

Company No. 2586357

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DATE: 10/6/97

NAME:
SOLICITOR
ENRON HARNEK SHOKER

THE COMPANIES ACT 1985

AN UNLIMITED COMPANY HAVING
A SHARE CAPITAL

ARTICLES OF ASSOCIATION

of

SUTTON BRIDGE POWER

incorporated 27 February, 1991

(Incorporating all amendments up to 5th June, 1997)



ENRON EUROPE LIMITED

Legal Department
Four Millbank
London, SW1P 3ET
Ref: JAC

Company No. 2586357

THE COMPANIES ACT 1985

AN UNLIMITED COMPANY HAVING
A SHARE CAPITAL

ARTICLES OF ASSOCIATION

of

SUTTON BRIDGE POWER

PRELIMINARY

- 1.1 The regulations contained in Table A in the Schedule to the Companies (Table A to F) Regulations 1985 (as amended) ("Table A") shall apply to the Company save insofar as they are excluded or modified hereby.
- 1.2 The regulations of Table A numbered 2, 3, 24, 25, 32, 34, 35, 38, 40, 41, 60, 61, 64, 73, 74, 75, 76, 77, 78, 79, 80, 81, 84, 94, 95, 96, 97, 98 and 115 shall not apply. The regulations of Table A numbered 37, 45, 46, 53, 59, 62 and 68 shall be modified. Subject to such exclusions and modifications, and in addition to the remaining regulations of Table A, the following shall be the articles of association of the Company.
- 1.3 Where an ordinary resolution of the Company is expressed to be required for any purpose, a special or extraordinary resolution shall also be effective, and where an extraordinary resolution is expressed to be required for any purpose, a special resolution shall also be effective.
- 1.4 In these articles the following definitions shall apply:

"Affiliate of the Operator" means any subsidiary or parent undertaking of General Electric International, Inc. or any other subsidiary undertaking of that parent undertaking (as those terms are defined by Section 258 of the Companies Act 1985 (as amended); and

"Control" means:

- (i) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors of a company as are able to cast a majority of the votes capable of being cast by members of that board; or
- (ii) the holding of (or possession of the beneficial interest in) shares or other securities in any company which in aggregate confer on the holders thereof in excess of 50 per cent. of the total voting rights exercisable at general meetings of that company.

SHARE CAPITAL

- 2. At the date of adoption of these articles, the authorised share capital of the Company is £50,000,000 divided into 50,000,000 ordinary shares of £1 each.
- 3. The Company may by special resolution:-
 - 3.1 increase the share capital by such sum to be divided into shares of such amount as the resolution may prescribe;
 - 3.2 consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
 - 3.3 subdivide its shares, or any of them, into shares of a smaller amount than its existing shares;
 - 3.4 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; or
 - 3.5 reduce its share capital and any share premium account in any way.
- 4. Subject to the provisions of these articles and the Act, the directors shall have authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares (whether forming part of the original or any increased share capital) on such terms and conditions as the Company may by ordinary resolution determine.
- 5. The pre-emption provisions of sub-section 89(1) of the Act and the provisions of sub-sections 90(1) to (6) inclusive of the Act shall not apply to any allotment of the Company's equity securities.

NOTICE OF GENERAL MEETINGS

- 6. Regulation 37 of Table A shall be modified by the deletion of the words "eight weeks" and the substitution for them of the words "twenty-eight days".
- 7. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or an elective resolution shall be called by at least twenty-one clear days' notice. All other extraordinary general meetings shall be called by at least

seven clear days' notice but a general meeting, other than a meeting called for the passing of an elective resolution, may be called by shorter notice if it is so agreed:

- 7.1 in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and
- 7.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote, being (i) a majority together holding not less than such percentage in nominal value of the shares giving that right as has been determined by elective resolution of the members in accordance with the Act, or (ii) if no such elective resolution is in force, a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.

PROCEEDINGS AT GENERAL MEETINGS

- 8.1 No business shall be transacted at any general meeting unless a quorum is present.
- 8.2 A quorum shall be one member present in person or by proxy or a representative duly authorised.
- 8.3 A corporation which is a member of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company. The person so authorised is entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member. Unless the directors otherwise decide, a copy of such authority certified notari ally or in some other way approved by the directors shall be left at or sent by post or facsimile transmission to the office or such other place within the United Kingdom as the directors may determine before such representative is entitled to exercise any power on behalf of the corporation which he represents.
9. A poll may be demanded by the chairman or by any member present in person or by proxy or a representative and entitled to vote and regulation 46 of Table A shall be modified accordingly.
10. Regulation 53 of Table A shall be modified by the addition at the end of the following sentence: "If such a resolution in writing is described as a special resolution or as an extraordinary resolution or as an elective resolution, it shall have effect accordingly."
11. Regulation 59 of Table A shall be modified by the addition at the end of the following sentence: "Deposit of an instrument of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of the meeting."
12. An instrument appointing a proxy shall be in writing in any form which is usual or of which the directors may approve and shall be executed by or on behalf of the appointor.
13. Regulation 62 of Table A shall be modified by the deletion in paragraph (a) of the words "deposited at" and by the substitution for them of the words "left at or sent by post or by facsimile transmission to", by the substitution in paragraph (a) of the words

"one hour" in place of "48 hours" and by the substitution in paragraph (b) of the words "one hour" in place of "24 hours".

