

No. 3682

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
AUSTRIA**

Guarantee Agreement—Ybbs-Persenbeug Project (with annexed Loan Regulations No. 4 and Loan Agreement—Ybbs-Persenbeug Project—between the Bank and Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) and Österreichische Donaukraftwerke Aktiengesellschaft). Signed at Washington, on 21 September 1956

Official text: English.

Registered by the International Bank for Reconstruction and Development on 31 January 1957.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
AUTRICHE**

Contrat de garantie — Projet Ybbs-Persenbeug (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — Projet Ybbs-Persenbeug — entre la Banque et la Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) et la Österreichische Donaukraftwerke Aktiengesellschaft). Signé à Washington, le 21 septembre 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 31 janvier 1957.

No. 3682. GUARANTEE AGREEMENT¹ (*YBBS-PERSEN-BEUG PROJECT*) BETWEEN THE REPUBLIC OF AUSTRIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 21 SEPTEMBER 1956

AGREEMENT, dated September 21, 1956, between the REPUBLIC OF AUSTRIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) and Österreichische Donaukraftwerke Aktiengesellschaft (hereinafter called the Borrowers), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrowers a loan in various currencies in an aggregate principal amount equivalent to twenty-one million dollars (\$21,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrowers in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrowers, has agreed to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrowers in respect thereof;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955,² subject, however, to the modifications thereof set forth in Schedule 3³ to the Loan Agreement (such Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 9 October 1956, upon notification by the Bank to the Government of Austria.

² See p. 50 of this volume.

³ See p. 64 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrowers, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien hereafter created on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor, of any agency of the Guarantor and of the Österreichische Nationalbank.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrowers. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Minister of Finance
Vienna I
Himmelpfortgasse
Austria

For the Bank :

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

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Austria :

By GRUBER
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1955

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBERS GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 221, p. 160.*]

LOAN AGREEMENT (*YBBS-PERSENBEUG PROJECT*)

AGREEMENT, dated September 21, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part (hereinafter called the Bank), and ÖSTERREICHISCHE ELEKTRIZITÄTSWIRTSCHAFTS-AKTIENGESELLSCHAFT (VERBUNDGESELLSCHAFT) and ÖSTERREICHISCHE DONAUKRAFTWERKE AKTIENGESELLSCHAFT, parties of the second part (hereinafter collectively called the Borrowers).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955¹, subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule to this Agreement :

- (a) The term "Verbundgesellschaft" means Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft), a company organized and existing under Federal Law of the Guarantor of March 26, 1947, No. 81 (2. *Verstaatlichungsgesetz*).
- (b) The term "Donaukraftwerke" means Österreichische Donaukraftwerke Aktiengesellschaft, a company organized and existing under the corporation laws of the Guarantor and such Federal Law No. 81.
- (c) The term "affiliated company" means any of the "Sondergesellschaften" organized and existing or to be organized under the corporation laws of the Guarantor and such Federal Law No. 81 and any other company directly or indirectly controlled by the Verbundgesellschaft.
- (d) The term "Program" means the program of the Verbundgesellschaft for the expansion of electric power production during the period 1956-1960 as set forth in the Verbundgesellschaft's memorandum, dated May 8, 1956.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrowers, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-one million dollars (\$21,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrowers and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, Section 2.08 of this Article and the Loan Regulations.

Section 2.03. The Borrowers shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

¹ See p. 50 of this volume.

² See p. 64 of this volume.

Section 2.04. The Borrowers shall pay interest at the rate of five per cent (5%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrowers shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrowers pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrowers shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Section 2.08. In the event the capital market of any country other than Austria wishes to participate in the financing of the Project, and the Borrowers or either of them obtain any such complementary financing by means of a sale of bonds or other obligations in any such market before December 31, 1956, the Bank may, at its option, cancel an amount of the Loan not in excess of an amount equivalent in dollars to the aggregate amount so raised by the Borrowers or either of them.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrowers shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Donaukraftwerke, subject to modification by further agreement between them.

Section 3.02. The Borrowers shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrowers shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. Any two members of the managing board (Vorstand) of the Verbundgesellschaft signing jointly on behalf of the Verbundgesellschaft and any two members of the managing board (Vorstand) of the Donaukraftwerke signing jointly on behalf of the Donaukraftwerke are designated as authorized representatives of the Borrowers for the purposes of Section 6.12 (a) of the Loan Regulations.

¹ See p. 62 of this volume.

² See p. 64 of this volume.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrowers shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrowers shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrowers shall maintain records adequate to identify the goods financed in whole or in part out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project and the Program (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrowers; shall enable the Bank's representatives to inspect the Project, the Program (with the exception of the plant of the Donaukraftwerk-Jochenstein Aktiengesellschaft), the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Program, the goods, and the financial condition and operations of the Borrowers.

