan for schedule recovery and (ii) specify in writing the steps to be taken to achieve ongoing compliance with such revised schedule.

(d) Contractors agree to comply with the Schedule and to attend and participate in progress, site, coordination or special purpose meetings.

(e) If at any time the actual progress of the Off-Shore Contractor or the On-Shore Contractor falls behind the Schedule or it becomes apparent that it shall so fall behind, the Off-Shore Contractor or the On-Shore Contractor, as the case may be, shall, at their own cost, use all reasonable endeavors to expedite the progress so as to comply with the Schedule and shall submit to the Owner a revised Schedule taking into account the prevailing circumstances. The Off-Shore Contractor or the On-Shore Contractor, as the case may be, shall, at the same time, notify the Owner of the steps being taken to expedite the progress.

(f) If any steps taken by the Off-Shore Contractor or the On-Shore Contractor, as the case may be, in meeting their obligations under clause (e) above shall cause the Owner to incur any justified direct additional costs (and such costs are not directly attributable to Owner Caused Delay), such costs shall be recoverable from the Off-Shore Contractor or the On-Shore Contractor, as the case may be, by the Owner drawing on the Performance Letter of Credit or

making a deduction from any monies due or to become due to the Off-Shore Contractor or the On-Shore Contractor, as the case may be.

3.8 Progress Reports.

(a) Each Month within five Days following the end of each Month and until the Month in which Provisional Acceptance occurs, Contractors shall simultaneously deliver to Owner and the Independent Engineers a hard copy of the Progress Report showing the progress of the Work during the immediately preceding monthly reporting period. Each monthly reporting period shall have an input data cutoff date, which provides sufficient time for Contractors to prepare and deliver the monthly report to Owner on the 5th Day of each Month. An on-site progress meeting by Owner and the Independent Engineers shall be held on the second Thursday of each Month provided that Contractor has delivered the monthly report as provided above. Each Progress Report shall include the following:

- (i) a status report of the acquisition of Contractors' Permits and compliance with all Permits;
- (ii) an administrative report containing the Schedule updated through the end of the monthly reporting period and graphs of the actual progress of the Work compared with the Schedule;
- (iii) status reports containing at least the following information: (1) a master drawing/document report containing all of the drawing and documents (including, specifications, criteria documents, and construction procedures) expected to be required to define/describe the Facility to Owner (including one row of data for each item and at least the following information: document or drawing number, title, status, and planned and actual dates) and (2) a material/equipment report listing each purchase order or subcontract by number with a value of more than \$100,000, except that Owner on a reasonable basis may request such additional information on purchase orders or subcontracts with a lesser value, for all of the material and equipment to be provided for the Facility (including a row of data for each order or per major component and at least the following information: inquiry purchase order or subcontract number, any change order number, description of item ordered, supplier, and planned and actual dates of inquiry, order, submission of drawings, vendor release to manufacture, shipment and receipt at Site);
- (iv) a construction report and engineering report describing the major critical path activities undertaken during the previous Month and planned for the next Month (including final bulk material charts for tons of structural steel, volume of concrete and tons of reinforcing steel and bulk material installation progress curves) and summarizing any difficulties encountered at the Site and explaining the actions taken or proposed to be taken by Contractors to resolve such difficulties;

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- (v) a financial report summarizing the percentage completion of the Work, the percentage of remaining Work and the completion of each Milestone, all determined in a manner reasonably satisfactory to Owner and subject to the verification of Owner and a report detailing the variances between scheduled Work and actual Work;
- (vi) a report summarizing compliance with the Quality Assurance Program;
- (vii) a summary of inspections;
- (viii) a summary of manpower staffing;
- (ix) a log of Change Orders and a description of any matters or items which Contractors believe may necessitate a Change Order in the future;
- (x) a summary identifying and evaluating any other problems and deficiencies;
- (xi) a status report of safety conditions;
- (xii) a report of any material change in the insurance coverage Contractors are obligated to have pursuant to Section 10 and any claims made thereunder; and
- (xiii) a report identifying all Hazardous Materials encountered by On-Shore Contractor in the performance of the Work and On-Shore Contractor's actions to remove, treat, dispose of or otherwise remediate the same.

(b) Between Provisional Acceptance and Final Completion, the monthly Progress Report need only contain a report on the progress of the items pending completion and the status of any work being carried out pursuant to the provisions of Section 9.

(c) Contractors shall ensure that all information provided in each Progress Report is true and correct and does not omit to state any material facts in accordance with the requirements of the foregoing.

3.9 Data Requirements. Contractors shall submit the following data to Owner:

- (a) Accident reports of any kind or type;
- (b) Notices from any Governmental Authority or any other Person for a violation of any Law, Permit or other standard or requirement that may affect the progress of the Work;
- (c) Test data from the Performance Tests and all other tests performed by Contractors; and

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(d) Inspection reports by any inspector whether relating to any accident, any test reports or otherwise.

3.10 Safety, Cleanliness and Environment. During the performance of the Work, On-Shore Contractor shall:

(a) be fully responsible for the safety of all the personnel authorized by Contractors to be on the Site (provided that the On-Shore Contractor shall not unreasonably withhold authorization to the Site by Owner, Petrobrás, the Independent Engineers, and each of their representatives) with respect to all dangers and risks related to the Work, the maintenance of the Work in an orderly state so as to avoid danger to such person and the compliance with applicable safety and hygiene regulations;

(b) provide and maintain all safety equipment, lights, security guards, fencing and warning signs when and where reasonably necessary, or as required by any Brazilian Governmental Authority or the Applicable Laws, for the protection of the Work or for the safety and convenience of the construction personnel, Owner's personnel and the general public;

(c) without limiting the other provisions hereof, comply with the Applicable Laws, Permits and World Bank Guidelines with respect to the environment or otherwise applicable to the Work, including those regarding wastewater (including sanitary effluent) discharge, solid or hazardous waste disposal or generation, gas emissions and noise pollution;

(d) comply in all aspects with any order issued by the appropriate Governmental Authorities regarding environmental law;

(e) take all reasonable steps to protect the environment within and outside of the Site (including protecting third persons from harm and property from damage) from contamination, noise or other effects resulting from the performance of the Work, the implementation of temporary works necessary for the construction of the Facility, and the restoration of the Site (including dismantlement of such temporary works);

(f) maintain the Site free of obstructions, and store or remove any Materials, debris, waste, temporary work, Construction Equipment and any provisional facilities that are no longer required for the performance of the Work from the Site;

(g) restore any areas inside or outside the Site that have been affected by the construction or removal of Materials, debris, temporary work, Construction Equipment or provisional facilities; and

(h) promptly clean the Site of any Hazardous Materials or other waste residue generated or brought to the Site by Contractors, their Subcontractors or representatives during the performance of the Work as soon as possible, but in any case before the date of Substantial Completion and according to Applicable Law.

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3.11 Quality Control.

(a) Contractors shall have and implement a Quality Assurance Program that meets the requirements of ISO 9001. Such Quality Assurance Program shall be documented and reflected in the Quality Assurance Manual. In accordance with Exhibit H, the Contractors shall create and implement the Project Quality Plan in accordance with ISO 10005 that provides supplementary information specific to the Facility.

(b) The quality control system set forth in the Project Quality Plan shall be designed to meet the following objectives:

(i) that Materials and all documentation with respect thereto meet the Contract Specifications;

(ii) that the quality of Materials not be degraded during receiving, storing, transporting, handling, erection, installation, inspection and testing;

(iii) that systems, Materials, and structures are fabricated, installed and erected in strict compliance with all applicable instructions and this Contract; and

(iv) that Materials meet all performance and functional requirements set forth herein.

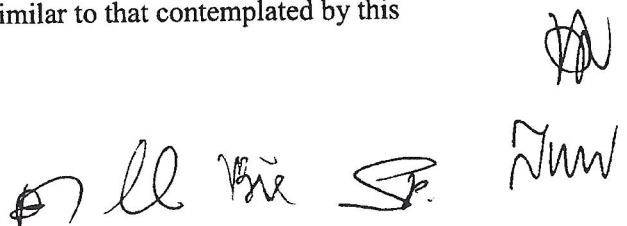
(c) Contractors shall designate an expert of recognized prestige who will have the responsibility for verifying, managing and coordinating the development and implementation of all aspects of the quality control system and shall confirm and monitor compliance and maintenance of such system through verifications, inspections and internal quality audits. Owner may directly verify compliance with the Quality Assurance Manual or Project Quality Plan by Contractors; provided, however, that Contractors shall be responsible for providing, in a timely manner, any information required for such review and shall assist with any verifications, inspections and quality audits that Owner may perform.

3.12 Labor and Employment Matters.

(a) Foreign Employees. On-Shore Contractor and, if required by Applicable Law for the Work performed by the Off-Shore Contractor, the Off-Shore Contractor, shall ensure that all foreign personnel employed by it or its Subcontractors in connection with the Work have obtained the immigration authorizations necessary for them to work in Brazil.

(b) Employment Status. The employees of Contractors or their Subcontractors shall not be considered to be employees of Owner.

(c) Experienced Personnel. Contractors shall maintain in charge of the Work an adequate number of fully trained personnel, whether professionals, technicians, supervisors or laborers, who have had extensive experience in work similar to that contemplated by this Contract.

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(d) Other Obligations of Contractors. Contractors shall (i) take all reasonable precautions to prevent illegal, seditious or objectionable behavior by its personnel and by the personnel of its Subcontractors in order to maintain discipline among personnel on the Site, (ii) comply with all Applicable Laws, including those related to social security, labor matters and health, (iii) ensure that each of its supervisory employees cooperates fully with Owner and with any other third party involved with work on the Site or its surroundings, to prevent difficulties or delays in the performance of the Work and (iv) employ its best efforts to carry out its obligations under this Contract in such manner as to permit the simultaneous execution of other works. Noncompliance with the requirements of this paragraph shall result in the removal and replacement, by Contractors, of the supervisory personnel responsible for such non-compliance (with supervisory personnel of the same level and technical experience) within six Days following the receipt of any written request sent by Owner. Specifically, and without limiting the generality of the foregoing, Contractors shall immediately remove and replace any supervisory personnel with respect to whom Owner has informed Contractors is not performing the Work in accordance with the standards set forth in this Contract or is jeopardizing the progress of the Work due to incompetence or misbehavior.

3.13 Care, Custody and Control of Facility; Operation Prior To Provisional Acceptance.

(a) Without limiting Section 23.2 and subject to Section 13, care, custody and control of the Facility shall pass to Owner immediately upon the achievement of Substantial Completion.

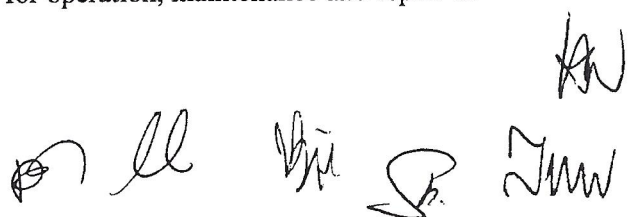
(b) Notwithstanding clause (a), the On-Shore Contractor shall be responsible for supervising the operation of the Facility during the Reliability Test and shall be fully responsible for achieving Provisional Acceptance by the Scheduled Provisional Acceptance Date.

3.14 Engineering.

(a) Engineering Development. Contractors shall develop the Engineering in accordance with the Contract Specifications and Good Industry Practice, using the international system of units and measures. Contractors shall deliver engineering reports as may be reasonably requested by Owner. Owner may give comments on the aforementioned reports within four Weeks following delivery by Contractors.

(b) Response to Comments. Documents in the approval cycle process shall be returned to Owner in three Weeks, showing the changes incorporated or explaining why such changes were not incorporated. In any case, Contractors shall be and shall remain the sole party responsible for the documents in question.

(c) Delivery and Ownership of Engineering. Notwithstanding the Contractors' responsibilities pursuant to Section 3.13(b), upon Substantial Completion, Contractors shall transfer to Owner the ownership of all information listed in Exhibit K comprising or pertaining to the Engineering. Subject to the provisions of Section 19, Contractors acknowledge that Owner may use and freely dispose of such information for operation, maintenance and repair of the Facility.

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3.15 Construction.

(a) Construction Schedule. No later than 10 Business Days after the date the Notice to Proceed is issued hereunder, Contractors shall present a detailed construction schedule which is consistent with the Schedule and which itemizes each one of the specific activities of the Civil Works and Electromechanical Works. Such construction schedule may be delivered as part of the Schedule. The detailed construction schedule shall be updated every Week during the development of the Civil Works and Electromechanical Works.

(b) Placement of the Work. On-Shore Contractor shall be responsible for the correct and appropriate placement of the Work with respect to topographical points of reference, coordinates and lines, as was established in the Pre-Contract Works Agreement. If at any time during the progress of the Work any error is found regarding the position, level or alignment of the Work, On-Shore Contractor shall notify Owner of such error and shall proceed to rectify the error at its own expense and to the satisfaction of Owner.

(c) Inspection and Supervision. Owner shall have the right to inspect and monitor all construction, installation and integration Work, including piping, instrumentation, electric lines and other Work, without interfering in their development.

(d) Construction Equipment. All Construction Equipment and all other equipment used in the performance of the Work shall be adequate for the efficient and safe performance of the Work. Any object that is inadequate or hazardous shall be promptly removed and replaced or repaired by On-Shore Contractor without causing delays in the performance of the Work.

3.16 Technical Support. Prior to performing the Tests, On-Shore Contractor shall provide, in cooperation with the corresponding Subcontractors, training and education in the operation of the Facility to the Owner's employees or workers or those employees or workers designated by Owner, including all know-how, documents, manuals, instructions and training (including the establishment of procedures), all in accordance with Exhibit G, with the objective that it shall provide all information necessary or appropriate to operate, manage and maintain the Facility as a whole at optimum capacity and efficiency, in the most economical way and in accordance with the highest safety and environmental standards, in accordance with the terms of Exhibit G (such training and education being "Technical Support").

3.17 Materials.

(a) Supply of Materials. Contractors shall furnish all the necessary and appropriate Materials for the completion of the Work and shall be responsible for the management, transportation and proper maintenance during the storage of the Materials. Any damage to or loss of the Materials during transportation or storage, or during the performance of the Work, shall be repaired or replaced by Contractors, it being understood that in the event that such loss or damage is not covered by the insurance that Contractors are required to maintain in accordance with Section 10, or is greater than the coverage of such insurance, Contractors shall nonetheless be responsible for the total cost of such repair or replacement, except if such damage or loss is caused by an Owner Risk Event.

(b) Quality. All Materials supplied by Contractors must be new and must comply with the Contract Specifications. In instances where construction materials are not specified in the Contract Specifications, Contractors shall provide such Materials that are in accordance with Good Industry Practice.

(c) Purchase Orders. Without prejudice to what is set forth in paragraph (e) hereof, Contractors shall furnish Owner with unpriced copies of all the purchase orders for the Critical Equipment within seven Days following the placement date of the respective purchase order, which shall include the necessary information to identify the Critical Equipment in question and shall include written reference to the Facility.

(d) Calibration and Language. All meters, gauges, registers and any other type of indicators shall be calibrated under the international system of units and measures. The name and instruction plates shall be in both the Portuguese and English languages.

(e) Selection of Subcontractors. Contractors shall require their Subcontractors to establish and apply a quality control system in their work and manufacturing process to assure that the supply of Materials and services complies with the Contract Specifications in a manner consistent with the Quality Assurance Program and the Project Quality Plan. Contractors shall, likewise, perform audits and inspections to verify that their Subcontractors comply with the foregoing. Each supplier of Critical Equipment must be capable of providing maintenance or technical assistance at the Site within 24 hours following any request by Owner. In addition to the foregoing, in the event Contractors use a supplier not listed on Exhibit Y, before Contractors place any purchase order for Critical Equipment, they shall submit in writing for the approval of Owner, the name of the proposed supplier of said Critical Equipment. If applicable in accordance with the preceding sentence, if Owner does not notify Contractors, in writing, of its objection to the proposed supplier of the Critical Equipment in question within 10 Business Days following receipt of the name from Contractors, Contractors may proceed with the respective purchase order; provided, however, that silence by Owner regarding a proposed supplier or affirmative approval by Owner of a proposed supplier shall not relieve Contractors of any of their responsibilities under this Contract for the performance of such proposed supplier. If Contractors are timely notified in writing of an objection to a proposed supplier of the Critical Equipment, Contractors shall abstain from placing a purchase order with said proposed supplier and shall propose another supplier until an alternative supplier is accepted or approved; provided, however, Owner shall not object to a proposed supplier without justifiable cause that is set forth in the notice to Contractors. At the request of Owner, Contractors shall sign a certificate to be furnished by Owner, certifying the compliance by any supplier of Critical Equipment that Contractors propose with the Contract Specifications.

