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ENCLOSURE NO. 2

AGREEMENT DRAWN UP ON 11TH FEBRUARY 1946 BETWEEN THE
ITALIAN MINISTER OF AERONAUTICS, AND THE TRANSCONTINENTAL
AND WESTERN AIR, INC. (TWA)

Considering that the Italian Government intends to encourage the resumption with all possible speed of an efficient Italian civilian air service for the transportation of passengers, goods and mail, both in Italy and, in so far as it may be permitted, with foreign territories;

Considering that the aforesaid Italian Government considers it advantageous to avail itself for this purpose of the equipment and good will of Transcontinental & Western Air, Inc., (TWA), which is willing to cooperate in securing the achievement of this purpose in the best and most rapid way on the conditions stated below;

Considering that TWA has already secured from the Civil Aeronautics Board of the United States authorization to engage in the transportation by air of passengers, goods and mail between the United States of America and Italy:

The Minister of Aeronautics, in accord with the President of the Council of Ministers and with the Minister of Finance, and Mr. Richard Mazzarrini, regional manager of TWA, under authority of the attached power of attorney of said Corporation, also representing in this act the Chairman of the Board of TWA General Thomas B. Wilson, domiciled in Washington, D.C., U.S.A., on behalf of TWA, have agreed as follows:

1) Within 60 days of the signing this agreement an Italian share company will be formed with the participation of TWA, for the object of operating air lines in Italy and to the extent permitted in other countries and for carrying on all other operations connected with that object. To achieve this aim the Minister of Aeronautics shall propose at once to the Council of Ministers the issue of a decree-law authorizing the formation of the said company.

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In particular, the new company may:

- a) purchase, erect, operate and take over under concessions, aerodromes, hangars, workshops, buildings and structures of any kind intended for the service of air navigation;
- b) set up and operate all services which directly or indirectly form part of or are of interest to the Company's business or in any way connected therewith, as, for instance, hotels, automobile and motor-bus services between the airports and towns, etc.;
- c) engage and train employees for all the services referred to under the previous letter;
- d) carry out all the operations and exercise all the economic, industrial and financial activities which directly or indirectly contribute to the improvement and more efficient working of air transportation services.

2) The company - which will have a duration of fifteen years - will be registered under the name of "Linee Aeree Italiane - Societa per azioni" (LAI) (Italian Air Lines, Incorporated). The share capital, the amounts of which will be fixed by agreement between the participating members when the deed setting up the Company is drawn up, will be subscribed in cash or by grants in kind - as duly agreed to by the participating members - to the extent of 40% by TWA and of 60% by the State or by Corporations designated for that purpose by the Italian Government and/or Italian nationals or juridical persons of Italian nationality, the participation of which Corporations and persons must, however be previously notified to and accepted by TWA.

The shares of the LAI to be formed may not be transferred without the consent of the Board of Directors.

3) At any time after two years from the date of registration of LAI, TWA will have the right to require, provided notice of such request has been served six months in advance, that the Italian Government purchase or cause to be purchased by Italian interests the shares registered in TWA's name at a price correspond-

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ing to the value of the Company's assets as shown by the last balance-sheet, plus interest at 5% per annum on the nominal value for no more than the first five years, less the total amount of dividends received.

Should TWA avail itself of this right, it shall also be entitled to receive, simultaneously with the receipt of the amount payable for the shares, any sums which may be due to it for whatsoever reason from LAI.

LAI will provide for these payments, and in the event of default, the Italian Government will replace the said Company as regards any claims to which TWA is entitled.

4) The Italian Government shall grant exclusively for a period of ten years to LAI the right to operate the following air lines, also shown on the attached map, for the transportation of passengers, goods and mail on conditions to be fixed in a convention to be drawn up between the Ministry of Aeronautics and the said Company:

- (a) Rome-Genoa; (b) Rome-Milan; (c) Rome-Venice, Bolzano;
- (d) Rome-Bari-Lecce; (e) Rome-Naples-Bari-Lecce; (f) Rome-Palermo; (g) Rome-Cagliari; (h) Turin-Milan-Venice-Trieste;
- (i) Rome-Florence-Turin; (j) Rome-Florence-Bologna-Milan;
- (k) Rome-Naples-Palermo-Catania; (l) Rome-Alghero-Cagliari;
- (m) Genoa-Porto Canto-Cagliari-Palermo-Catania-Reggio Calabria; (n) Cotrone-Bari-Ancona-Venice.

Moreover, the Italian Government empowers LAI to hire out airplanes and to make flights over routes not included in those of LAI, and will do its utmost to facilitate this branch of the Company's business.