Section 5.02. (a) The Bank and the Borrowers shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of the parties hereto shall furnish to any other such party all such information as such other party shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrowers shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrowers shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. Each of the Borrowers undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of such Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.04. The Borrowers shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor.

tor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.05. The Borrowers shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. Except as shall be otherwise agreed between the Bank and the Borrowers, the Borrowers shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.07. (a) Each of the Borrowers shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) Each of the Borrowers shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

Section 5.08. During the period of the Program of which the Project is a part, the Verbundgesellschaft shall consult with the Bank on any major construction not already included in the Program and requiring for its completion substantial capital investment. The Verbundgesellschaft shall undertake, and shall permit any affiliated company to undertake, such construction only after the Bank, the Guarantor and the Verbundgesellschaft have mutually agreed that the financing thereof is reasonably assured and that the Program will not be impaired thereby.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrowers, then at any subsequent

time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1959.

Section 7.02. November 30, 1956 is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Verbundgesellschaft :

Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft)
Wien 1
Am Hof 6
Austria

For the Donaukraftwerke :

Österreichische Donaukraftwerke Aktiengesellschaft
Wien 1
Hohenstaufengasse 6
Austria

For the Bank :

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

Section 7.04. All obligations of the Borrowers under this Agreement and the Bonds, unless such obligations shall have been expressly undertaken by only one of the Borrowers expressly named herein, shall be joint and several, and the obligation of either of them to comply with any provision of this Agreement is not subject to any prior notice to, demand upon or action against, the other. No extension of time or forbearance given to either of the Borrowers in respect of the performance of any of its obligations under this Agreement or the Bonds, and no failure of the Bank or of any holder of the Bonds to give any notice or to make any demand or protest whatsoever to either of the Borrowers, or strictly to assert any right or pursue any remedy against either of them in respect of this Agreement or the Bonds, and no failure by either of the Borrowers to comply with any requirement of any law, regulation or order, shall in any way affect or impair any obligation of the other Borrower under this Agreement or the Bonds.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By W.A.B. ILIFF

Vice President

Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) :

By GRUBER

Authorized Representative

Österreichische Donaukraftwerke Aktiengesellschaft :

By GRUBER

Authorized Representative

SCHEDULE I

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
July 15, 1959 . . .	—	\$21,000,000	January 15, 1971 . .	\$460,000	\$12,824,000
January 15, 1960 . .	\$267,000	20,733,000	July 15, 1971 . . .	472,000	12,352,000
July 15, 1960 . . .	274,000	20,459,000	January 15, 1972 . .	483,000	11,869,000
January 15, 1961 . .	281,000	20,178,000	July 15, 1972 . . .	496,000	11,373,000
July 15, 1961 . . .	288,000	19,890,000	January 15, 1973 . .	508,000	10,865,000
January 15, 1962 . .	295,000	19,595,000	July 15, 1973 . . .	521,000	10,344,000
July 15, 1962 . . .	302,000	19,293,000	January 15, 1974 . .	534,000	9,810,000
January 15, 1963 . .	310,000	18,983,000	July 15, 1974 . . .	547,000	9,263,000
July 15, 1963 . . .	318,000	18,665,000	January 15, 1975 . .	561,000	8,702,000
January 15, 1964 . .	326,000	18,339,000	July 15, 1975 . . .	575,000	8,127,000
July 15, 1964 . . .	334,000	18,005,000	January 15, 1976 . .	589,000	7,538,000
January 15, 1965 . .	342,000	17,663,000	July 15, 1976 . . .	604,000	6,934,000
July 15, 1965 . . .	351,000	17,312,000	January 15, 1977 . .	619,000	6,315,000
January 15, 1966 . .	359,000	16,953,000	July 15, 1977 . . .	634,000	5,681,000
July 15, 1966 . . .	368,000	16,585,000	January 15, 1978 . .	650,000	5,031,000
January 15, 1967 . .	378,000	16,207,000	July 15, 1978 . . .	667,000	4,364,000
July 15, 1967 . . .	387,000	15,820,000	January 15, 1979 . .	683,000	3,681,000
January 15, 1968 . .	397,000	15,423,000	July 15, 1979 . . .	700,000	2,981,000
July 15, 1968 . . .	408,000	15,015,000	January 15, 1980 . .	718,000	2,263,000
January 15, 1969 . .	417,000	14,598,000	July 15, 1980 . . .	736,000	1,527,000
July 15, 1969 . . .	427,000	14,171,000	January 15, 1981 . .	754,000	773,000
January 15, 1970 . .	438,000	13,733,000	July 15, 1981 . . .	773,000	—
July 15, 1970 . . .	449,000	13,284,000			

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	1/4%
More than 3 years but not more than 6 years before maturity	1/2%
More than 6 years but not more than 11 years before maturity	1%
More than 11 years but not more than 16 years before maturity	2%
More than 16 years but not more than 21 years before maturity	3%
More than 21 years but not more than 23 years before maturity	4%
More than 23 years before maturity	5%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the construction of the Ybbs-Persenbeug hydroelectric plant more fully described below, as part of the Program.