(f) Transportation. Contractors shall transport, at their risk, the Materials (including Spare Parts) to the Site by the method of transportation that they deem most appropriate under the circumstances; provided, however, that the Off-Shore Contractor shall only be obligated to transport Materials to the port of import and the On-Shore Contractor shall have the responsibility for transportation of Materials thereafter. Contractors shall, at their sole cost and on behalf of Owner, make all of the necessary arrangements for the importation of Materials and shall be responsible for compliance with the legal requirements for such importation.

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Contractors shall provide to Owner the assistance required by Section 4.3(g) in connection with obtaining any Permits required for importation of the Materials.

(g) Equivalent Materials. Whenever any Materials are specified or described in the Technical Scope Document or elsewhere pursuant to this Contract by name, number, manufacturer, fabricator, vendor or distributor, such specification or description is intended to establish the type, function and quality required. Substitution shall be permitted only when the substitute is demonstrated to be equivalent in type, function and quality and only with the written consent of Owner to such substitution.

3.18 Spare Parts.

(a) Scope of Supply.

(i) Exhibit J includes those Spare Parts the Owner is purchasing from Contractors.

(ii) In addition to the provisions of Section 2.6(b)(xxvi) and the Spare Parts to be provided in accordance with Exhibit J, Contractors shall, from time to time at the request of Owner during the term of the Contract, provide Owner with a recommended Spare Parts list and related pricing schedule which pricing schedule shall reflect the published prices in effect for such Spare Parts on the date of the Owner's request. Contractors shall accept from Owner purchase orders for Spare Parts provided that the delivery of any Spare Parts ordered pursuant to any purchase orders which have longer lead times than twelve (12) months and which are ordered within twelve (12) months prior to the Guaranteed Substantial Completion Date, shall not be a condition to Substantial Completion.

(b) Repair and Replacement of Spare Parts. The Contractors shall repair or replace any Spare Parts consumed for testing, pre-commissioning and performance testing under its warranty obligation.

(c) On-Shore Contractor's Right to Use Owner Spare Parts. On-Shore Contractor shall be entitled to use any Spare Parts owned by Owner, provided that On-Shore Contractor gives notice of such use to Owner, maintains a list of all Spare Parts used, and promptly resupplies such Spare Parts to Owner.

(d) Delivery Conditions. Contractors, at their sole cost, shall deliver the Spare Parts to the warehouse or warehouses that shall be identified by Owner.

(e) Acceptance. Within five Days following the Day on which the Spare Parts are delivered to the warehouse or warehouses identified by Owner, Owner shall commence inspection of such Spare Parts. Owner shall have the right to reject all non-conforming Spare Parts. The inspection may not last longer than twenty (20) Days from the Day on which the inspection commenced. Once the inspection is concluded, Owner shall make an inventory of the Spare Parts accepted and, based on that inventory, Contractors shall replace those Spare Parts

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that failed to satisfy the corresponding technical specifications. Any dispute regarding the inventory shall be resolved in accordance with Section 17.

(f) Quality of Spare Parts. The Spare Parts shall be new and in good condition at the moment of delivery and at delivery it shall be packed for a shelf-life appropriate to such Spare Part.

3.19 Owner's Rights.

(a) Owner's Right to Suspend Work.

(i) If, in the reasonable belief of Owner, Contractors are, in any material respect, performing Work or failing to correct Work which has Defects or Flaws, failing to take the proper precautions at any time when dangerous conditions exist or failing to carry out the Work in accordance with this Contract, then Owner may, by notice to Contractors (such notice describing in reasonable detail Owner's reasons for suspension), order Contractors, or either of them, to suspend performance of the Work affected by any such failure. Upon receipt of such notice, the applicable Contractor shall suspend at its expense such Work to the extent set forth in such notice and shall not resume such Work unless and until Contractors and Owner have agreed on those actions to be taken by Contractors to eliminate or cure the cause of such notice. Upon resumption of the Work, Contractors shall take all actions as and when required by such agreement with Owner. No Change Order shall be issued in connection with such suspension, unless such belief of Owner is found to be unjustified.

(ii) After receiving a notice of suspension and except as otherwise directed by Owner, Contractors, as applicable, shall: (1) immediately stop Work on the date of the suspension to the extent specified in the notice of suspension, (2) place no further orders or subcontracts except as may be necessary for completion of those portions of the Work that have not been suspended, (3) to the extent reasonably practicable and as requested in the notice of suspension, suspend all orders and subcontracts to the extent that they relate to the performance of the portions of the Work suspended and (4) take such action as may be necessary or as Owner may direct for protection of personnel and the protection and preservation of the Work and other property related to this Contract which is in the possession of Contractors and in which Owner has or may acquire an interest.

(b) Owner's Right to Carry Out the Work. If Contractors default or fail in any material respect to carry out the Work, or any portion thereof, in accordance with this Contract and fail within 15 Days after receipt of notice from Owner to commence (and continue) correction of such failure with diligence and promptness, Owner may, without prejudice to any other remedy it may have, make good (or cause to be made good by others) such failure. In each such case, an appropriate Change Order shall be issued, and On-Shore Contractor or Off-Shore Contractor, as the case may be, shall pay upon Owner's demand therefor all of the costs of

correcting such failure, including compensation for the services of any outside consultant, the additional services of the Owner's Representative, and any payments of taxes made necessary by such default, neglect or failure. If Owner, in its reasonable opinion, determines that serious loss or damage to the Facility could occur absent immediate correction of default, neglect or failure of Contractors, Owner may immediately, without prejudice to any other remedy it may have, make good (or cause to be made good by others) such default, neglect or failure at On-Shore Contractor or Off-Shore Contractor's expense, as the case may be, and, as soon as reasonably practicable, provide notice thereof to the On-Shore or Off-Shore Contractor, as the case may be.

3.20 Claims of Third Persons. Contractors shall promptly pay each Subcontractor, worker or other third person all amounts owed when due (in accordance with the terms and conditions contained in Contractors' agreement with such Subcontractor, worker or other third person). Contractors shall (in order to avoid liens and other encumbrances described in Section 3.21 and to avoid disruption of the Work) take all reasonable steps to determine whether such persons have made, and to cause all such persons to make, similar timely payments to their respective Subcontractors, vendors, workers and other third persons.

3.21 Encumbrances. Contractors covenant and agree that, other than liens filed by Contractors due to Owner's failure to pay undisputed amounts then due and payable to Contractors, no mechanics' liens, similar liens or any encumbrances whatsoever shall be filed or maintained by Contractors, any Subcontractor, worker or other Person acting, directly or indirectly, through or under Contractors or any Subcontractor against the Site, the Facility (or any portion thereof), any Materials, or any land or improvements pertinent thereto, for or on account of any Work done or to be done or Materials furnished or to be furnished hereunder.

3.22 Contractors' Obligations to Remove. Other than liens filed by the Contractors due to Owner's failure to pay undisputed amounts then due and payable to Contractor, if at any time any notice of encumbrance or other encumbrance is filed for Work performed against the Facility (or any portion thereof), the Site, the Materials, or otherwise, Contractors shall, at their sole cost and expense, promptly discharge, remove or otherwise dispose of the same by payment, bond or otherwise. If Contractors fail to satisfy the foregoing obligation in a timely manner, Owner shall have the right to (i) consider the amount of the encumbrance as presumptively correct and (ii) demand payment from Contractors, and Contractors shall pay immediately upon such demand, an amount sufficient to (a) completely indemnify Owner against such encumbrance, (b) pay the amount of such encumbrance (unless Contractors are reasonably disputing the encumbrance) and (c) to compensate Owner for its expenses (including actual attorney's fees) in the matter.

3.23 Division of Contractors Scope; Joint and Several Liability. Notwithstanding any provision of this Contract to the contrary, On-Shore Contractor and Off-Shore Contractor shall be jointly and severally liable and responsible for all of the obligations under this Contract, including all covenants, payment obligations and other obligations in respect of the Work. For the avoidance of doubt, neither On-Shore Contractor nor Off-Shore Contractor, as the case may be, shall use as an excuse for its performance the nonperformance of any obligation or any other act or omission of the On-Shore Contractor or Off-Shore Contractor, as the case may be. Without limiting the foregoing, the Work shall be performed by the Contractors in the following manner: (i) Off-Shore Contractors' scope of work shall include the design, manufacturing and

exportation of Materials from sources outside Brazil, and the provision of international freight; and (ii) On-Shore Contractors' scope of work shall include performance of services (including testing and commissioning), the design and manufacturing of Materials from sources inside Brazil, and the importation of foreign Materials in the name and on behalf of Owner.

3.24 Interconnection Agreements. Contractors shall perform the Work in compliance with the Interconnection Agreements and the Interconnection Requirements and all of the procedures and requirements referred to therein (including the CCON Rules), subject to any exceptions stated in Exhibit V. Contractors represent to Owner that they have reviewed such Interconnection Agreements and Interconnection Requirements, and the procedures and requirements referred to therein, in the most current form as of the date the Notice to Proceed is issued, which forms are attached as Exhibit U. After the Notice to Proceed is issued, the Owner shall submit to Contractors any revised drafts of the Interconnection Agreements and Interconnection Requirements and provide the Contractors a reasonable opportunity to review and comment on such agreements and requirements prior to their execution. Owner shall deliver to Contractor executed copies of the Interconnection Agreements and finalized Interconnection Requirements. To the extent that, after the Notice to Proceed is issued, the Interconnection Agreements or Interconnection Requirements are revised to include requirements which are outside the scope of the Work, the Contractors shall be entitled to a Change Order in accordance with Section 6 to reflect any reasonably documented and evidenced changes to the Work required so that the Owner may be in compliance with the Interconnection Agreements and Interconnection Requirements.

3.25 Permits. Owner shall provide to Contractors any Permit obtained by Owner which is required for Contractors to perform their obligations under this Agreement. To the extent that any Permit is presented to Contractors after Notice to Proceed is issued, Contractors shall be entitled to a Change Order in accordance with Section 6 to reflect any reasonably documented and evidenced changes to the Work required so that Owner may be in compliance with the Permit and any reasonably documented and evidenced changes in the Performance Guarantees directly arising from any requirements set forth in such Permit obtained after Notice to Proceed is issued; provided, however, that Contractors shall present to Owner any options for maintaining the Performance Guarantees if such Performance Guarantees are otherwise evidenced to be affected in accordance with this sentence and Contractors shall work in good faith with Owner to maintain such Performance Guarantees. Contractors represent to Owner that they have reviewed all Permits presented to them and the requirements referred to therein, in the most current form as of the date the Notice to Proceed is issued, as such forms are attached as Exhibit S.

SECTION 4 CONTRACT PRICE, TAXES AND PAYMENT

4.1 The Contract Price. The Contract Price shall mean a lump sum, fixed price consisting of three currencies: the Dollar amount of \$55,352,000.00 (fifty-five million, three hundred and fifty-two thousand Dollars), of which a portion equal to \$32,218,000 (thirty-two million, two hundred and eighteen thousand Dollars) shall be converted into Reais at the exchange rate of 1.82 Reais to 1 Dollar, and the Swiss Franc amount of CHF108,007,000 (one hundred and eight million, seven thousand Swiss Francs). The Contract Price portion due and

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payable to the Off-Shore Contractor is the Dollar amount of \$23,134,000 (twenty-three million one hundred and thirty-four thousand Dollars) and the Swiss Franc amount of CHF108,007,000 (one hundred and eight million, seven thousand Swiss Francs). The Contract Price portion due to the On-Shore Contractor is the Dollar amount of \$32,218,000 (thirty-two million, two hundred and eighteen thousand Dollars), which amount shall be converted into and paid in Reais as stated above. Additional details regarding the Contract Price portions are set forth in Exhibit B. Any payments in Brazilian Reais shall be adjusted on each annual anniversary, commencing on the first annual anniversary, of the date of the Notice to Proceed, for upcoming payments (without any adjustments to be made to prior payments), in accordance with the variation between the most recently published annual IGPM as of such annual anniversary date and the IGPM published on such date one year earlier. The Parties acknowledge that the first payment to the Off-Shore Contractor shall be reduced by an amount equal to the amount paid by the Owner to the predecessor of the Off-Shore Contractor under the Pre-Contract Works Agreement which represents a down payment for the supply of Materials under this Contract which was paid by ABB Energy Ventures, Inc. to the predecessor of the Off-Shore Contractor pursuant to the Pre-Contract Works Agreement. If Owner fails to issue Notice to Proceed on or before August 31, 2000, the Contract Price shall expire and shall be subject to good faith negotiation of the Parties; provided, however, that if Notice to Proceed is not issued by August 31, 2000, due to any reason attributable to the Contractors, such date shall be extended for each day of delay.

4.2 Entire Work Included. Subject to the provisions of Section 6, the Contract Price includes the entire performance of the Work to provide a fully functional 190 MW gas-fired combined cycle power plant that satisfies the Performance Guarantees and the other requirements of this Contract, regardless of whether or not a particular item of Work is explicitly stated in the Technical Scope Document, including (i) all Materials, manpower, storage and transportation necessary for the design, construction, installation, erection, start-up and testing of the Facility, (ii) the provision of any letters of credit hereunder and the Construction Contract Guaranty (through, with respect to the Construction Contract Guaranty, Provisional Acceptance), and (iii) the Spare Parts listed in Exhibit J.

4.3 Taxes; Tax Classification; Importation.

(a) Payroll Taxes. The Contract Price shall include all payroll related taxes (including FGTS) to be paid by Contractors attributable to the construction of the Facility.

(b) Income Taxes. The Contract Price shall include all taxes associated with Contractors' revenues and income (excluding PIS and COFINS).

(c) PIS and COFINS. Owner's only responsibility with respect to PIS and COFINS shall be to pay such taxes associated with the payments to the On-Shore Contractor in respect of the Contract Price and any payments of PIS and COFINS to Major Subcontractors being paid directly pursuant to Section 4.4(b) which are reasonably documented and evidenced to be due and payable and in respect of which it is reasonably evidenced that the Major Subcontractors have not received any other compensation.

(d) Other Taxes. Except as otherwise provided in this Contract, Owner shall calculate and be responsible for the payment of all equipment and service taxes levied in Brazil

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and due, whether the equipment and services are imported or manufactured in Brazil, including import duties, import taxes or other like fees or taxes related to importation (including harbor fees and bonded warehouse fees).

(e) Customs Broker. On-Shore Contractor and Owner shall jointly select a customs broker ("Customs Broker"), which Customs Broker shall be responsible for helping Owner minimize its import duty liability. On-Shore Contractor and Customs Broker shall enter into a brokerage agreement, and On-Shore Contractor shall be responsible for the performance of the Customs Broker thereunder. Owner shall be responsible for the payment of the Customs Broker's reasonable fees. The Customs Broker may be replaced upon the mutual agreement of Owner and On-Shore Contractor.

(f) Tax Classification.

(i) Contractors and Owner hereby acknowledge that On-Shore Contractor and Off-Shore Contractor have provided to Owner (I) the Master Equipment Lists for the Owner's use in determining the HS Codes and (II) the preliminary values stated in the appropriate currencies, as appropriate, corresponding to certain items listed on the Master Equipment List as of the date Notice to Proceed is issued with the remainder of the items delivered within one week of the date Notice to Proceed is issued (the "Equipment Values"). On-Shore Contractor and Off-Shore Contractor shall provide Owner with the information requested of them so that the Owner may confirm the HS Codes with the Brazilian tax authorities and otherwise support the Owner in making any applications to the Brazilian tax authorities.

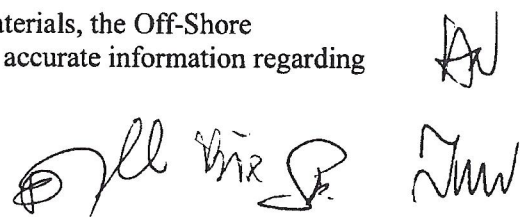
(ii) Upon Notice to Proceed, Owner may request, and upon such request Contractor shall provide, final Equipment Values in the appropriate currencies.

(iii) Contractor shall reimburse Owner upon demand, but no more than one time for each twelve month period after Notice to Proceed, for any reasonably documented additional import duties or other Taxes paid by the Owner, less any import duties or Taxes saved by the Owner, each as a result of the values of items imported or the local Equipment or Materials used in the performance of the Work being different from the final Equipment Values provided to Owner.

(g) Off-Shore Contractor's Obligations Regarding Importation.

(i) Within one month after the date Notice to Proceed is issued Off-Shore Contractor shall provide Owner with a list of Materials comprising at least 80% of the imported Materials to be included in the importation applications submitted and to be submitted by Owner to the Brazilian tax authorities. Such list shall also include the good faith estimated amount of shipments to be included in each importation application, the good faith estimated content of each shipment and the estimated shipment schedule.