- 14.1 If to the knowledge of the directors any manufacturer of gas or steam power generation turbines which is not an Affiliate of the Operator (a "Disqualified Person") acquires Control of the Company, whether through the acquisition of a beneficial or other interest in any shares in the Company, or through an interest in any member, or through any contractual or other arrangement with a member, then in respect of the shares through or by virtue of which such Control is achieved (including any further shares which are issued in respect of such shares) the directors shall by notice in writing to the relevant member direct that the member shall not (for so long as the Company continues to be under the Control of the Disqualified Person) be entitled to attend or vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership.
- 14.2 Any decision or exercise of any discretion or power under these provisions by the directors or any director or by the chairman of any meeting (including, without limitation, any decision as to whether Control has been acquired by a Disqualified Person) shall be final and conclusive. The provisions of this Article shall apply notwithstanding any other provisions of these Articles which may be inconsistent with the provisions hereof.

NUMBER OF DIRECTORS

15. The number of directors (other than alternate directors) shall not be subject to any maximum and the minimum number shall be one.

ALTERNATE DIRECTORS

16. Any director (other than an alternate director) may appoint any person willing to act to be an alternate director and may remove from office any alternate director so appointed by him and the alternate need not be approved by resolution of the directors.
17. Regulation 68 of Table A shall be modified by the addition at the end of the following sentence: "Any such notice may be left at or sent by post or facsimile transmission to the office or such other place as may be designated for the purpose by the directors."

POWERS OF DIRECTORS

18. The directors may exercise all the powers of the Company to borrow and raise money and to mortgage and charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.
19. The holders for the time being of a majority of the ordinary shares of the Company in issue from time to time may from time to time appoint or remove a director by notice in writing served on the Company and signed by the persons appointing or removing the director. In the case of a corporation the notice may be signed on its behalf by a director or the secretary of the corporation or by its duly appointed attorney or duly authorised representative.

20. The directors shall not be subject to retirement by rotation. Regulations 73, 74 and 75 of Table A shall not apply, and reference in any other regulation to retirement by rotation shall be disregarded.
21. No person shall be or become incapable of being appointed a director by reason only of his having attained the age of seventy or any other age nor shall any special notice be required in connection with the appointment or the approval of the appointment of such person, and no director shall vacate his office at any time by reason only of the fact that he has attained the age of seventy or any other age. Section 293 of the Act shall not apply to the Company.

DISQUALIFICATION AND REMOVAL OF DIRECTORS

22. No person shall be appointed a director (and any purported appointment shall be invalid) if as a consequence of such appointment the Company would come under the Control of any Disqualified Person.
23. The office of a director shall be vacated if:
- 23.1 he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director;
 - 23.2 he becomes bankrupt or makes any arrangement or composition with his creditors generally;
 - 23.3 he becomes, in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director;
 - 23.4 he resigns his office by notice in writing to the Company; or
 - 23.5 he shall for more than six consecutive months have been absent without permission of the directors from meetings of directors held during that period and his alternate director (if any) shall not during this period have attended any meetings instead of him, and the directors resolve that his office be vacated.
24. Without prejudice to the obligation of any director to disclose his interest in accordance with section 317 of the Act, a director may vote at a meeting of directors or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty and if he does so vote his vote shall be counted and he shall be counted in the quorum present at a meeting in relation to any such resolution.

PROCEEDINGS OF DIRECTORS

25. Any director or his alternate may validly participate in a meeting of the directors or a committee of directors through the medium of conference telephone or similar form of communication equipment provided that all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Subject to the Act, all business transacted in such manner by the directors or a committee of the directors shall for the purposes of the articles be deemed to be validly and effectively transacted at a meeting of the directors or of a committee of the directors notwithstanding that fewer than two directors or

alternate directors are physically present at the same place. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

26. If and for so long as there is a sole director, he may exercise all the powers conferred on the directors by the articles by resolution in writing signed by him, and regulations 88, 89, 91, 92, and 93 of Table A shall not apply.
27. The directors shall refuse to register a proposed transfer of any shares to any Disqualified Person.
28. In the case of an equality of votes on a question arising at a meeting of directors, the chairman shall not have a second or casting vote and regulation 88 shall be deemed to be amended accordingly. In the case of an equality of votes on a question arising at a meeting of directors, the question shall be referred forthwith by the directors to the members for resolution.
29. Subject to the provisions of the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every director, alternate director, secretary, auditor or other officer or employee of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses, damages and liabilities which he may sustain or incur in or about the execution of his duties or the exercise of his powers or otherwise in relation thereto including, without prejudice to the generality of the foregoing, any liability incurred defending any proceedings, whether civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company in which judgement is given in his favour or in which he is acquitted, or which are otherwise disposed of without any finding or admission of material breach of duty on his part or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.
30. The directors may exercise all the powers of the Company to purchase and maintain for any director, auditor or other officer (including former directors and other officers) or any other person insurance against any liability for negligence, default, breach of duty or breach of trust or any other liability which may lawfully be insured against.