The hydroelectric plant will be constructed on the Danube about 130 km by river above Vienna in which six 3-phase 50 cycle generating units each having a capacity of 45,000 kva (36,000 kw at 8/10 power factor) and conventional auxiliaries will be installed in two powerhouses. Each unit will be provided with a transformer having a capacity of 45,000 kva to step up the voltage from 10.5 to 220 kilovolts. The two powerhouses will form an integral part of the dam. The weir section of the dam will be equipped with movable gates. The dam with the gates closed will provide a maximum head on the turbines of about 14 meters at average low water. Two navigation locks, each 24 meters wide and 230 meters long inside, will be constructed on the left bank of the river. A road 9.8 meters wide will cross the river on top of the dam and powerhouses. Two gantry cranes, each with a capacity of 135 tons, will operate on top of the dam and powerhouses parallel to the road. Three of the generating units are scheduled to be in operation during the first quarter of 1958 with a partial head, and all six units are scheduled to be in operation with full head by the end of 1959.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1955, shall be deemed to be modified as follows :

(a) The term "Borrower" shall mean the Borrowers; except that as used in Sections 5.02 (b), (c), (d), (e), (f), 7.01 and 7.02 such term shall mean the Borrowers or either of them.

(b) The first two sentences of Section 3.01 shall read as follows :

“The Donaukraftwerke shall use reasonable efforts to purchase goods with the currencies of the countries from which such goods are acquired. The proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for; except that with respect to goods paid for in the currency of the Guarantor or acquired from sources within the territories of the Guarantor such withdrawals may, to the extent that the Bank shall so elect, be made in any currency selected by the Bank.”

(c) The following paragraph shall be added to Section 3.05 :

“If a withdrawal is applied for on account of expenditures in the currency of the Guarantor, the value of the currency of the Guarantor in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank.”

(d) Section 4.01 shall read as follows :

“*Withdrawal from the Loan Account.* The Borrowers shall be entitled, subject to the provisions of these Regulations, to withdraw from the Loan Account :

“(a) (i) Such amounts as shall be required by the Borrowers to reimburse them for the reasonable cost of goods that have neither been paid for in the currency of the Guarantor nor been acquired from sources within the territories of the Guarantor;

“(ii) if the Bank shall so agree, such amounts as shall be required by the Borrowers to meet the reasonable cost of such goods; and

“(b) Such amounts as shall be required by the Borrowers to reimburse them for such portions as the Bank may from time to time agree to of the reasonable cost of goods that have been paid for in the currency of the Guarantor or acquired from sources within the territories of the Guarantor.

“Except as shall be otherwise agreed between the Bank and the Borrowers, no withdrawals shall be made on account of (a) expenditures before January 1, 1956 or (b) expenditures in the territories of any country which is not a member of the Bank or for goods produced in (including services supplied from) such territories.*”

(e) Section 5.04 shall read as follows :

“*Application of Cancellation or Suspension to Amounts Subject to Special Commitment.* Notwithstanding the provisions of Section 2.08 of the Loan Agreement and of Sections 5.01, 5.02 and 5.03, no cancellation or suspension pursuant to this Article shall apply to amounts subject to any special commitment entered into by the Bank pursuant to Section 4.02 except as expressly provided in such commitment.”

* On May 10, 1956, the Executive Directors decided that in view of the special relationship established between the Bank and Switzerland by the Agreement of June 29, 1951,¹ the Bank should agree, if so requested by borrowers, to permit loan proceeds to be used to finance expenditures in the territories of Switzerland or for goods produced in (including services supplied from) such territories.

¹ United Nations, *Treaty Series*, Vol. 216, p. 347.

(f) Section 5.05 shall read as follows :

“*Application of Cancellation to Maturities of the Loan.* Except as otherwise agreed between the Bank and the Borrowers, any cancellation pursuant to this Article or Section 2.08 of the Loan Agreement shall be applied *pro rata* to the several maturities of the principal amount of the Loan as set forth in the amortization schedule to the Loan Agreement, except that no such cancellation shall be applied to Bonds theretofore delivered or requested pursuant to Article VI, or to portions of the Loan theretofore sold by the Bank.”

(g) The following sentence shall be added to Section 6.07 :

“All Bonds shall contain appropriate provisions to the effect that the obligations of the Borrowers are joint and several as provided in Section 7.04 of the Loan Agreement.”

(h) Paragraph (a) of Section 7.04 shall read as follows :

“Any controversy between the Bank and the Borrowers or either of them or between the Guarantor and the Bank and any claim by any such party against any other such party arising under the Loan Agreement, the Guarantee Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.”