(ii) Prior to the actual shipment of any Materials, the Off-Shore Contractor shall provide the Owner with updated, accurate information regarding

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the amount of such shipment, the content of the shipment, the schedule for the shipment and port of origin for such shipment.

(iii) Contractors shall maintain compliance with all of the statements in clause (ii) above and other information (other than information provided pursuant to clause (i) above) presented by them to Owner for inclusion in the importation permit applications and the importation permit. Contractors shall reimburse the Owner, upon demand, but no more than once in each twelve month period following the date Notice to Proceed is issued, for any reasonably documented additional Taxes paid, less any Taxes saved by Owner, and shall indemnify and hold Owner harmless for any costs, expenses, liabilities or other amounts incurred by Owner, each as a result of Contractors providing inaccurate information relating to any importation applications or otherwise not complying with Section 4.3(g).

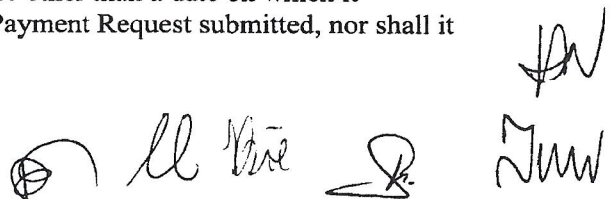
(h) Obligation to Assist in Minimizing Taxes. Contractors shall cooperate with Owner to minimize all Taxes to be paid by Owner pursuant to this Contract.

4.4 Manner of Payment; Direct Payment to Major Subcontractors.

(a) Unless otherwise agreed by the Parties, all payments made to Contractors under this Contract shall be by wire transfer to an account designated by Contractors in writing.

(b) On-Shore Contractor shall cause all Major Subcontractors to address to Owner their invoices for Work performed under the subcontracts between On-Shore Contractor and such Major Subcontractors, but shall cause such Major Subcontractors to deliver such invoices to On-Shore Contractor. As part of each monthly Payment Request, submitted pursuant to Section 4.5(b), On-Shore Contractor shall itemize the payment requested in such Payment Request to reflect any amounts owed by the On-Shore Contractor to its Major Subcontractors. As evidence of any such amounts owed, On-Shore Contractor shall attach to each Payment Request submitted to Owner such invoices received from the Major Subcontractors which relate to the itemized list of work performed as specified in the Payment Request. Owner shall pay directly the undisputed amounts due to such Major Subcontractors in accordance with the amounts payable, and the priority for such payments specified by the On-Shore Contractor, to such Major Subcontractors as set forth in the applicable Payment Request submitted by On-Shore Contractor to Owner. Any such payment by Owner shall be credited against the Contract Price and shall be deducted from the amount payable by Owner pursuant to such Payment Request. On-Shore Contractor shall certify in the Payment Request which it sends to Owner that the Work referred to in the invoices from the Major Subcontractors has been performed in accordance with the requirements of this Contract. Owner will not make direct payment to any Major Subcontractor until On-Shore Contractor shall have certified that such Work under the subcontract of the Major Subcontractor has been performed in accordance with the requirements of this Contract.

(c) Owner shall not be required to make any payments to Major Subcontractors as provided in clause (b) above on any date other than a date on which it otherwise pays the On-Shore Contractor pursuant to the Payment Request submitted, nor shall it

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be required to make any payments to Major Subcontractors to the extent it is disputing, in accordance with this Contract, any related amounts specified in the Payment Request.

(d) Contractors shall indemnify and hold harmless Owner from any claims, losses, expenses or other amounts which may be incurred as a result of any dispute regarding payments between any Subcontractor and Contractors or between any Subcontractor and Owner.

(e) Owner shall provide that payments made by it to the Contractors shall be made directly from the Financing Parties, so long as such direct payment does not result in any adverse effect to the Owner or any Financing Party.

4.5 Milestone Payments.

(a) Contract Price Allocation. Attached hereto as Exhibit A is a schedule of values which allocates a portion of the Contract Price to each of the On-Shore Contractor and Off-Shore Contractor and to each Milestone for the Work performed by each of them ("Milestone Payment Schedules"). The Milestone Payment Schedules are a reasonable representation of the value of the Milestones. Owner shall make payments in accordance with the Milestone Payment Schedules and the procedures set forth in this Section 4.

(b) Request for Payment. On or before the tenth (10th) Day of each Month during the performance of the Work, each Contractor shall submit to Owner, with a copy to the Independent Engineers, a Request for Payment. The Request for Payment shall be submitted only to the address specified for Owner in Section 22.1. The Request for Payment shall describe and set forth the value of all Work completed according to the Milestone Payment Schedule and the sum of all prior payments made by Owner to each Contractor through the last day of the previous Month. Each Request for Payment will be accompanied by (i) certification from Contractors that the Work described in the Request for Payment has been performed, (ii) certification from Contractors that the quality of all Work (including Materials) described in the Request for Payment is in accordance with the terms of this Contract, (iii) releases and waivers of liens from each Subcontractor providing Materials or services described in the Request for Payment in excess (whether cumulatively or with respect to the Request for Payment) of \$1,000,000 (or its Reais equivalent as of the date of submission of the Request for Payment), in form and substance satisfactory to Owner and the Financing Parties, which are effective to assure release of mechanics' or materialmen's liens in accordance with Applicable Law (provided that Contractors shall not be required to provide such lien waivers with each Request for Payment to the extent a Subcontractor signs an advance lien waiver in form and substance satisfactory to Owner that is effective under the laws governing this Contract to waive all subsequent mechanics' or materialmen's liens with respect to any work, services or Materials to be performed or provided by such Subcontractor), (iv) if there is any pending or threatened dispute regarding Work covered by such Request for Payment as a result of which a Contractor intends to withhold payment from a Subcontractor, a report detailing such dispute and the circumstances thereof, (v) such evidence as may be reasonably required by the Financing Parties (or requested by Owner) in order to satisfy the requirements of any export credit agency providing financial support in connection with this Contract, including details regarding the place of origin and value of the Materials (including Materials for which payment is requested) manufactured outside of Brazil. Contractors shall use good faith efforts to comply with any

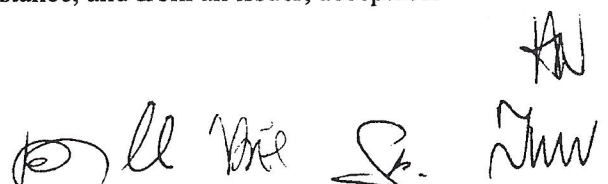


reasonable request of Owner or the Financing Parties for additional information related to the foregoing or otherwise to a specific Request for Payment (provided Contractors are given a reasonable period of time to satisfy such request prior to Contractors' submission of a Request for Payment). The certifications in clause (b)(ii) shall also contain Contractors' certification that (I) each obligation mentioned in that Request for Payment has been incurred in accordance with the terms and conditions hereunder and is a proper charge hereunder, and that all physical progress is as stated therein, (II) each such obligation, item of cost or expense has not been the basis of any previous payment (unless the amount of such payment was subsequently reimbursed to Owner), (III) title to all Materials and other Work for which payment is requested in such Request for Payment has passed or will at the time of such payment pass to Owner in accordance with the terms of this Contract, (IV) the Facility is free of all Subcontractors' liens for the Work invoiced in such Request for Payment and all previous Requests for Payment and (V) upon receipt of the amount invoiced, Contractors shall waive their right to a lien for any Work furnished or performed through the date of the invoice (and with respect to any partial payment, a waiver with respect to such partial payment) other than any liens filed by Contractors due to Owner's failure to pay undisputed amounts then due and payable to Contractors.

(c) Owner's Payment. Within 21 Days after receipt by Owner of an acceptable Request for Payment which complies in all material respects with this Section 4.5, Owner shall pay or cause to be paid the scheduled amount, in each case less (i) a payment retainage ("Payment Retainage") equal to (I) prior to Substantial Completion, 10% of the amount then payable pursuant to this Section 4.5 and (II) after Substantial Completion until the later of Final Completion or the expiration of the Warranty Period, 5% of the amount then payable pursuant to this Section 4.5, and (ii) any amounts withheld pursuant to Section 4.6. Upon Substantial Completion, 50% of the Payment Retainage owed to each Contractor shall be paid to such Contractor, with the balance of the Payment Retainage paid to such Contractor upon Final Completion (in both situations less any amounts permitted to be retained by Owner).

(d) Payments in Excess; Non-conforming Invoice. Unless the Parties otherwise agree, Owner shall not be obligated to pay, in respect of any Request for Payment, any amount in excess of 100% of the cumulative amount anticipated to be paid for Work completed to such date as set forth in Exhibit A; provided, however, that Work performed pursuant to a Change Order shall not be included in such payment determination. If any Request for Payment does not comply in all material respects with this Section 4.5, Owner shall inform the applicable Contractor thereof within 15 Days following the receipt of such Request for Payment, and such Contractor shall re-submit such Request for Payment. If less than the full amount is paid, Owner shall state in writing the reasons for paying such lesser sum. Any dispute shall be dealt with under Section 4.10 and shall not be a basis for withholding payment of any undisputed amount. Any dispute regarding Owner's payment of a lesser sum than that set forth in a Request for Payment must be raised by the applicable Contractor within 30 Days of receipt of such payment, or such Contractor's right to dispute such payment shall be waived. During the pendency of any such dispute and the resolution thereof, Contractors shall continue to perform the Work in accordance with the provisions set forth herein.

(e) Letter of Credit In Lieu of Payment Retainage. Contractors may provide Owner with an irrevocable letter of credit in form and substance, and from an issuer, acceptable to Owner in lieu of the Payment Retainage.

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(f) Interest on Delayed Payments. In the event of any delay in payment, other than as a result of the amount concerned being disputed, the party in default shall be liable to pay interest on the unpaid amount at a rate of 0.5% per month with respect to any payments in Swiss Franc, 0.75% per month with respect to any payments in Dollars, and 1% per month adjusted for IGPM with respect to any payments in Reais.

4.6 Payments Withheld. Owner shall have the right to withhold from any payment due to either On-Shore Contractor or Off-Shore Contractor, as the case may be, such amounts as Owner reasonably deems necessary or appropriate to protect it because of any one or more of the following reasons:

(a) Defects or Flaws in any Work completed by On-Shore Contractor or Off-Shore Contractor, as the case may be, which might affect Owner's ability to operate the Facility as contemplated herein, whether or not payment has been made therefor;

(b) The filing of a mechanic's lien or similar encumbrance (other than a lien filed by the On-Shore Contractor or the Off-Shore Contractor, as the case may be, that is specifically permitted pursuant to Section 3.21) in respect of the Work or the Facility (or any portion thereof);

(c) The failure by On-Shore Contractor or Off-Shore Contractor, as the case may be, to perform all of the Work required for payment in accordance with the Milestone Payment Schedules or a dispute as to the accuracy, completeness or content of any Request for Payment submitted to Owner pursuant to Section 4.5;

(d) The failure by On-Shore Contractor or Off-Shore Contractor, as the case may be, to deliver or otherwise maintain in full force and effect any letter of credit, the Construction Contract Guaranty or the insurance required to be maintained hereunder; and

(e) Any requirement in accordance with Applicable Laws to withhold Taxes payable by the On-Shore Contractor or the Off-Shore Contractor, as the case may be, in respect of the Work.

4.7 Release. The acceptance by either On-Shore Contractor or Off-Shore Contractor, as the case may be, of payment pursuant to this Section 4 shall, to the fullest extent permitted by Law, operate as a release by On-Shore Contractor or Off-Shore Contractor, as the case may be, to Owner of all liability of Owner to On-Shore Contractor or Off-Shore Contractor, as the case may be, and any Subcontractor or any other Person who performed Work or caused Work to be performed, directly or indirectly, on behalf of On-Shore Contractor or Off-Shore Contractor, as the case may be, for any further payment for all things done or furnished in connection with the Work, except for and to the extent of (i) amounts withheld under Section 4.6 and (ii) any unresolved payment disputes between On-Shore Contractor or Off-Shore Contractor, as the case may be, and Owner which have not been resolved prior to receipt of such payment.

4.8 Effect of Payment. No payment and no partial or entire use or occupancy of the Facility by Owner shall (i) be deemed a representation that Owner has inspected the Facility, (ii) constitute or be deemed an acceptance, in whole or in part, of any portion of the Work or (iii) operate to release Contractors from any obligations or liabilities hereunder.

4.9 Punch List Items. The payment by Owner to Contractors of a portion of the Payment Retainage upon Substantial Completion (pursuant to Section 4.5(a)) shall be reduced by an amount equal to 150% of the value of the Punch List (as reasonably determined by Owner) ("Punch List Reserve"). The Punch List Reserve shall be retained by Owner to ensure completion by Contractors of the Punch List. If the Punch List is not completed within 12 months following Substantial Completion, Owner shall be entitled to hire another Person to complete such Punch List, and payment therefore may be made by Owner from amounts in the Punch List Reserve. Upon completion of the Punch List (whether by Contractors or otherwise), the balance of the Punch List Reserve shall be paid to Contractors. In replacement of the Punch List Reserve, Contractors may provide a Letter of Credit in form and substance, and from an issuer, satisfactory to Owner in an amount equal to the Punch List Reserve.

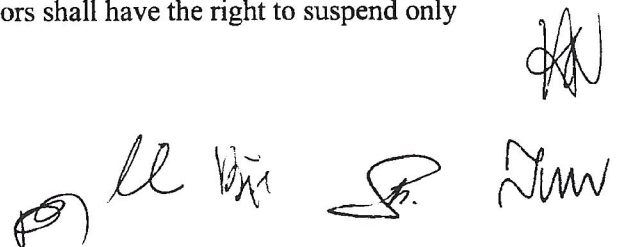
4.10 Payment Disputes. If there is a dispute in respect to an amount owing, a Party shall (i) give notice to the other Parties of such disputed amount, together with sufficient information to outline the nature of the dispute and such notice shall be delivered on or before the due date for payment of the disputed amount, (ii) pay undisputed amounts on or before the due date therefor and (iii) use the dispute resolution procedure set forth in Section 17 with respect to such disputed amount. Subject to Section 6.3, notwithstanding any dispute that Contractors may have, and regardless of the basis thereof or grounds therefor, Contractors agree that they will, for so long as the Contract has not been terminated or suspended, diligently prosecute the Work to Final Completion, all in accordance with the terms of this Contract.

SECTION 5 TIME FOR COMPLETION

5.1 Contractors' Performance. Except as specifically provided herein, Contractors shall complete the performance of the Work in accordance with the Schedule and cause the Facility to achieve Substantial Completion by no later than the Guaranteed Substantial Completion Date and Provisional Acceptance no later than the Scheduled Provisional Acceptance Date. If Contractors fail to maintain progress in accordance with the Schedule, other than as a result of an event of Force Majeure or Owner Caused Delay, it shall, at no additional cost or expense to Owner, take all reasonable measures to bring its operations up to schedule, unless Contractors can demonstrate to Owner's reasonable satisfaction that such measures will not be necessary and useful in this regard.

5.2 Delays. If, as a result of an inspection of the Work, Owner reasonably determines that the Work is significantly delayed with respect to the Schedule and such delay is not attributable to Force Majeure or Owner Caused Delay, Owner shall have the right, but not the obligation, to notify Contractors thereof and to request Contractors to take reasonable measures to assure the progress of the Work in a manner that is timely and satisfactory in accordance with the Schedule.

5.3 Contractors' Right to Suspend. Except as provided in Section 13.3, once having begun the Work, Contractors shall not thereafter interrupt their performance of the Work without the prior written consent of Owner unless such interruption is required for (i) safety-related emergencies or (ii) an event of Force Majeure. Contractors shall have the right to suspend only the affected portion of the Work.

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SECTION 6 CHANGES IN THE WORK

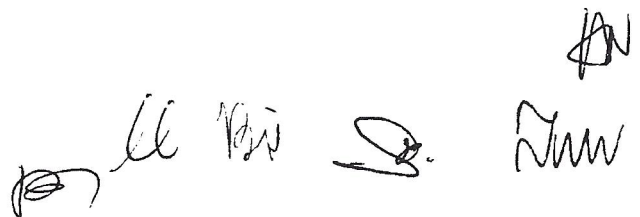
6.1 General.

(a) Owner may at any time order changes to the Work. Contractors may propose changes to the Work for Owner consideration, provided that Owner shall not be obligated to approve any such requested change. Contractor shall be reasonably entitled to receive a Change Order consistent with the provisions of Section 6 solely with respect to (i) events of Force Majeure or safety-related emergencies as provided in Section 5.3, (ii) Owner Caused Delay, (iii) Changes in Law, (iv) Owner-directed or approved changes and (v) any other provision in this Contract which specifically allows for a Change Order (each a "Change Order Event").

