

DOES NOT EXIST IN FRENCH

Secured Notes

of

THE HIGH AUTHORITY

of the

**EUROPEAN COAL
AND STEEL COMMUNITY**

ACT OF PLEDGE

*dated November 28, 1954,
incorporating the changes set forth in the
Supplemental Indentures, dated May 25,
1955, May 16, 1956 and July 27, 1960*

ACT OF PLEDGE

In the year One Thousand Nine Hundred Fifty-four, on this 28th day of the month of November, at Nine A. M., in the City of Luxembourg, before me Georges FABER, a Notary, registered in the City of Luxembourg, there appeared

(1) Jean MONNET, residing in Luxembourg, in his capacity as President of the HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY (hereinafter called the Community) by virtue of the authority conferred upon him by a resolution adopted on November 24, 1954, by the High Authority of the Community, an authenticated copy of which is annexed hereto as Annex A, and

(2) Roger AUBOIN, residing in Basle, Switzerland, in his capacity as General Manager, Alternate of the President of BANK FOR INTERNATIONAL SETTLEMENTS (hereinafter called the Depository) and an authorized signatory of the Bank pursuant to the list of facsimile signatures of those authorized to sign on behalf of the Bank, dated April 26, 1954, an authenticated copy of which is annexed hereto as Annex B;

and said individuals, of whose personal identity I, the Notary, am personally certain, having waived with my consent the presence of witnesses, request me to establish by the present instrument the terms and provisions of an indenture providing for the securing of Notes of the High Authority as follows:

WHEREAS the Community, established by Treaty dated April 18, 1951, was created with supranational powers in order to establish a common basis for economic development in Europe through the creation of a common market in coal and steel; and

WHEREAS the attainment of the purposes of the Community requires that capital resources be made available to the enterprises of the Community to assist the financing of works and installations which will increase production or lower production costs, or facilitate the distribution, of products subject to the jurisdiction of the Community; and

WHEREAS the above-mentioned Treaty confers on the High Authority the power and duty to facilitate the financing of such projects as are of importance to the Community as a whole and authorizes the High Authority for such purposes to borrow funds and to make loans to the enterprises of the Community out of the borrowed funds; and

WHEREAS for such purposes the High Authority proposes to borrow funds from time to time in capital markets located without as well as within the Community and, in connection with such borrowings, to issue its notes for the sums so borrowed, such notes to be secured by pledge of the obligations which the High Authority shall receive from the enterprises to which it relends the borrowed funds; and

WHEREAS the High Authority desires to make provision so that all obligations and any security therefor and any related undertakings received by the High Authority in connection with loans made by it to enterprises with the proceeds of its own borrowings shall be held in pledge for the equal pro rata benefit and security of all lenders to the High Authority; and

WHEREAS the Depositary is a corporation organized under a constituent charter granted by The Swiss Confederation pursuant to an international convention dated January 20, 1930, and has full capacity under its statutes to enter into this Act of Pledge and to serve as Depositary as hereinafter provided; and

WHEREAS, for the purposes aforesaid, the High Authority desires to enter into this Act of Pledge with the Depositary and thereby to make provision for the issue from time to time of its notes, to be known as its "Secured Notes", and for securing the payment thereof, all as hereinafter provided; and

WHEREAS all acts and proceedings required by law duly to authorize this Act have been done and taken;

Now, Therefore, this Act of Pledge (hereinafter called this Indenture) Witnesseth:

That in order to declare the conditions upon which the Notes are to be issued, and in order to secure the payment of all Notes at any time outstanding and the performance of all the covenants and conditions in

the Notes and herein contained, the High Authority has entered into this Indenture and has transferred and does hereby transfer unto the Depositary all enterprise obligations and any security therefor and any related currency undertakings, all as hereinafter described, as well as all moneys and any other property, now or at any time hereafter delivered to the Depositary pursuant hereto, together with the proceeds thereof and the income therefrom (all hereinafter together called the Pledged Property), upon the express agreement of the Depositary that it will hold the Pledged Property in pledge for the equal pro-rata benefit of the holders of the Notes and as security for the enforcement of the payment of the principal of, and premium (if any) and interest on, the Notes and the performance of the covenants and conditions in the Notes and in this Indenture contained, all without preference or priority of any Note over any other Note or Notes, whether on account of differences in the times of issuance of the Notes, or in the series thereof, or in the dates of maturity thereof, or in the currencies in which the same may be payable, or otherwise howsoever, so that all Notes at any time outstanding shall have the same security under this Indenture, subject, however, to the express terms of this Indenture hereinafter set forth.