5) As regards the mail service, subject to the necessary agreement with the Post and Telegraph Ministry, it is agreed that in the deeds making the concessions, the right to carry mail will be granted without any limitations, and therefore will cover the right to carry parcels by post.

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6) The Italian Government will grant the LAI for the whole duration of the concession the gratuitous use of the Government airports selected as the regular starting and landing stations of the lines and of its emergency landing grounds along the routes, and of all hangars, warehouses, equipment and aeronautic services owned by the government or operated by it in the aforesaid airports and landing grounds.

The Italian Government shall moreover give its full support to the Company for securing the use of the airports, landing grounds and services above referred to for which the consent of the General Headquarters Command of the Allied Forces in Italy is required.

7) Besides granting LAI under the provisions of the previous article, the gratuitous use of the wireless land stations of the several administrations, subject to understandings with each administration, the Italian Government will empower the said Company to open and operate any other wireless stations it may deem necessary for the safety of the flying services.

8) The customs' exemptions and fiscal facilities contemplated by the R.D.L. of October 23, 1927, no. 2323, amended by the Act of January 17, 1929, no. 95, will be granted to LAI, as also exemption from the general tax on the price of all importations mentioned under art. 1 and 2 and for the acts referred to under art. 3 of the aforesaid R.D.L. of October 23, 1927, no. 2323.

9) LAI will be administered by a Board of Directors of ten members, four of whom will be nominated by TWA. The Board will elect from among its members its President who will be of Italian nationality and a Vice President who will be a citizen of the United States of America. The board will also elect a managing Director of Italian nationality who will also act as General Manager of the Company.

The Company will have in addition a Technical Manager and a Business Manager, both acceptable to TWA.

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The accounts of LAI will be supervised by a Board of Audit, consisting of five full members of whom two will be designated by TWA.

10) Unless otherwise arranged between the parties to this agreement:

- a) at a General Shareholders' Meeting, be it a first or second meeting - special or ordinary - a resolution shall be deemed passed when approved by a majority of at least two-thirds of the capital stock of the company.
- b) at Board Meetings a resolution shall be deemed passed when approved by a majority of at least two-thirds of the members of Board.

11) To ensure the satisfactory equipment and the most efficient operation of the services managed by LAI, TWA places at its service, and, insofar as necessary, at the service of the Italian Government, in return for reimbursement in the United States of actual expenses incurred, its own organization for the purchase outside of Italy of aircraft, spare parts, equipment, etc., and, if required, for the engagement of staff.

LAI, and should it be necessary the Italian Government, will grant TWA the requisite powers for making such purchases or engagements.

TWA also undertakes to arrange, if so requested by LAI, any conversion plans which may be necessary for adapting the aircraft purchased as above to the uses to which it would be put, and to carry out, or have carried out the said conversions. As soon as practicable, separate agreement will be made up between TWA and LAI setting forth the financial terms and other conditions under which the aforesaid services will be carried out by TWA.

12) The Italian Government, in accord with the Treasury Minister, will permit the transfer to TWA in the United States the amounts to which TWA will be entitled for dividends, or reimbursement of the capital invested by TWA in LAI.

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13) This agreement will remain in force for the whole duration of LAI and any subsequent prolongations, unless TWA should exercise the right stated under art. 3.

14) Any difference which may arise between the parties to this agreement pursuant to the interpretation of the clauses of same and/or its application, shall be submitted to a Board of Arbitrators. Such Board shall consist of three members which shall be appointed, on request of the parties, as follows: one by the Italian Minister of Aeronautics for the Italian Government; one by the Ambassador of the United States of America accredited to the Italian Government for TWA; and the other by the Swiss Minister accredited to the Italian Government. The latter member shall act as Chairman of the Board of Arbitrators.

The meetings of the Board of Arbitrators shall be held in Rome. The Board of Arbitrators shall try the case or cases submitted to them and shall issue their award according to the principles of justice and equity. The Board shall be free to set the procedure as they may think fit.

15) Any communications and notices to be served in relation to the agreement will be made:

- a) for the Italian Government, to the Ministry of Aeronautics - Department of Civil Aviation;
- b) for TWA, to 1740 G Street, Northwest, Washington, D.C., U.S.A., or to any other domicile TWA may hereafter notify for this purpose.

16) LAI will accept this agreement which will be signed for this purpose by its legal representatives as soon as registered.

17) The parties to this agreement recognize that the performance of the provisions of this agreement may be subject to the approval of the General Headquarters of the Allied Forces in Italy, and that consequently it cannot be given effect until the parties

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obtain such approval or ascertain that the said approval is not necessary.