(b) The Contractor affected by the proposed Change Order Event shall notify Owner and Independent Engineers as soon as practicable but no later than 30 days after the time when they actually know or have reason to believe of any Change Order Event. Failure to provide notice within such 30 day period shall be deemed to be a waiver of such Contractor's right to receive a Change Order with respect thereto. Such notice shall, to the extent practicable, specify the impact upon the various portions of the Work occasioned by reason of such Change Order Event and any corresponding Change Order Result, and shall substantiate the foregoing to the reasonable satisfaction of Owner. In the event that it is impracticable to specify the impact upon the Work (including any anticipated Change Order Result) at the time such notice is delivered, the On-Shore Contractor or Off-Shore Contractor, as the case may be, shall provide Owner with periodic supplemental notices during the period that the Change Order Event continues detailing any developments, progress or other relevant information of which the On-Shore Contractor or Off-Shore Contractor, as the case may be, is aware. To the extent Owner reasonably agrees with such Contractor's determination of a Change Order Event, and the effects thereof, Owner shall, within 30 days following receipt of such Contractor's notice which specifies the impact upon the Work (including any anticipated Change Order Result) and the other information required by Section 6.2, issue a Change Order and the On-Shore Contractor or Off-shore Contractor, as the case may be, shall diligently perform such change in strict accordance with the terms thereof. In the event Owner does not accept such Contractor's findings, the propriety of a Change Order (or the provisions thereof) for such event the provisions of Section 6.3(b) shall apply and ultimately such dispute may be submitted to dispute resolution in accordance with Section 17.

(c) Contractors shall be entitled to submit only one Change Order with respect to the same Change Order Event.

(d) All changes in the Work (including any Change Order Result) shall be authorized by a written Change Order executed by Owner and, except for Owner-directed changes under Section 6.3, by Contractors. Any such Change Order shall be accompanied by additional and/or revised drawings and specifications, as reasonably necessary. All such changes shall be performed under and governed by the provisions of this Contract and the relevant Change Order. Any disagreement with the Change Order by Contractors shall be noted thereon as set forth in Section 6.3(c).

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(e) Contractors agree that any Change Order Result set forth in a Change Order shall constitute the final and complete compensation and satisfaction for all costs and scheduled effects related to (i) the implementation of the stated changes and (ii) the cumulative impact of effects resulting from the stated changes on all prior Work and changes in the Work to be performed as scheduled. Contractors expressly waive any claims for additional compensation, damages or time extension in connection with the stated changes; provided, however, that if a dispute exists with respect to any Change Order (whether proposed by Contractors or Owner), such dispute shall be resolved pursuant to the dispute resolution provisions set forth in this Contract.

(f) Changes in the Work may be required during its performance which do not affect the Contract Price, the Milestone Payment Schedules, the Schedule, the Guaranteed Substantial Completion Date, the Scheduled Provisional Acceptance Date or anything else in the Contract Specifications or any parameters developed by Contractors during the course of the Work. Such changes may be initiated by either party in writing and must be approved by Owner and Contractors (which approvals shall not be unreasonably withheld) prior to making any such change. Notwithstanding the preceding sentence, Owner shall have the right approve changes to drawings and specifications that have already been approved for construction, as well as all general arrangement drawings, electric one-line diagrams, process and instrument diagrams (P&IDs), Project Quality Plan and project procedure manuals.

(g) No Change Order shall be issued in connection with any Defect or Flaw, or any negligence or intentional misconduct on the part of Contractors or any Subcontractor in the performance of the Work hereunder. No individual Change in Law shall result in a Change Order increasing the Contract Price unless such individual Change in Law (together with any prior Change in Law) results in Contractor incurring actual and necessary costs in the aggregate in excess of \$100,000.

(h) Notwithstanding any provision of this Section 6 to the contrary, Contractors may not receive any change in the Contract Price relating to an event of Force Majeure which results in damage to the Work (or any part thereof), except if such event of Force Majeure is an Owner Risk Event, but shall be entitled to receive a reasonable adjustment in the Schedule. If Owner directs Contractors to repair or rebuild all or a portion of the Facility after an event of Force Majeure, Owner shall provide to Contractors all casualty insurance proceeds actually received in connection with such event of Force Majeure (other than any proceeds in respect of delayed start-up or business interruption insurance). If directed by Owner to repair or rebuild the Work (or any part thereof) as result of any event of Force Majeure, Contractors shall perform such repair or rebuilding without regard to any delay in Owner obtaining any insurance proceeds in connection therewith. If such event of Force Majeure is an Owner Risk Event, Contractors may request reasonable evidence from Owner of its ability to pay any increase in the Contract Price agreed to prior to performing any repair or rebuilding.

(i) No Change Order request shall be allowed if it is asserted after the final Request for Payment. Contractors and Owner shall establish a settlement of all Change Order requests pursuant to Section 6.2 within 60 Days from the date they were first received, which settlement shall be set forth in a Change Order; provided, however, that Change Orders with respect to Force Majeure, Owner Caused Delay and Changes in Law shall be settled within the

time periods set forth in Section 6.1(b). Contractors waive any claim or potential claim which they did not report to Owner in accordance with the provisions of this Section 6. Owner shall not be bound to any Change Order Result unless expressly set forth in a Change Order or determined in accordance with the dispute resolution procedures set forth in this Contract.

(j) Contractors shall not suspend performance of this Contract during the review and negotiation of any change (regardless of whether such change is proposed by Owner or Contractors), except as may be directed by Owner, and Contractors shall continue performance of the Work during the time any claim is pending (including during the pendency of any dispute resolution pursuant to this Contract), but if Contractors modify the Work in anticipation of a Change Order that is subsequently not granted (by Owner or through the dispute resolution procedures), such modified Work (and the results thereof) shall be at Contractors' sole risk and expense.

(k) Except as otherwise specifically set forth in a Change Order, no Change Order shall modify or affect (i) the Work, (ii) the Contract Price and/or Milestone Payment Schedules, (iii) the Schedule, (iv) the Guaranteed Substantial Completion Date or the Date Certain, (v) the Scheduled Provisional Acceptance Date or the deadline for achieving Final Completion, (vi) the Performance Guarantees or Performance Tests (or protocol therefor), (vii) the Technical Scope Document or (viii) any other right, liability or obligation of Contractor or any other provision hereof.

(l) Contractors shall not comply with any oral changes in the Work received from Owner.

6.2 Change Order Pricing and Payment.

(a) With respect to any Change Order submitted by Contractors and, with respect to an Owner directed change, as soon as practicable and in any event within 20 days after receipt from Owner of a request for a change (unless such 20 day period is otherwise extended at the mutual agreement of Owner and Contractors), Contractors shall submit to Owner a proposal for implementing the change. Contractors shall bear the cost of preparing such proposal if such proposal is not accepted.

(b) The proposal shall consist of: (i) a detailed take-off with supporting calculations, in accordance with the pricing structure in this Contract, for pricing the change, (ii) revisions, if any, to the drawings and specifications, (iii) a statement of the Change Order Result and (iv) the effect, if any, of the change on the Performance Guarantees.

(c) Contractors' supporting calculations shall: (i) show the estimated quantities of manpower, Material usage and services to be added and/or deducted by size, type and/or amount provided, (ii) make reference to industry guidebooks or other basis used to determine prices, man-hours per unit of installed Materials, rental rates and other similar cost standards, (iii) show overhead of 20% and contain a breakdown for manpower, Materials and other direct costs, and (iv) show Contractors' profit which shall not exceed 8%; provided, however, that Contractors shall only be entitled to such profit in the event of an Owner directed change or a Change Order in excess of \$500,000 issued pursuant to Section 6.1(a)(i), (ii), (iii) or

(v) and shall not be entitled to any such profit for a Change Order proposed by Contractors. Any Change Order which reduces the scope of the Work shall result in a reduction of the Contract Price based on a reduction in the Contractors' direct costs, overhead and fee resulting from such scope reduction.

(d) Any Change Order issued hereunder may contain an adjustment to the Milestone Payment Schedules (but not necessarily the Contract Price).

(e) Unless otherwise agreed by the parties, the amount paid for any Work conducted pursuant to this Section 6 shall be based on a lump sum, fixed price agreed to by Contractors and Owner taking into consideration any savings or costs not incurred by Contractors due to such change.

(f) Notwithstanding any other provision of Section 6 to the contrary, in the event the Parties cannot agree on the price charged by Contractors with respect to a particular Change Order, such price shall then be based on Contractors' actual costs to perform such Change Order plus a mark-up of 28%.

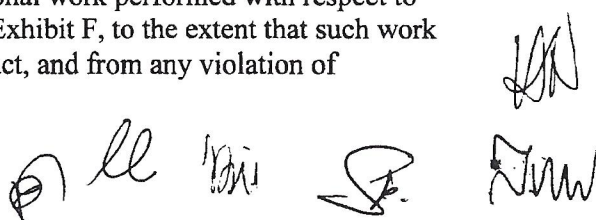
6.3 Owner-Directed Changes.

(a) Intentionally Omitted

(b) If Owner disagrees in any way with any proposal of Contractors under Section 6.1 or Section 6.2, Owner may issue a Change Order to Contractors in accordance with clause (c).

(c) Any Change Order executed solely by Owner shall be accompanied by Contractors' proposal marked to show Owner's modifications thereto and shall order Contractors to implement the change in accordance with the proposal as modified by Owner. Upon receipt of such a Change Order or any other Owner directive which Contractor believes constitutes a change, Contractors shall note thereon, with specificity, any and all disagreements with the changes or directives made by Owner, and shall return a copy thereof to Owner and Independent Engineers. Contractors shall thereupon proceed to perform the Work required by the Change Order. In such case, Contractors' remedy shall be to pursue its rights under the dispute resolution provisions of Section 17. Notwithstanding anything else herein to the contrary, Owner may not execute without Contractors' authorization (i) a single Change Order for an amount in excess of \$1,000,000, or (ii) more than one Change Order for an aggregate amount in excess of \$3,000,000, or (iii) a Change Order issued with respect to Sections 3.24 and 3.25.

6.4 Option to Purchase Additional Equipment. Within the date which is eight weeks from the date of Notice to Proceed, Owner may exercise the option to purchase from Contractors the equipment described in Annex 2 to Exhibit F, for a price consisting of (i) 1.26 million Swiss Francs, (ii) 1.217 million Dollars and (iii) 765,000 Dollars, of which (iii) will be converted into Reais on the date of Notice to Proceed in accordance with the exchange rate set forth in Section 4.1. Owner shall hold harmless and indemnify Contractors from any reasonable costs, expenses, damages or losses that might arise directly from any additional work performed with respect to implementation of the equipment described in Annex 2 to Exhibit F, to the extent that such work is outside the scope of the Work provided for in this Contract, and from any violation of



Applicable Law which may arise from the implementation of such work.

SECTION 7 INSPECTIONS, TESTS, PERFORMANCE TESTS

7.1 Inspection. Contractors shall have the absolute responsibility to inspect, test and certify all Materials and the Work, at their own expense and at all appropriate times, including during their manufacture and assembly upon arrival at the Site and during the construction and installation at the Site ensuring that they meet the requirements set forth in the Contract Specifications. Contractors shall use duly qualified inspectors which shall be employees of Contractors. If Contractors use any third party inspectors, Contractors shall submit to Owner, for its approval, and to the Independent Engineers for their information, a detailed list containing the qualifications and experience of such inspectors. All reports and inspection certificates shall be made available to Owner and the Independent Engineers. In the event that any Material or Work fails to pass inspection, Contractors shall correct or replace it and, after notifying Owner of the foregoing, shall repeat such inspection. In case of damage to the Materials, Contractors shall immediately obtain the necessary replacements at their own expense.

7.2 Access. Owner and the persons designated by it shall be provided with office space of approximately 200 square meters at the Facility Site and shall have access to the Facility Site, factories and design offices of Contractor and its suppliers where the Materials are being manufactured or prepared for inspection purposes. Owner, Petrobrás and the persons designated by each shall be provided with the opportunity to observe all Tests. If any part of the Materials are prepared or manufactured in plants not owned by Contractors, Contractors shall obtain the permission to allow Owner or its designees to inspect such Materials in the aforementioned plants.

7.3 Inspection Timing and Reports. Contractors shall prepare and provide to Owner and the Independent Engineers for review a test and inspection plan specifying the time and place for inspection and testing of the Materials and the Work. Owner shall have two months from the date Notice to Proceed is issued to review the test and inspection plan and within such period Owner shall have the right to modify the test and inspection plan if such plan is not in accordance with Good Industry Practice. If, after such two month period, Owner requests any tests in addition to those provided in the test and inspection plan provided by Contractors, then Owner shall reimburse Contractors for their reasonable and documented costs and Contractors shall be entitled to a reasonable adjustment of the Schedule for any reasonably evidenced delays, in each case incurred directly in connection with any such additional test. Contractors shall give reasonable prior notification to Owner and the Independent Engineers of any inspections determined by the Parties as witness or hold points, which inspections shall be performed during business hours at Contractors' expense. Owner, Petrobrás and the Independent Engineers may each send, at their expense, a representative to witness the inspection, but if they fail to do so, Contractors shall proceed with the scheduled inspections and shall submit all related reports and documentation to Owner and the Independent Engineers. In the event that the reports are not satisfactory or that Owner has any reasonable doubt regarding said reports, Owner may request Contractors to perform any additional inspections. The costs of such additional inspections shall be paid for by Contractors. If the outcome of such additional inspections demonstrates that Owner's concerns were not justified, Owner shall bear the reasonable cost of such inspections.

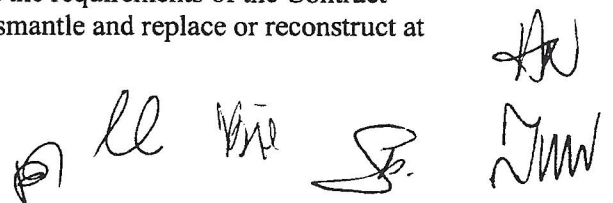
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7.4 Contractors Obligations. Contractors shall provide, at their sole expense, all necessary assistance, labor, raw materials and instruments and shall make all necessary arrangements to conduct the inspections and tests in an efficient manner. Owner shall not be responsible for providing any consumables prior to Provisional Acceptance except as set forth in Exhibit O.

7.5 Defective Materials. If any of the Materials are shown, during any inspection, to be defective or otherwise in breach of the Contract Specifications, Owner may (notwithstanding any other prior inspection) reject such Materials and require that Contractors, at no additional cost or expense to Owner, immediately replace or repair the defective Materials to comply with the Contract Specifications. In the event that Owner so requests, Contractors shall repeat, at its own expense, the inspections of the rejected Materials before making a decision in connection therewith.

7.6 Covering of the Work. No part of the Work shall be covered or placed out of view without the prior approval of Owner, other than equipment items which were manufactured prior to Notice to Proceed. Contractors shall notify Owner whenever any part of the Work is ready to be covered or placed out of view, and Owner shall inspect such Work within seven Business Days from the receipt of the notice. In the event that Owner fails to perform such inspection within this period, Contractors shall proceed to cover them.

7.7 Replacement of Defective Materials or Work. If the Work necessary for the proper functioning of the Facility is not completed in accordance with the Contract Specifications or has Defects or Flaws, Owner, provided Owner notifies Contractors of such non-compliance at least 25 Days prior to the Guaranteed Substantial Completion Date or Scheduled Provisional Acceptance Date, as the case may be, shall have the right not to declare Substantial Completion or Provisional Acceptance, as the case may be, until such situation has been corrected by Contractors and new inspections and testing have been performed. If the repairs or replacements of required Materials or Work are of such nature that they could affect the operation of the Facility, On-Shore Contractor may be required, through notification made within the 10 Days after the completion of such Work, to perform all or part of the Tests again. If the Facility does not comply with such Tests, Contractors must carry out, at their sole expense, further repairs, replacements or improvements (as the case may be) until the Facility either (a) passes the corresponding Test by achieving the related Performance Guaranty or (b) achieves the minimum performance levels set forth in section 8.2(a)(i), (ii), (iii) and (iv) and the Off-Shore Contractor pay the associated Liquidated Damages pursuant to Section 8.2(a). In the event that Contractors disagree with any Material or Work repair or replacement request, the dispute resolution provisions of Section 17 shall apply. In the event that Contractors agree with the request or the determination is made that such request is justified, Contractors shall proceed, as soon as possible, to dismantle or rebuild or replace the defective parts of the Work and all expenditures and costs incurred by such operations shall be paid for by Contractors. If the determination is made that the request is unjustified, Contractors shall not proceed to dismantle, replace or rebuild any part of the Work and, pursuant to a Change Order, shall receive an adjustment to the Schedule and reimbursement for reasonable costs and time incurred directly as a result of the unjustified request. In addition, if at any time prior to the expiration of the Warranty Period, Owner detects that the Work fails to meet the requirements of the Contract Specifications, Contractors shall, if requested in writing, dismantle and replace or reconstruct at

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its cost the defective parts of the Work and shall perform any additional tests that are necessary in accordance with Good Industry Practice to establish that the replaced or reconstructed Work meets the requirements of the Contract Specifications. Contractors have the obligation to supply free of cost to Owner the parts and all necessary equipment to complete the repairs and/or replacement of Work or Materials with Defects or Flaws during the period prior to Provisional Acceptance as well as during the Warranty Period. This obligation to supply parts and equipment for which Contractors are responsible is independent and different from its obligation to supply the Spare Parts pursuant to Section 3.18 hereof. If Contractors fail to comply with their obligation to repair or replace the Work or Materials according to what is stipulated in this Section 7.7, the Parties will refer to the provisions of Section 7.8.

7.8 Noncompliance with Instructions. In the event of Contractors' noncompliance with the execution of the instructions issued by Owner, Owner shall have the right to hire other persons to execute them at Contractors' expense. Any expense resulting therefrom or related thereto shall be reimbursed to Owner by Contractors within 30 Days following the date when Owner requires said reimbursement from Contractors.

7.9 No Release of Liability. No inspection by Owner nor any failure of Owner to inspect or reject any part of the Work which is proven defective at a later time, shall, in any manner, release Contractors from the due compliance of their obligations.

7.10 Start-Up Tests. Upon completion of all construction and installation Work necessary for the proper operation of the Critical Equipment, On-Shore Contractor shall carry out the Start-up Tests for the Facility at its own cost in accordance with the Schedule and the provisions set forth in Exhibit D.

7.11 Operational Tests. Upon successful performance of the Start-up Tests necessary to conduct the Operational Tests, On-Shore Contractor shall carry out the Operational Tests for the gas turbine and for the complete combined cycle at its own cost in accordance with the Schedule and the provisions set forth in Exhibit D.

7.12 Performance Tests. Upon the successful performance of the Start-up Tests and the Operational Tests, On-Shore Contractor shall carry out the Performance Tests at its own cost in accordance with the provisions set forth in Exhibit D. If the Facility fails to achieve Substantial Completion or Provisional Acceptance, as applicable, when the Performance Tests are first conducted, On-Shore Contractor may perform all acts necessary so that the Facility will achieve Substantial Completion or Provisional Acceptance, as applicable, and may conduct the Performance Tests again at its own cost, provided that it notifies Owner of its intention to perform such tests at least three (3) Days in advance. Notwithstanding the foregoing, if upon the Guaranteed Substantial Completion Date the Contractors have not yet achieved Substantial Completion, the On-Shore Contractor shall be liable for the payment of Delay Liquidated Damages pursuant to Section 8.1. After achievement of Substantial Completion, On-Shore Contractor's right to further modify the Facility and perform additional Performance Tests which would otherwise be required to achieve Substantial Completion (in order to improve the outcome of such Performance Tests) shall be subject to Section 8.2.

7.13 Schedule of Tests.

(a) On-Shore Contractor shall submit to Owner, for information purposes, its final Schedule of Tests and the estimated dates for the commencement of the Tests, at least 60 Days prior to the estimated commencement of such activities. In addition, On-Shore Contractor shall notify Owner and the Independent Engineers of its intention to carry out the Tests required for the Facility at least 30 Days prior to the effective dates they intend to carry out such Tests. In the event that Petrobrás or Utility is unable to receive said energy or steam on the proposed date, Contractors and Owner working with Petrobrás and Utility shall make all reasonable efforts to find a solution to such impossibility as soon as it is possible and practically reasonable under the circumstances. Notwithstanding the foregoing, once Petrobrás and Utility are ready to receive the energy and steam generated by the Tests, the Tests shall be carried out.

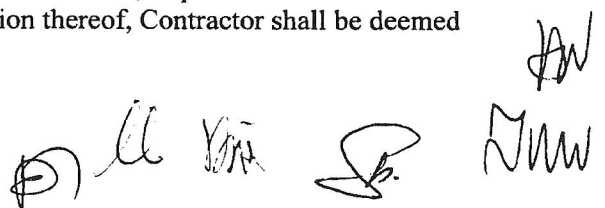
(b) At least 90 Days prior to the scheduled commencement of the Tests, On-Shore Contractor shall notify Owner of the approximate volume of Gas that must be supplied for the performance of the Tests. Owner shall ensure that Petrobrás delivers the Gas at the commencement of the Tests; provided, however, that Contractors acknowledge that Petrobrás is not obligated to provide the Gas until the date provided in Exhibit O. If Gas is not made available by Petrobrás within the time indicated above, the Tests shall be postponed until Petrobrás delivers the required Gas.

(c) Contractors acknowledge that 230kv of power from the Utility will be available in accordance with the dates set forth in Exhibit O.

(d) If, prior to Substantial Completion, On-Shore Contractor utilizes more than the quantities of Gas or electricity from that set forth in Exhibit O, On-Shore Contractor shall reimburse, if applicable in accordance with the next sentence, Owner for the cost of any such Gas or electricity above such amount. Pursuant to the preceding sentence, On-Shore Contractor shall pay to Owner for any excess Gas or electricity usage an amount equal to the cost of any excess Gas or electricity less the amount of net revenue with respect to such excess Gas (exclusive of all associated taxes and the other costs and expenses of Owner) earned by Owner from the sale of electricity to CHESF during the Tests up to Substantial Completion. Such amount shall be paid on the earlier of Substantial Completion or termination of this Contract.

(e) In the event that a Test is interrupted for any reason attributable to Contractors, the Test shall be restarted and developed from the beginning by On-Shore Contractor immediately following such interruption, under the same terms and conditions indicated in this Contract, and On-Shore Contractor shall indemnify and hold Owner harmless for the costs and expenditures incurred by Owner in connection with the portion of such Test that has been repeated. Prior to Substantial Completion, On-Shore Contractor shall reimburse Owner for the cost of any Gas or electricity in excess of the quantities specified in Exhibit O, in accordance with the On-Shore Contractor's obligations under Section 7.13(d).

(f) In the event of delay, extension or interruptions of any Test for any cause not attributable to Contractors, including the failure or inability of Petrobrás or the Utility to receive electricity generated by the Facility, Owner may, at its sole discretion, require Contractor to either (i) complete the Test and upon satisfactory completion thereof, Contractor shall be deemed

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to have fulfilled its obligations with respect to the Test in question or (ii) restart and develop the Test from the beginning, in which case Contractors shall be reimbursed for all duly documented costs and expenditures and, in the case of the Capacity Factor Performance Test or Reliability Test, be entitled to a reasonable adjustment in the Schedule to reflect the number of days during which such Test is restarted, in each case incurred by Contractor in relation to the portion of such Test that has been repeated; provided, however, that the On-Shore Contractor shall only be obligated to restart and develop a Test from the beginning, pursuant to clause (ii), a maximum of three times.

7.14 Reliability Test. On-Shore Contractor shall, within ten (10) days after achieving Substantial Completion, commence the Reliability Test.

7.15 Costs, Personnel and Procedures for Tests.

(a) All Tests will be conducted by On-Shore Contractor at its own cost, in accordance with detailed test procedures to be prepared by On-Shore Contractor in advance of testing per Exhibit K and approved by Owner.

(b) On-Shore Contractor shall provide all supervisory and technical personnel and labor, other than Facility operators, to carry out the Tests. Owner shall have the right to have its representatives witness the development of the Tests.

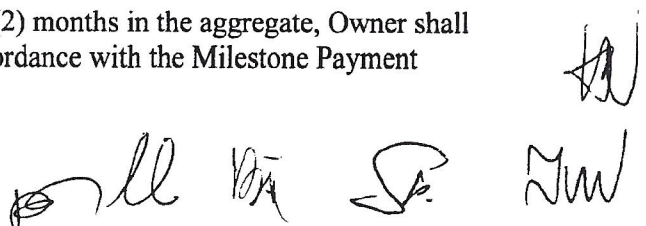
7.16 Operation by On-Shore Contractor. Until Provisional Acceptance, the Facility shall be operated under the responsibility and supervision of On-Shore Contractor in accordance with the requirements of Owner and Good Industry Practice and with the Operation and Maintenance Manual and Project Quality Plan issued by Contractors; provided, however, that On-Shore Contractor shall not be responsible for the dispatch of the Facility or Owner's obligations under its other agreements relating to the Facility. On-Shore Contractor shall assume full responsibility for the accuracy of the instructions and directions issued by it during such period.

7.17 Testing Required by Utility. On-Shore Contractor shall perform those tests required by Utility in the manner and at the times set forth in Exhibit D.

7.18 Extended Delay in Performing the Tests. Notwithstanding any provision of Section 7 to the contrary, in the event the On-Shore Contractor is prepared and ready for and capable of performing, and the Facility is capable of performing, the Tests, and thereafter the completion of any of the Tests are delayed due to the failure or inability of Petrobras or the Utility to deliver Gas or receive electricity or steam generated by the Facility, the following shall apply:

(a) Contractors shall be entitled to reimbursement of its reasonable, duly documented and evidenced additional costs and expenses and reasonable relief in the Schedule for any duly documented and evidenced delays in achieving the Schedule, in each case incurred directly as a result of the delay;

(b) after such delay continues for two (2) months in the aggregate, Owner shall deposit the final payment owing to Contractors in accordance with the Milestone Payment

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Schedules into an interest bearing escrow account and any amounts shall be paid to Contractors on the earlier of Substantial Completion or the date of termination of this Contract, in each case in accordance with the terms of this Contract; and

(c) after such delay continues for twelve (12) months in the aggregate, Contractor shall have the right to terminate this Contract and the provisions of Sections 13.4 and 13.6 shall apply to such termination.

SECTION 8 CONTRACTOR GUARANTEES, LIQUIDATED DAMAGES

8.1 Liquidated Damages for Delay.

(a) If Substantial Completion does not occur on or before the Guaranteed Substantial Completion Date, On-Shore Contractor shall pay liquidated damages to Owner for such delay ("Delay Liquidated Damages") for each and every day which elapses after the Guaranteed Substantial Completion Date until the earlier of (i) Substantial Completion and (ii) the Date Certain.

(b) Owner shall invoice On-Shore Contractor for Delay Liquidated Damages in arrears every two Weeks, and such amounts shall be paid by On-Shore Contractor within 14 Days after receipt of such invoice. Such amounts, if not paid by On-Shore Contractor, may be drawn by Owner from the Performance Letter of Credit in effect, or from the Payment Retainage.

(c) The per-day liquidated damages payable by On-Shore Contractor pursuant to this Section 8.1 shall be \$73,650.

8.2 Liquidated Damages for Failure to Meet Performance Guarantees.

(a) If the Facility achieves pursuant to the Performance Tests (i) at least 95% of the Guaranteed Net Electrical Output, (ii) at least 95% of the Guaranteed Steam Export Capacity, (iii) no more than 105% of the Guaranteed Net Heat Rate and (iv) the Guaranteed Capacity Factor, each while in compliance with the Guaranteed Emissions (provided, however, that compliance with the Guaranteed Emissions shall be required only at such times as the Facility is operated at Baseload, as such term is defined in Exhibit D), Off-Shore Contractor can, in order to achieve Substantial Completion (assuming the other conditions thereof are satisfied), pay performance liquidated damages ("Performance Liquidated Damages") to Owner, or upon Owner's request, to Petrobrás, as follows:

- (I) Failure to meet the Guaranteed Net Electrical Output: \$600 per kW, or part thereof, which the actual achieved net electrical output of the Facility is below 98.5% of the Guaranteed Net Electrical Output;
- (II) Failure to meet the Guaranteed Net Heat Rate: \$30,000 per kJ/kWh, or part thereof, which the actual net heat rate of the Facility exceeds the Guaranteed Net Heat Rate; and

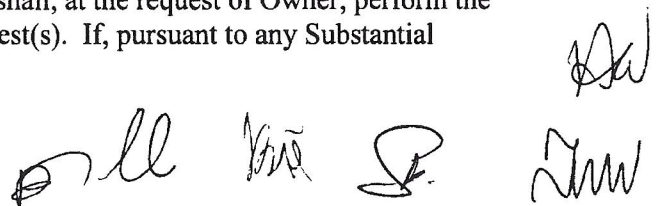


- (III) Failure to achieve the Guaranteed Steam Export Capacity: \$350,000 per metric ton/per hour, or part thereof, by which the actual delivered steam capacity is below the Guaranteed Steam Export Capacity;

provided, however, that, unless the Contractors do not intend to submit a remedial plan to Owner, or the Owner does not approve of any such remedial plan, pursuant to Section 8.2(b) (in which cases Off-Shore Contractor shall pay such Liquidated Damages to Owner, or upon Owner's request, to Petrobrás, prior to and as a condition to the date Substantial Completion is achieved), Contractors shall provide Owner prior to and as condition to achieving Substantial Completion, in lieu of payment of the Performance Liquidated Damages, a letter of credit in form and substance, and from an issuer, acceptable to Owner (the "Performance Liquidated Damages Letter of Credit") in an amount equal to the Performance Liquidated Damages otherwise payable. The Performance Letter of Credit required pursuant to Section 3.4 may serve as a Performance Liquidated Damages Letter of Credit provided that such Performance Letter of Credit continues to be in full force and effect and has an amount available to be drawn equal to the Performance Liquidated Damages otherwise payable. Owner may draw on the Performance Letter of Credit or Performance Liquidated Damages Letter of Credit, as applicable, in the event Off-Shore Contractor fails to pay any Liquidated Damages required to be paid by it hereunder.

(b) Within 30 days of the date Performance Liquidated Damages would otherwise be paid by Off-Shore Contractor, Contractors shall have the option to submit to Owner a remedial plan setting forth Contractors' proposed schedule (which shall not exceed 12 months) and plan for the achievement of the Substantial Completion Performance Guarantees. Any remedial plan shall be subject to Owner's reasonable approval which shall be based upon whether, in the reasonable determination of the Owner, based upon the opinion of the Independent Engineers, (i) such plan is in conflict with Owner's obligations and potential liabilities with respect to Petrobrás and the Utility or (ii) such plan would adversely affect the operation and use of the Facility, including the length and amount of potential reductions in the Facility's electric and steam output. Pursuant to the foregoing, and within 30 days of receipt by Owner of the remedial plan proposed by Contractors, Owner shall decide whether to grant Contractors the extension period (based upon such remedial plan) to meet the original Substantial Completion Performance Guarantees (the "Extension Period").

(c) Upon approval by Owner of a remedial plan, Contractors shall diligently and continuously pursue the Work to satisfy the Substantial Completion Performance Guarantees in accordance with the remedial plan so submitted to Owner. During such Extension Period, Owner shall maintain custody and control of the Facility, but shall permit Contractors such access as reasonably necessary for Contractors' continued Work. At the end of the Extension Period (or such earlier time if Contractors have completed their remedial work), On-Shore Contractor shall re-perform any Substantial Completion Performance Tests, in accordance with this Contract, for which it did not satisfy the corresponding Substantial Completion Performance Guaranty. On-Shore Contractor shall be entitled to re-perform the Substantial Completion Performance Tests from time to time (but no more than three times) during the Extension Period. If the Owner, in its reasonable judgment, determines that any other Substantial Completion Performance Guaranty could have been affected by any Work performed by the Contractors pursuant to a remedial plan, the On-Shore Contractor shall, at the request of Owner, perform the corresponding Substantial Completion Performance Test(s). If, pursuant to any Substantial

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Completion Performance Tests, On-Shore Contractor fails to satisfy the Substantial Completion Performance Guarantees, Owner shall re-calculate the amount of Performance Liquidated Damages pursuant to the most recent Substantial Completion Performance Tests, and shall send notice of such amount to Off-Shore Contractor. At the end of the Extension Period, or, if prior to the end of the Extension Period, upon the completion of what Contractors determine are their final Substantial Completion Performance Tests, the Performance Liquidated Damages shall be recalculated and Off-Shore Contractor (or Owner, to the extent the Facility has improved its performance since the Substantial Completion Performance Test results giving rise to the remedial plan) shall pay (or refund, if applicable) such additional (or decreased) Performance Liquidated Damages within 15 days. Equipment degradation occurring during the Extension Period shall be taken into account in accordance with degradation provisions of Exhibit D.

(d) During the Extension Period, Owner shall be entitled to draw upon the Performance Liquidated Damages Letter of Credit on the final business day of every calendar month (as well as on the business day immediately preceding the final day of the Extension Period (or such earlier time if Contractors have completed their remedial work or Owner has terminated this Contract)) in an amount equal to the sum of (x) the excess fuel costs incurred by Owner during the Extension Period (due to a heat rate in excess of the Guaranteed Net Heat Rate) plus (y) Owner's interest costs on a principal amount equal to the face amount of the Performance Liquidated Damages ("Owner Drawdown"). The Owner Drawdown shall be calculated by Owner (with a copy of such calculation provided to Contractors) and, absent manifest and demonstrable error, such calculation of Owner Drawdown shall be conclusive.