18) Both parties agree that this agreement could be modified as to other participants in order to comply with any directives from the Combined Chiefs of Staff.

19) This agreement is signed in four copies, two in Italian and two in English. The parties signing it will hold a copy in each of the two languages.

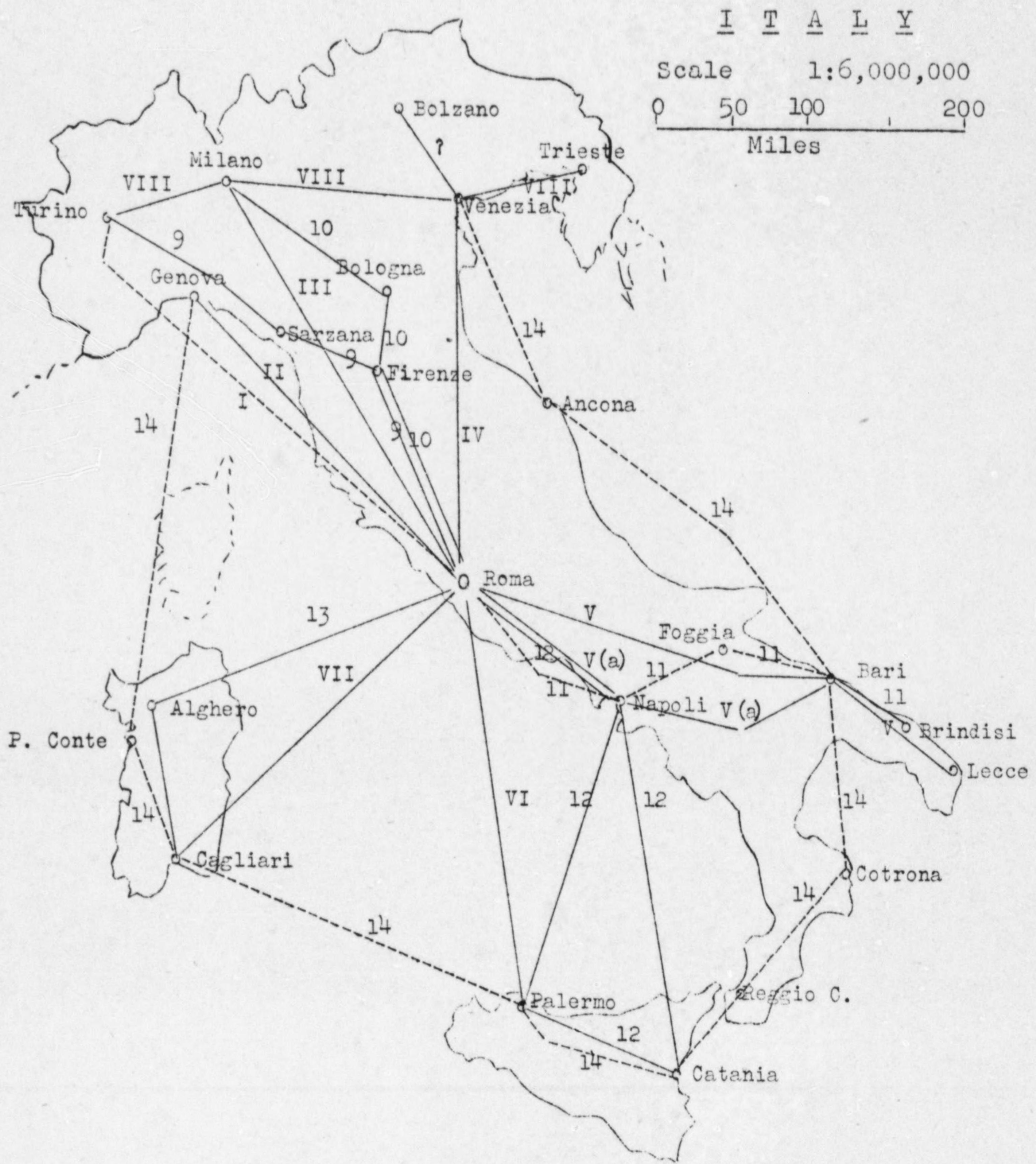
20) The present agreement is recognized as being in the public interest, and therefore is free from stamp and registration duties and is consequently written on usual unstamped paper.

Rome, February 11th, 1946

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ENCLOSURE NO. 3

PROPOSED ITALIAN CIVIL AIRLINE NETWORK



LEGEND: (Translated)

- _____ Lines to be actuated first (indispensable)
- Secondary lines (useful)

Roman numerals - Heavy traffic, direct lines
Arabic numerals - Cabotage lines