(e) With respect to the amounts required to be paid by the Off-Shore Contractor pursuant to clause (a) above and subject to achieving the minimum values required for the achievement of Substantial Completion, the Off-Shore Contractor may off-set the amount of Performance Liquidated Damages owed (i) in respect of the Guaranteed Net Electrical Output if they achieve a value for heat rate better than the Guaranteed Net Heat Rate and (ii) in respect of the Guaranteed Net Heat Rate if they achieve a value for net electrical output better than 101.5% of the Guaranteed Net Electrical Output, in each case by the amount of Performance Liquidated Damages that would correspond to a value in excess of either of the Guaranteed Net Heat Rate or Guaranteed Net Electrical Output, as the case may be. No deadbands in the form of corrections or adjustments to the Test values are to be applied for any such calculation.

8.3 Limitation on Liquidated Damages.

(a) The Liquidated Damages that may be imposed on Contractors pursuant to this Contract are subject to the following limits:

(i) The maximum total amount of Delay Liquidated Damages shall be 20% of the Contract Price (calculated in US Dollars on the date Notice to Proceed is issued);

(ii) The maximum total amount of Liquidated Damages for noncompliance with both the Guaranteed Net Electrical Output and Guaranteed Steam Export Capacity shall be 15% of the Contract Price (calculated in US Dollars on the date Notice to Proceed is issued); and

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(iii) The maximum total amount of Liquidated Damages for noncompliance with the Guaranteed Net Heat Rate shall be 10% of the Contract Price (calculated in US Dollars on the date Notice to Proceed is issued).

(b) The maximum total of Liquidated Damages shall be 30% of the Contract Price (calculated in US Dollars on the date Notice to Proceed is issued).

(c) Notwithstanding whether Contractors have paid the maximum Liquidated Damages set forth above, Contractors shall have an obligation to achieve Substantial Completion and to achieve the Emission Guarantees (provided, however, that compliance with the Guaranteed Emissions shall be required only at such times as the Facility is operated at Baseload, as such term is defined in Exhibit D).

8.4 Performance Bonus. There is no cash payment of bonus amounts to Contractors under any circumstances.

SECTION 9 CONTRACTORS WARRANTIES

9.1 Warranties.

(a) Without prejudice to the other obligations of Contractors, Contractors warrant to Owner through the term of this Contract until the end of the Warranty Period that:

(i) all Materials incorporated in the Facility (x) have clear title (free from any charge, encumbrance, lien, or other security interest), (y) shall conform to the specifications and descriptions set forth in this Contract and (z) shall be new;

(ii) the Work is free of Defects and Flaws in design, materials and workmanship;

(iii) the Facility and the Materials are designed, built, manufactured, engineered, equipped, tested and started-up in strict compliance with this Contract and the specifications, drawings, standards, codes and descriptions in the Contract Specifications and Good Industry Practice; and

(iv) the Facility complies or will comply with all (x) Permits (subject to Section 3.25) and (y) Applicable Laws in effect on the date of Substantial Completion.

(b) To the extent that the warranties set forth in paragraph (a) are not satisfied, Contractors shall repair, replace or substitute the defective Work or Materials and shall be responsible for all costs associated with such replacement or repair which the Contractors may incur.

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(c) During the Warranty Period, and subject to the prior consent of Contractors (not to be unreasonably withheld), Owner shall have the right to repair minor defects at Contractors' expense.

9.2 Extension of the Warranty Period.

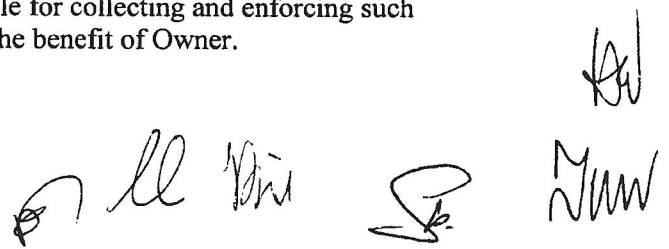
(a) Subject to the last sentence of this paragraph (a), any part replaced, repaired, damaged or discovered to be defective during the Warranty Period shall continue to be warranted for eighteen (18) months after replacement or repair, or the balance of the original warranty, whichever is longer up to a maximum of thirty-six (36) months from the date of Provisional Acceptance of the Facility. In accordance with the foregoing, the Warranty Period shall in no event extend beyond a period of three years from the date of Provisional Acceptance of the Facility. Notwithstanding any provision of this paragraph (a) to the contrary, any part replaced, repaired, damaged or discovered to be defective during the Warranty Period due to a Generic Defect shall continue to be warranted in accordance with the first sentence of this paragraph (a) up to a maximum of forty-eight (48) months from the date of Provisional Acceptance of the Facility.

(b) In addition to the foregoing paragraph (a), if the Facility (or any part thereof) is shut down for a cumulative period of more than 30 Days due to repairs or replacement under this Section 9, the Warranty Period shall be extended by one day for each day exceeding such 30-Day allowance.

9.3 Normal Wear and Tear Excluded. Contractors shall not be responsible for defects or deficiencies in the Facility, Work or Materials caused by normal wear and tear, by unsuitable or inappropriate operation or maintenance of the Facility (except to the extent that the Facility is operated or maintained by Contractors), or by negligent or unauthorized alterations to the Facility (with the exception of such modifications allowed hereunder).

9.4 Warranties of Subcontractors. Contractors shall obtain the warranties granted by their Subcontractors and provide that (i) the benefit (direct or indirect) of such warranties passes to the Owner (ii) such warranties may be assigned to Owner upon termination of the Contract or, if applicable, after expiration of the Warranty Period. In the event that a Subcontractor warranty covers a matter not guaranteed by Contractors or that exceeds the scope of Contractors' warranties, Contractors shall ensure that such warranty is directly for the benefit of Owner. At the earlier of expiration of the Warranty Period or termination of this Contract by Owner or Contractors, Contractors shall assign to Owner all of the warranties that remain in effect.

9.5 Claims Against Subcontractors. Contractors shall be responsible for making the necessary claims and enforcing warranties of Subcontractors. Contractors shall be responsible for complying with any warranty granted by them or any warranty granted by a Subcontractor. In the event that a claim relates to a matter covered by a Subcontractor warranty, it shall be sufficient hereunder to claim against Contractors. In the event that a Subcontractor warranty covers a matter not guaranteed or warranted by Contractors or that exceeds the scope of Contractors' warranty, Contractors shall be responsible for collecting and enforcing such guarantee or warranty against the Subcontractor for the benefit of Owner.

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9.6 No Implied Warranties. THE EXPRESS WARRANTIES SET FORTH IN THIS CONTRACT ARE EXCLUSIVE. THERE ARE NO OTHER WARRANTIES OF ANY KIND, WHETHER STATUTORY, WRITTEN, ORAL, EXPRESS OR IMPLIED, WITH RESPECT TO CONTRACTORS' PERFORMANCE UNDER THIS CONTRACT, AND ALL OTHER WARRANTIES WITH RESPECT THERETO, WHETHER ARISING HEREUNDER OR UNDER LAW OR EQUITY, ARE HEREBY DISCLAIMED AND WAIVED. UPON EXPIRATION OF THE WARRANTY PERIOD (AS MAY EXTENDED PURSUANT TO THE TERMS HEREOF) AND COMPLETION OF ALL WARRANTY WORK, ANY AND ALL LIABILITY OF CONTRACTOR WITH RESPECT TO DEFECTS IN THE FACILITY SHALL TERMINATE.

SECTION 10 INSURANCE; RISK OF LOSS

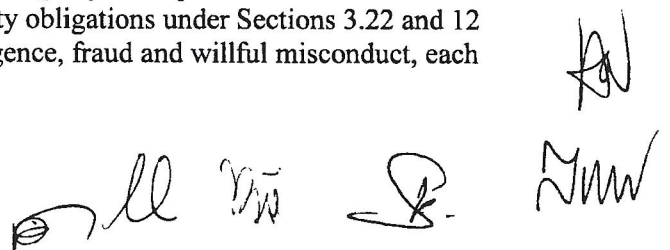
10.1 Generally. Contractors and Owner shall procure and maintain insurance in such amounts and with such terms as required under Exhibit Z.

10.2 Independent Risks. The risk of loss or damage to any Materials shall be borne by Off-Shore Contractor until the delivery to the On-Shore Contractor of such Materials at the port of import upon which time risk of loss or damage shall be passed to and borne by On-Shore Contractor. Subject to the preceding sentence, On-Shore Contractor shall bear the risk of loss or damage to the Materials, the Facility or Work prior to Provisional Acceptance, including all responsibility for the security of the Site, other than any risk of loss directly resulting from an Owner Risk Event. The risks, obligations and responsibilities of Contractor provided for in this Contract are independent from the insurance policies obtained pursuant to this Section. The costs of obligations and liabilities derived from the assumption of said risks may not be reduced by said insurance policies, by the failure to obtain the insurance of sufficient coverage, or by the failure of insurers to make payments, so as to prejudice Owner or the Financing Parties.

SECTION 11 LIMITATION OF LIABILITIES

11.1 No Consequential Damages. Notwithstanding any other provision of this Contract to the contrary but subject to the following sentence, no Party shall be liable to any other Party for loss of profit or revenue, loss of use, loss of power, cost of replacement power, cost of capital, or for any incidental, special, indirect or consequential damages, arising out of or in connection with the performance of the Work whether or not any such liability is claimed in contract, equity, tort or otherwise, unless caused by such Party's gross negligence, fraud, willful misconduct or unlawful acts; provided, however, that interest on overdue payments shall not be considered an indirect or consequential damage. Notwithstanding the foregoing, the limitation of this Section 11.1 shall not apply with respect to the indemnification obligations of Contractors hereunder with respect to damages or injuries sustained by third parties. This Section 11.1 shall survive the termination of this Contract.

11.2 Overall Limit on Liability. Notwithstanding any other provision of this Contract to the contrary, and except for (i) Contractors' indemnity obligations under Sections 3.22 and 12 hereunder and (ii) Contractors' liability for gross negligence, fraud and willful misconduct, each

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of which shall be unlimited, Contractors' aggregate liability to Owner hereunder shall not exceed a sum equivalent to the Contract Price.

11.3 Exclusive Remedy. To the extent that remedies of Owner are expressly set forth in this Contract in respect of Contractors' obligations and liabilities, such remedies are exclusive and accepted by Owner in lieu of other remedies that might otherwise be available to Owner under the law governing this Contract (except with respect to the ability to seek injunctive relief or enforce decisions made pursuant to the dispute resolution provisions hereof).

11.4 Cumulative Remedies. The rights and remedies expressly provided for in the Contract are cumulative and each such remedy is and shall be in addition to any other right or remedy expressly provided under this Contract.

SECTION 12 INDEMNIFICATION

12.1 General Contractor Indemnities. Contractors shall indemnify and hold harmless Owner and the Financing Parties, and each of their respective employees, directors, officers, agents, advisors, representatives, successors and assigns against any and all actions, claims, suits, losses, costs, damages, proceedings, taxes and any expenses, including reasonable attorney's fees and court costs, arising out of or in connection with any of the following:

(i) any damage (including, subject to Section 3.2, any damage or injury relating to a violation of any environmental law or the release of any Hazardous Material) or injury to any person or to any tangible property (except the Work) that arises out of their performance of the Work;

(ii) any injury (other than such as may be attributable to the indemnified party) suffered by employees, agents, invitees or licensees of Contractors or any Subcontractor;

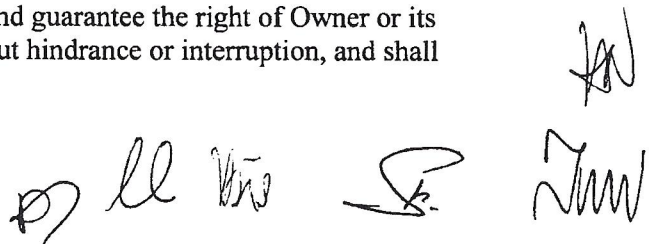
(iii) any failure on the part of Contractors or any Subcontractor to comply with any Applicable Laws and Permits (subject to Section 3.25);

(iv) any failure on the part of Contractors or any Subcontractor to comply with the confidentiality provision herein;

(v) any infringement or unauthorized use of any patent, trademark, copyright or trade secret; and

(vi) any claim of any employee of Contractors or any Subcontractor based on labor or social security matters.

12.2 Patent Indemnity. If any of the Work would infringe any patent, trademark or copyright or would involve the unauthorized use of a third Person's trade secrets, then On-Shore Contractor and Off-Shore Contractor agree to render consultation, assistance and modifications to the Work as necessary to avoid such infringement or unauthorized use. On-Shore Contractor and Off-Shore Contractor shall in every case secure and guarantee the right of Owner or its respective representative to operate the Facility without hindrance or interruption, and shall

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reimburse Owner for all costs incurred by Owner (other than settlement costs incurred by Owner without the prior consent of On-Shore Contractor and Off-Shore Contractor) in securing such right to the extent On-Shore Contractor and Off-Shore Contractor fail to do so.

12.3 Notification and Defense.

(i) In case any action, suit or proceeding shall be brought against Owner or the Financing Parties, such indemnified party shall promptly notify Contractors of the commencement thereof, and Contractors shall be entitled, at their expense, acting through counsel reasonably acceptable to such indemnified party, to participate in, and, to the extent Contractors desire, to assume and control the defense thereof. Owner and Financing Parties shall be entitled to participate in any action, suit or proceeding the defense of which has been assumed by On-Shore Contractor or Off-Shore Contractor, as the case may be. Furthermore, On-Shore Contractor or Off-Shore Contractor, as the case may be, shall assume the costs incurred by any such indemnified party in doing so. Notwithstanding the foregoing, Contractors, Owner and the Financing Parties shall each be entitled to participate with their own counsel, and Contractors shall not be accorded control over the defense of any such action, suit or proceeding if and to the extent that a Contractor Event of Default has occurred and is continuing or, in the reasonable opinion of the indemnified party, such action, suit or proceeding involves the threat of the imposition of criminal liability or a fundamental conflict of interest, and in such event On-Shore Contractor or Off-Shore Contractor, as the case may be, shall pay the reasonable expenses of Owner or the Financing Parties, as the case may be, in such defense.

(ii) Contractors shall report to Owner or the Financing Parties, as the case may be, on the status of any such action, suit or proceeding as developments shall occur and at least within sixty (60) days of the previous report. On-Shore Contractor or Off-Shore Contractor, as the case may be, shall deliver to Owner or the Financing Parties, as the case may be, a copy of each document filed or served on any party in such action, suit or proceeding.

(iii) Notwithstanding Contractors' rights hereunder to control certain actions, suits or proceedings, Owner or the Financing Parties, as the case may be, shall be entitled to compromise or settle any subject claim if (i) failure to compromise or settle such subject claim could reasonably be expected to have a material adverse effect on Owner, the Financing Parties, the Facility, or Owner's interest in the Facility, as the case may be, and (ii) Contractors refuse to pursue diligent, good faith and timely efforts, in consultation with Owner or the Financing Parties, as the case may be, to settle such claim; provided, however, that prior to entering into any final and binding compromise or settlement of any subject claim without Contractors' consent, Owner and the Financing Parties shall provide notice to, and shall consult with, Contractors. Any such compromise or settlement by Owner or Financing Parties, as the case may be, in accordance with this Section 12.3 shall be binding upon Contractors for purposes of this Section 12.3.

(iv) Any amounts payable by On-Shore Contractor or Off-Shore Contractor, as the case may be, pursuant to this Section 12.3 shall be regularly payable after the Contractor receives an invoice for such amounts from Owner.

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12.4 General Owner Indemnities. Owner agrees to indemnify, protect, save and hold harmless Contractors and any of its employees, agents and representatives, from and against any and all actions, claims, suits, losses, costs, damages, proceedings, taxes and any expenses, including reasonable attorney's fees and court costs, arising from (i) the negligence or willful misconduct of Owner, its officers and employees while engaged in the performance of any activities to be performed by Owner pursuant hereto, (ii) any breach by Owner of any of its obligations hereunder and (iii) any failure on the part of Owner to comply with any Applicable Laws and Permits.

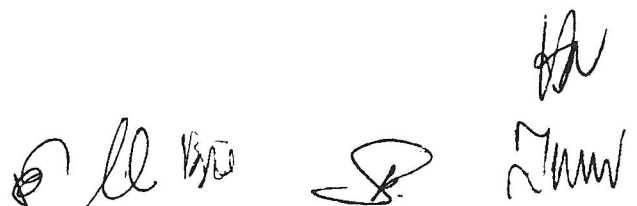
SECTION 13 TERMINATION

13.1 Events of Default.

(a) Contractor Events of Default. The following events shall be Contractor events of default ("Contractor Events of Default"):

(i) Either Contractor or the guarantor under the Construction Contract Guaranty becomes bankrupt or insolvent, or requests or accepts the designation of a trustee, liquidator or comptroller, or such were designated or takes control of such Contractor or guarantor, as applicable, or all or a substantial part of its assets; either Contractor or the guarantor under the Construction Contract Guaranty or all or a substantial part of its assets, properties or income is subject to a bankruptcy procedure, suspension of payments, dissolution or liquidation, other than an involuntary bankruptcy or similar proceeding which is stayed or dismissed within 60 Days; or if either Contractor or the guarantor under the Construction Contract Guaranty carries out or agrees to a general assignment or an agreement for the benefit of its creditors, or makes a written threat to suspend its operations or any substantial part thereof;

(ii) Contractors fail, for reasons that are not otherwise expressly contemplated to be excused or permitted under this Contract, to (1) pay any undisputed amount due under and in accordance with this Contract as and when the same becomes due and fails to pay such amount within 30 Days after receipt of written notice of such non-payment or (2) perform any of their obligations (other than as expressly set forth in clause (1) of this subsection or any other provision of Section 13.1(a)) pursuant to this Contract and shall not have remedied such failure within 30 Days after receipt of written notice of such failure from Owner; provided, however, that if On-Shore Contractor or Off-Shore Contractor, as the case may be, begins to diligently remedy such failure within such 30 Day period, On-Shore Contractor or Off-Shore Contractor, as the case may be, may continue to attempt such cure for an additional 90 Days (in addition to such 30 Day Period);



- (iii) Contractors fail, for reasons that are not otherwise expressly contemplated to be excused or permitted under this Contract, to achieve (1) Substantial Completion by the Date Certain or (2) any Critical Milestone prior to Substantial Completion within a period of 210 Days, with respect to the first Critical Milestone, 240 Days with respect to the second Critical Milestone and 270 Days, with respect to the third Critical Milestone, each from the date indicated for such Milestone in question in the Milestone Payment Schedule;
- (iv) Contractors fail to discharge any and all liens on, or defects in title to, the Facility or any portion of the Work due to the action or omission of Contractors, and shall not have remedied such failure within 30 days after receipt of written notice of such failure from Owner;
- (v) if any representation or warranty made by Contractors herein (1) proves to be false or inaccurate in any material respect on the date of the execution of this Contract, (2) if capable of remedy, continues to be false and inaccurate for a period of 30 consecutive Days after written notice thereof has been given by Owner to Contractors and (3) at the time proven to have been false or inaccurate, has a material adverse effect on the interests of Owner under this Contract; provided, however, that if Contractors begin to diligently remedy such misrepresentation or warranty within such 30 Day period, Contractors may continue to attempt such cure for an additional 30 Days;
- (vi) the limit of liability set forth in Section 8.3 of this Contract is reached and Contractors cease to perform the Work contemplated by this Contract;
- (vii) On-Shore Contractor or Off-Shore Contractor has (1) not paid Liquidated Damages as provided in Section 8 within 10 Business Days after delivery of written notice to Contractors by Owner or (2) failed to deliver and maintain the Performance Letter of Credit, or any other letter of credit maintained hereunder, or the Construction Contract Guaranty in the required amounts and terms;
- (viii) Contractors fail to obtain and maintain in full force and effect the insurance coverage required of it herein;
- (ix) Contractors fail, for reasons that are not otherwise expressly contemplated to be excused or permitted under this Contract, to obtain Contractors' Permits within 90 Days following the date on which they were required to obtain said Contractors' Permit;
- (x) Contractors or any of their Subcontractors, agents or employees give or offer to give to any person any bribe, gift, gratuity or commission as an inducement or reward for doing or forbearing to do any action in

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relation to this Contract or the Facility, or for showing or forbearing to show favor or disfavor to any Person in relation to this Contract or the Facility;

(xi) Either Contractor abandons the Work (except due to a termination of the Work permitted by this Contract) for more than 10 Business Days;

(xii) Either Contractor, after a delay in or suspension of the Work permitted by this Contract, fails or refuses to commence performance of the Work after the cessation of such delay or suspension for more than 10 Business Days;

(xiii) Contractors breach any Applicable Law the result of which could reasonably be expected to have a material adverse effect on Owner's rights under this Contract, the performance of the Work or the Facility;

(xiv) Provisional Acceptance does not occur by the Scheduled Provisional Acceptance Date.

(b) Owner Event of Default. The following events shall be Owner events of default ("Owner Event of Default"):

(i) Subject to the provisions of this Contract excusing such action, Owner shall fail to pay when due any undisputed amount under this Contract and such failure shall continue uncorrected for a period of 14 Days after notice thereof from Contractors;

(ii) Owner or any of its agents or employees gives or offers to give to any person any bribe, gift, gratuity or commission as an inducement or reward for doing or forbearing to do any action in relation to this Contract or the Facility, or for showing or forbearing to show favor or disfavor to any person in relation to this Contract or the Facility; and

(iii) If at any time Owner becomes bankrupt or insolvent, or requests or accepts the designation of a trustee, liquidator or comptroller, or such were designated or takes control of Owner or all or a substantial part of its assets; if Owner or all or a substantial part of its assets, properties or income is subject to a bankruptcy procedure, suspension of payments, dissolution or liquidation, other than involuntary bankruptcy or similar proceeding which the Owner shall have 60 Days to stay or dismiss; or if Owner carries out or agrees to a general assignment or an agreement for the benefit of its creditors, or makes a written threat to suspend its operations or any substantial part thereof.

13.2 Termination of Contract for Contractor Event of Default.

(a) In the event that Contractors are in default pursuant to Section 13.1, Owner shall have any or all of the following rights and remedies, and Contractors shall have the following obligations:

- (i) Owner, without prejudice to any of its other rights or remedies under this Contract, may unilaterally terminate this Contract immediately by delivery of a notice of termination to Contractors;
- (ii) If requested by Owner, Contractors shall withdraw from the Site, assign to Owner its rights and obligations under such of Contractors' subcontracts as Owner may request, and remove such Materials, construction equipment, tools and instruments used, and any debris or waste materials generated, by Contractors in the performance of the Work as Owner may direct, and Owner may take possession of any and all designs, Materials, purchase orders, non-confidential correspondence, schedules, drawings and facilities of Contractors that Owner deems necessary to completion of the Work;
- (iii) Owner shall have the right (either with or without the use of the Materials, tools and instruments) to have the Work finished by itself or by another contractor; and
- (iv) Owner may recover amounts owing to it by Contractors by enforcing its right under the Payment Retainage, the Performance Letter of Credit, the Construction Contract Guaranty, or any other letter of credit or form of security maintained hereunder.

(b) In the event of any default by Contractors under Section 13.1 and termination by Owner of this Contract pursuant to Section 13.2, Contractors shall be liable to Owner for any reasonable costs incurred by Owner or any person acting on Owner's behalf in completing the Work (including, without limitation, reasonable costs of expedited or accelerated construction actually performed and other expenses and fees related thereto in an attempt to achieve Substantial Completion of the Facility by the Guaranteed Substantial Completion Date, or if such date has already passed, at the earliest possible date), as and when such costs are incurred, but only to the extent such costs plus aggregate amount paid or payable to Contractors under this Contract exceed the Contract Price. Contractors acknowledge that their liability pursuant to the foregoing sentences of this Section 13.2 is distinct and separate from, and shall not be deemed to limit or otherwise reduce, any liability it may incur hereunder with respect to the payment of Liquidated Damages. Any amounts paid by Contractors pursuant to this Section 13.2 shall not be considered to be consequential damages. Owner shall be entitled to withhold further payments to Contractors until Owner determines that Contractors are entitled to further payments. Upon the equivalent of Final Completion, the total cost of the Work shall be determined, and Owner shall notify Contractors in writing of the amount, if any, that Contractors shall pay Owner. Contractors' aggregate liability pursuant to this Section 13.2 shall not exceed the aggregate limitation of liability set forth in this Contract.

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13.3 Termination of Contract for Owner Default. Notwithstanding anything to the contrary contained herein, Contractors shall not be entitled to terminate this Contract unless (i) Contractors give notice to Owner and the Financing Parties specifying the Owner Event of Default and (ii) Owner or the Financing Parties shall, within 60 Days after such notice, fail to cure any such Owner Event of Default. Contractors shall be entitled to suspend their performance of the Work during the foregoing 60 Day period.

13.4 Additional Obligations of Contractor on Termination. In the event of a termination of this Contract, Contractors shall, in addition to the provisions of Section 13.2 (if applicable): (i) stop the Work on the termination date, (ii) place no further orders or subcontracts, (iii) to the extent reasonably practicable, terminate all orders and subcontracts (unless otherwise requested by Owner) and (iv) take such action as may be necessary or as Owner may direct to (a) protect and preserve the Work, the Facility and other property of Owner related to this Contract in the possession of Contractors or any of their Subcontractors and in which Owner has or may acquire an interest and (b) deliver or convey title to the Work and other property mentioned in clause (a) above to Owner free and clear of any liens due to the action or omission of Contractors or any of Contractors' Subcontractors, agents or employees, provided that, in the event of a termination for Owner Default pursuant to Section 13.3 or a termination for convenience pursuant to Section 13.5, Contractor shall only be obligated to take the action required by this clause (b) upon payment of the amounts owed to it under Section 13.6.

13.5 Termination for Convenience. Owner may terminate this Contract at any time for its convenience. Upon such termination for convenience, Owner shall be obligated to pay Contractors any amounts required pursuant to Section 13.6.

13.6 Amounts Owed to Contractors Upon Termination. In the event that this Contract is terminated pursuant to Section 7.18, 13.3, 13.5 or 21.3, Owner shall pay to Contractors (x) in the case of a termination pursuant to Section 7.18, 13.3 or 21.3, all sums due to Contractors by the date of such termination in accordance with the Milestone Payment Schedule and any additional Work which is documented and evidenced by Contractors to have been performed pursuant to and in accordance with this Contract and to have not otherwise been paid to Contractors and any reasonable and documented costs and expenses incurred by Contractors directly resulting from demobilizing from the Facility, cancellation of any contracts relating to the Work as a direct result of the termination of this Contract and any other legal liability actually imposed on Contractor directly as a result of the termination of this Contract or (y) in the case of a termination pursuant to Section 13.5 the amount provided in the termination schedule in Exhibit A, less in each case (i) amounts necessary to compensate Owner for any uncorrected Defects or Flaws and (ii) an amount equal to the amount owed by Contractors to Owner pursuant to the terms hereof. If payments already made to Contractors prior to termination are more than the then-applicable termination charges, Contractors shall promptly pay Owner the difference.

13.7 Rejection. If by or after the Date Certain, Contractors fail or have failed, after at least one attempt of the Substantial Completion Performance Tests, to achieve the Minimum Performance Levels, Owner shall have the right to reject the Facility by giving notice of such rejection to Contractors. Within 10 Days of the delivery of such rejection notice, Contractors shall pay to Owner an amount equal to the Contract Price less any liabilities or damages

previously paid by Contractors to Owner pursuant to the terms of this Contract (other than those liabilities or damages which are stated to be unlimited in Section 11.2(i) and (ii)). Upon such indefeasible payment this Contract shall terminate and Owner shall convey and assign the Facility to Contractors, subject to any liens and encumbrances thereon. It is understood and agreed that the remedy expressly provided in this Section 13.7 is Owner's sole and exclusive remedy against Contractors with respect to Owner's rejection of the Facility, and Owner hereby waives any and all other remedies that Owner may have at law or otherwise (including specific performance) against Contractors with respect to its rejection of the Facility. Any amounts paid by Contractors pursuant to this Section 13.7 shall not be considered to be consequential damages.

SECTION 14 REPRESENTATIVES AND COORDINATION; FINANCING

14.1 Contractors' Project Manager.

(a) During the performance of the Work at the Site, On-Shore Contractor shall have a representative designated by it to act as project manager, who shall be the principal representative of On-Shore Contractor and shall devote all of his time to the Work. The name of the project manager shall be provided to Owner within 10 Days after the execution of this Contract. The project manager shall have all necessary power and authority to act in representation and on behalf of On-Shore Contractor, as documented in a reasonable manner.

(b) On-Shore Contractor's project manager shall have all requisite experience for the management and inspection of the performance of the Work. Unless the project manager ceases to be employed by On-Shore Contractor, On-Shore Contractor shall not change its project manager without the consent of Owner. Owner shall have the right to request that On-Shore Contractor change the project manager, provided that valid and justifiable reasons exist for such a change, in which case On-Shore Contractor shall appoint a new project manager within 10 Days of receipt of such request.

14.2 Space Requirements of Owner. On-Shore Contractor shall provide office space and secretarial services for Owner's Representative in On-Shore Contractor's offices located at the Facility Site and, if appropriate, in the offices of each Subcontractor during the performance of the Engineering, supply, construction and Tests of the Facility.

14.3 Independent Engineer. The Parties acknowledge that the Financing Parties may appoint an independent engineer ("Lenders' Independent Engineer") under and pursuant to the Financing Agreements, and the Parties agree to work with such Lenders' Independent Engineer to the extent required by this Contract.

14.4 Owner's Engineer. The Parties acknowledge that the Owner may also appoint an independent engineer ("Owner Engineer"), and the Parties agree to work with such Owner Engineer. Owner shall also, on execution of this Contract, notify Contractors in writing of the person whom Owner has appointed as its representative, who shall have full authority to represent and act for Owner at all times during performance of this Contract. The Contractors shall comply with all written instructions given by such representative in accordance with this Contract.

14.5 Financing. Contractors shall deliver to Owner all documentation and information reasonably requested by Owner in connection with Owner's obtaining any financing from a Financing Party. At Owner's request, Contractors shall amend this Agreement to include any provision which may reasonably be requested by Financing Parties; provided, however, that such amendment does not impair any of Contractors' rights under this Agreement or materially increase the burdens or obligations of Contractors hereunder or materially decrease the burdens or obligations of Owner hereunder, which in any such case, the Contractors shall be entitled to request the issuance of an appropriate Change Order under Section 6.

SECTION 15 SUBCONTRACTS

15.1 Right to Subcontract. Contractors may enter into subcontracts with respect to the Work with those Subcontractors agreed to between Owner and Contractors as set forth in Exhibit Y. Contractors shall not enter into subcontracts with any Subcontractors not set forth in Exhibit Y without the prior written consent of Owner.

15.2 Contractors Not Released. Without the express written consent of Owner, nothing contained herein or in any subcontract or purchase order shall create any contractual relationship between Owner and any Subcontractor. Subcontracting of the Work by Contractors shall not relieve Contractors of any of their duties, liabilities or obligations under this Contract. Contractors are responsible for the Work, and ensuring that the performance thereof conforms in all respects to the requirements of this Contract, regardless of any failure of any Subcontractor to perform or any disagreement between any Subcontractors or between any Subcontractor and Owner or between any Subcontractor and Contractors. Contractors shall furnish such information relative to its Subcontractors as Owner may reasonably request.

SECTION 16 ASSIGNMENT

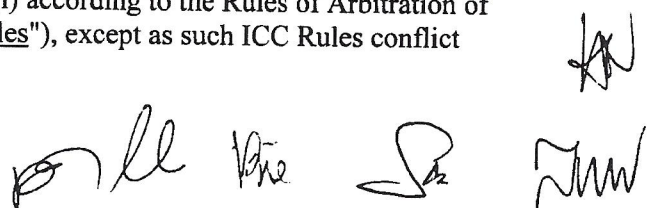
The Contract shall not be assigned by any Party without prior written consent of the other Parties, except that Owner may, without the prior consent of Contractors, assign all or a portion of its rights in and to this Contract to the Financing Parties and, in such event, Contractors shall provide a separate written consent if required by the Financing Parties. This Contract shall inure to the benefit of the Parties and their respective successors and permitted assigns.

SECTION 17 DISPUTE RESOLUTION

17.1 Arbitration.

(a) Any dispute arising under this Contract (including any dispute regarding choice of law issues) that cannot be resolved by the good faith negotiation of the Parties within 45 Days shall be resolved by arbitration commenced within 10 Days after the delivery of a notice of arbitration by one Party to the others.

(b) The arbitration shall be conducted (i) according to the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules"), except as such ICC Rules conflict

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with this Section 17 and (ii) in English at a site in New York City, New York or another mutually agreeable location. All documents or evidence in a language other than English shall be accompanied by a certified English translation thereof.

(c) The arbitral tribunal shall consist of three arbitrators. Each of Owner and the Contractors collectively shall appoint one arbitrator. The two arbitrators so appointed shall appoint the third arbitrator who shall serve as the chairman of the arbitral tribunal. If a Party fails to appoint its arbitrator within a period of 10 Days after receiving notice of the arbitration, or if the two arbitrators appointed cannot agree on the third arbitrator within a period of 10 Days after appointment of the second arbitrator, then such arbitrator shall be appointed pursuant to the procedures of the ICC Rules.

(d) In the event an arbitrator is appointed pursuant to the last sentence of Section 17.1(c), such arbitrator shall be a person with experience in international commercial agreements and, in particular, the implementation and interpretation of contracts relating to the design, engineering, construction, operation and maintenance of electrical power generating facilities and the development of infrastructure-related facilities which have been financed on a limited recourse basis (and if the dispute concerns a technical issue, a person who has knowledge and experience in technical matters). No arbitrator shall be a present or former employee or agent of, or consultant or counsel to, any Party or any Affiliate thereof.

(e) The arbitrators shall decide the dispute by majority of the arbitral tribunal and shall state in writing the reasons for its decision. Any monetary award of the arbitral tribunal shall be denominated and payable in United States Dollars and in immediately available funds; provided, however, that any monetary award regarding payment under this Contract in a currency other than Dollars shall be denominated in the currency of such payment.

(f) The Parties hereto hereby waive any rights to appeal or to review such award by any court or tribunal, and such award shall be considered as final and binding. The Parties further undertake to carry out without delay the provisions of any arbitral award or decision, and each agrees that any such award or decision may be enforced by any court tribunal having jurisdiction. Each Party may publicize or otherwise disclose to others the contents of any decision of the arbitral tribunal.

(g) The costs of such arbitration shall be determined by and allocated between the Parties by the arbitral tribunal in its award.

17.2 Continuation of Performance. Unless expressly stated otherwise herein, or otherwise agreed to in writing, Owner and Contractors shall continue to perform their respective obligations, including any payment obligations, under this Contract during the pendency of any dispute or proceeding under this Section 17.

SECTION 18 APPLICABLE LAW

This Contract and its performance are private and commercial acts (and not public or administrative acts) governed by the law of the State of New York, United States of America, without regard to principles of conflicts of laws (other than Section 5-1401 of the New York

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General Obligations Law) except to the extent that Brazilian laws must be applied in which case the parties agree that such laws shall apply.

SECTION 19 CONFIDENTIALITY

The Parties acknowledge and understand that in the course of performance of the Work, each may be exposed (or have been exposed to) sensitive commercial and proprietary information developed by the other Party through great expense over a long period of time and that the disclosure of such information to a Person not being a party could cause irreparable harm to the other Parties. Accordingly, the Parties agree to exercise reasonable precautions to safeguard the confidential or proprietary nature of such information which is marked or reasonably understood by the Parties to be confidential and the Parties shall prevent the unauthorized disclosure or use of such information without the prior written consent of the relevant Party. Each Party agrees not to use such information for any purpose not connected to their involvement with each other pursuant to this Contract. This obligation of confidentiality shall not apply to information (i) which is in the public domain or enters the public domain other than by breach of this Contract, (ii) which is revealed to a Party by a Person not bound to an obligation of confidentiality to a Party to this Contract or (iii) which can be shown to have been previously known or independently developed by a Party. The provisions of this Section 19 shall survive for a period of five years after expiration of this Contract.

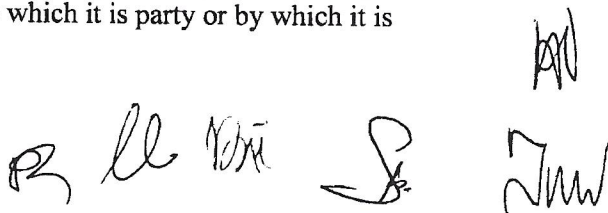
SECTION 20 REPRESENTATIONS AND WARRANTIES

20.1 Representations and Warranties of Contractors. Each Contractor represents and warrants that as of the date hereof:

(a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and On-Shore Contractor is authorized to do business in Brazil and in each other jurisdiction required for it to perform its obligations hereunder, and Off-Shore Contractor is authorized to do business in Switzerland and in each other jurisdiction required for it to perform its obligations hereunder. It has full power, authority and legal right to execute and deliver and perform its obligations under this Contract. This Contract has been duly authorized, has been duly executed and delivered by its legal representative and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except to the extent that such enforcement may be limited by any bankruptcy, agreement of creditors, insolvency, moratorium or similar laws affecting generally the enforcement of creditors' rights.

(b) The execution and delivery of, and performance by it of its obligations under, this Contract will not result in a violation of, or be in conflict with, any provision of its organizational or authorizing documents or constitute a default under any contract, agreement or other instrument to which it is a party or by which it is bound, or result in a violation of, or be in conflict with any term or provision of, any law or rule applicable to or binding upon it.

(c) It is not in default under any mortgage, loan agreement, deed of trust, indenture or other agreement evidencing indebtedness to which it is party or by which it is



bound, or in violation of, or in default under, any Laws which default or violation would materially and adversely affect its ability to perform its obligations under this Contract.

(d) There is no pending action, suit, proceeding, inquiry or investigation against it, at law or in equity or before or by any Governmental Authority, of which it has received notice, or which to its knowledge is threatened which would materially and adversely affect its ability to perform its obligations under this Contract.

(e) It has familiarized itself with the design and operating parameters of the Facility, the Actual Site Conditions, Petrobras requirements referred to in Section 2.8, its obligations under this Contract, Contractor's Permits, Owner's Permits (subject to Section 3.25), Applicable Laws and the other factors and conditions it considers relevant to performance of the Work (including labor conditions in Brazil) and, unless otherwise expressly stated in this Contract, has accepted the same as satisfactory for performance of the Work.

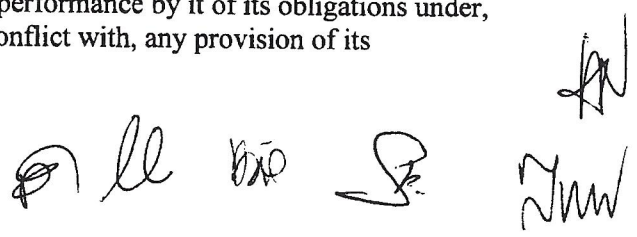
(f) It has substantial experience in the engineering, procurement and construction of electric generating facilities comparable to the Facility and is or are fully qualified to engineer, procure, construct, test, operate and deliver the Facility and otherwise perform the Work in accordance with this Contract.

(g) All statements and all information furnished by Contractors to Owner in (i) this Contract, (ii) the term sheet relating to this Contract, dated September 17, 1999 (including the cover letter related thereto dated November 9, 1999), (iii) the Technical Volume 1 of the proposal of June 21, 1999 made by the Contractors to Owner relating to this Contract and (iv) all financial statements delivered by the Contractors on their behalf or on behalf of the guarantor under the Construction Contract Guaranty, were, and continue to be true and correct in all material respects (unless, in the case of a conflict between the terms of the Contract, the term sheet and the proposal, the terms of this Contract shall prevail), and such information does not omit to state any material fact necessary to prevent such information, as a whole, from being misleading to a reasonable person, given the circumstances under which such information was provided. For avoidance of doubt, any sales documentation included in any of the above documents as well as the Commercial Volume of the proposal of June 21, 1999 are expressly excluded from this representation and warranty.

20.2 Representations and Warranties of Owner. Owner represents and warrants that as of the date hereof:

(a) It is duly organized, validly existing and in good standing under the laws of Brazil. It has full power and authority and legal right to execute and deliver and perform its obligations under this Contract. This Contract has been duly authorized, has been duly executed by its legal representative and constitutes a legal, valid and binding obligation of Owner, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by any bankruptcy, agreement of creditors, insolvency, moratorium or similar laws affecting generally the enforcement of creditors' rights.

(b) The execution and delivery of, and performance by it of its obligations under, this Contract will not result in a violation of, or be in conflict with, any provision of its

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organizational or authorizing documents, or constitute a default under any contract, agreement or other instrument to which it is a party or by which it is bound, or result in a violation of, or be in conflict with, any term or provision of any law or rule binding upon or applicable to it.

(c) It is not in default under any mortgage, loan agreement, deed of trust, indenture or other agreement evidencing indebtedness to which it is party or by which it is bound, or in violation of, or in default under, any Laws which default or violation would materially and adversely affect its ability to perform its obligations under this Contract.

(d) There is no pending action, suit, proceeding, inquiry or investigation against it, at law or in equity or before or by any Governmental Authority, of which it has received notice, or which to its knowledge is threatened, which would materially and adversely affect its ability to perform its obligations under this Contract.

(e) All statements made and all information furnished by Owner to Contractors were, and continue to be, true and correct in all material respects, and such information does not omit to state any material fact necessary to prevent such information, as a whole, from being misleading given the circumstances under which such information was provided.

SECTION 21 FORCE MAJEURE

21.1 Effect of Force Majeure. Neither Owner nor Contractors shall be liable for damages, claims or suits of any nature arising out of delays or noncompliance of its obligations under this Contract when such delay or noncompliance is attributable to Force Majeure. The party invoking Force Majeure shall give written notice to the other party (i) immediately following the occurrence of the event of Force Majeure, specifying the details and the anticipated duration thereof and (ii) once the party is no longer prevented from performing its obligations under this Contract as a result of Force Majeure.

21.2 Burden of Proof. In the event that a Party fails to acknowledge the occurrence of an event of Force Majeure, the Party claiming Force Majeure shall bear the burden of proof.

21.3 Termination. If the effect of a Force Majeure event prevents either the Contractors or Owner from fulfilling its or their obligations hereunder for more than 12 months in the aggregate, then either Contractors or Owner may, at any time following the end of such period, terminate this Contract upon written notice to the other party, except as to any amounts which may be payable pursuant to Section 13.6; provided, however, that such notice of termination must be given during the period that performance continues to be delayed or prevented by the Force Majeure event. Notwithstanding the foregoing sentence, if the effect of a Force Majeure event continues for at least 180 consecutive Days, the Contractor shall have the right to receive reasonable compensation for any reasonably documented and evidenced costs directly attributable to such Force Majeure related delay commencing on and after such 180 Day period.

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[signature]
[signature]

SECTION 22 NOTICES

22.1 Notices. All notices, requests, claims, waivers and any other communications relating to this Contract shall be made in writing and shall be deemed to have been made on the date on which said notices are received by the addressee at the address indicated below, or if received by facsimile, at the respective numbers set forth below. Any Party may change the domicile or facsimile number indicated below by sending a notice to the other Party in the manner indicated.

To Contractors: ABB Alstom Power Brasil, Ltda.
Av. das Nações Unidas, 4777- 16º andar
05477-000- São Paulo- SP- Brasil
(Tel): 55-11-3024-4621
(Fax): 55-11-3024-4639

To Owner: Termobahia Ltda.
Rua Eteno 2406
Complexo Básico Camaçari
Bahia, Brasil C.E.P. 43,970-000
Attn: President
(Tel): 55-71-604-2852
(Fax): 55-71-604-2273

22.2 Change of Address. A Party may change its address by notice to the other Party in the manner indicated in Section 22.1.

22.3 Legal Notices. Notices of a legal nature shall be made pursuant to and in the manner established by Applicable Laws.

SECTION 23 MISCELLANEOUS

23.1 Language and Units. The official language of this Contract shall be English. All drawings and communications, training, training materials, and Operation and Maintenance Manuals shall be provided in English. Upon Owner's reasonable request, any of the foregoing shall be translated promptly to the Portuguese language at Owner's expense. Units and measures shall be in SI units.

23.2 Title. Title to all Materials shall pass to Owner upon the earliest of the following: (i) the date said Materials are shipped from Contractors or any Subcontractors to the Facility, (ii) the date payment for said Materials is made by Owner, (iii) incorporation thereof into the Facility and (iv) termination of this Contract. It is expressly understood and agreed, however, that the passage of title shall not release Contractors from Contractors' responsibility to perform fully their obligations hereunder. Care, custody and control of the Facility shall pass to Owner in accordance with Section 3.13.

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23.3 Independent Contractors. Contractors shall be and shall act as an independent Contractors throughout the performance of the Work. Contractors shall not represent, nor have any authority to bind or otherwise create any obligation on the part of Owner.

23.4 Data and Documentation.

(a) The reports, recommendations, specifications, drawings, technical data, sketches and any information contained therein furnished by Contractors in connection with its performance under this Contract shall be the property of Owner, except for such of the same as are subject to copyright and other intellectual property protection, including any proprietary information, as to which Owner is and shall be granted an irrevocable license to use the same for any purpose in connection with the operation, maintenance, repair and use of the Facility and the remainder of the Work.

(b) Regardless of the receipt of any data or information or the approval thereof by Owner, Contractors shall not be relieved from the obligation of compliance with all of the terms and provisions of this Contract.

23.5 No Waiver. Failure of any Party at any time to require the other Parties' performance of any obligation under this Contract shall not affect the right to require performance of that obligation at any other time. No review or approval by Owner, Owner's Representative, the Financing Parties or an Independent Engineer of, or comments by any such person on, any document, drawing, design, plan or procedure proposed by Contractors shall waive or release any right of Owner or relieve Contractors of any obligation to perform the Work in all respects in accordance with this Contract.

23.6 Headings. Section and Exhibit headings have been inserted for ease of reference only and shall not be used in the construction or interpretation of this Contract.

23.7 Severability. If any provision of this Contract shall be determined by a Governmental Authority of competent jurisdiction to be invalid or unenforceable for any reason, the Parties shall use their best efforts to negotiate an equitable adjustment to this Contract with a view toward achieving the original purpose and intent of this Contract; provided, however, that the validity or enforceability of the remaining provisions of this Contract, or any portions or applications thereof, shall not be affected by the unenforceability or invalidity of any other provision of this Contract, and any invalid or unenforceable provision shall be deemed severed from the remainder of this Contract.

23.8 Entire Agreement. As of date hereof, this Contract, the Contractors' letter to Owner dated July 20, 2000, and the other agreements between the Contractors and Owner expressly referred to herein set forth the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes any and all prior agreements and discussions with respect thereto.

23.9 Amendment or Waiver. No amendment, modification, limitation or waiver of this Contract or of any provision hereof shall be binding on either party unless in writing and signed by a duly authorized officer or representative of each of the Parties; provided, however, that no waiver shall be construed as a waiver of any continuing or succeeding breach of such provision,

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a waiver or modification of the provision itself, or a waiver or modification of any right under this Contract, unless the instrument constituting the waiver so states.

23.10 Further Assurances. If any Party reasonably determines that any further instruments or any other acts or things are necessary or desirable to carry out the terms of this Contract, the other Parties will execute and deliver all such instruments and assurances and do all such things as the first Party reasonably deems necessary or desirable to carry out the terms of this Contract (at the cost of the first Party).

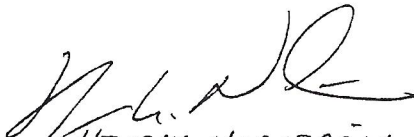
23.11 Survival of Obligations. The termination, expiration or cancellation of this Contract shall not release the Parties of the obligations that, by their very nature, should survive such termination, expiration or cancellation, including without limitation, obligations regarding confidentiality, indemnification and any warranty obligations.

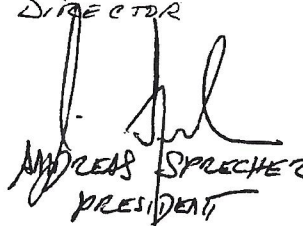
23.12 No Third Person Rights. NO PERSON SHALL HAVE ANY RIGHTS OR INTERESTS, DIRECT OR INDIRECT, HEREIN BY REFERENCE OR OTHERWISE EXCEPT THE PARTIES HERETO AND EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS CONTRACT. Nothing herein shall be considered to make Contractors a party to any other agreement related to the Facility or the Site which Contractors have not executed as a party named therein.

23.13 Counterparts. The Parties may execute this Contract in separate counterparts, each of which shall be an original but all of which shall when executed constitute one and the same instrument.




IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their duly authorized officer or representative as of the day and year first written above.


HENRIK NORSTRÖM
DIRECTOR


ANDREAS SPRECHER
PRESIDENT

TERMOBAHIA LTDA.

By: 
Name: LUIS CARLOS MOREIRA DA SILVA
Title: COORDENADOR DE PROJETOS


By: 
Name: AURELIO OLIVEIRA TELLES
Title: MEMBER OF BOARD OF DIRECTORS

ABB ALSTOM POWER (SWITZERLAND) LTD.

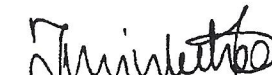
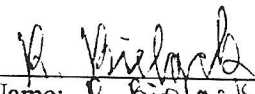
By: 
Name: Beat Imwinkelried
Title: Vice President

ABB ALSTOM POWER BRASIL LTDA.

By: 
Name: R. Biplack
Title: Project Manager