PROVIDED, HOWEVER, that if the High Authority shall pay or cause to be paid the principal and interest to become due in respect of all the Notes, together with the premium, if any, payable thereon, at the times and in the manner stipulated therein, and shall perform all the covenants and conditions in the Notes and in this Indenture contained, then this Indenture, and the rights of the Depositary and of the holders of the Notes in the Pledged Property, shall cease and determine.

AND IT IS HEREBY DECLARED that the Notes are to be secured in accordance with the conditions hereinafter set forth:

ARTICLE ONE

DEFINITIONS

Treaty: The Treaty (with the Annexes thereto and the related Protocols annexed thereto) entered into on April 18, 1951, on behalf of and subsequently ratified by the German Federal Republic, Belgium, the French Republic, the Italian Republic, the Grand Duchy of Luxembourg, and the Netherlands, establishing the European Coal and Steel

Community, and any modifications and amendments of such Treaty hereafter adopted as provided therein.

Enterprise: A corporation or other form of organization to which the High Authority is authorized by the Treaty to make loans. The term Enterprise as used in this Indenture means either (i) the Enterprise to which the High Authority makes a loan and which may either own the financed Project or may use the proceeds to finance a Project owned by another Enterprise or (ii) such other Enterprise.

Project: Works and installations of an Enterprise and houses for workers employed by an Enterprise, including both newly acquired or constructed facilities, and additions, betterments and improvements to, and the rebuilding, rehabilitation and reconstruction of, existing facilities. Such facilities may consist of (a) facilities to be acquired or constructed by an existing Enterprise which owns other properties, where the new facilities constitute an operating unit physically separate from such other properties, or (b) facilities to be acquired or constructed by an existing Enterprise which owns other properties, where the new facilities constitute an integral part of such other properties, or (c) facilities to be acquired or constructed by an Enterprise organized for the purpose which owns no other physical properties.

Project Loan: A loan made by the High Authority out of funds forming part of the Pledged Property to an Enterprise to facilitate the financing of a Project or Projects (including a loan made to enable the Enterprise to repay in whole or in part the outstanding balance of a loan previously granted by the High Authority, whether or not out of funds forming part of the Pledged Property, or guaranteed by the High Authority, for such purpose), which loan is evidenced by an Enterprise Obligation or Obligations as hereinafter described. If the High Authority shall deliver or cause to be delivered to the Depositary the documents referred to in Section 4.01 in respect of a loan previously made by the High Authority out of funds not forming a part of the Pledged Property but otherwise conforming to this definition of Project Loan, such loan shall be deemed to be a Project Loan and to have been made from the moneys paid by the Depositary to or on the order of the High Authority, and the obligation of the Enterprise in respect of such loan shall be deemed to be an Enterprise Obligation and to have been issued, all at the time of the determination by the Depositary that such documents constitute the documents to be delivered to it in accordance with Section

4.01. The amount of any such Project Loan shall be deemed to be the then outstanding principal amount of the loan so made by the High Authority. The amount of any Project Loan made at a discount shall be deemed to be the full principal amount thereof which is payable to the High Authority without deduction for such discount.

Enterprise Obligation: The instrument or instruments constituting the claim against an Enterprise for repayment of the principal of a Project Loan and payment of any premium and interest thereon or, in the absence of such an instrument, such claim and the instrument or instruments evidencing it. The Enterprise Obligation shall conform to the following requirements:

(a) The Enterprise Obligation shall be payable to, or to the order of, the High Authority or the Depositary or to bearer, and shall be for an aggregate principal amount at least equal to the amount of said Project Loan; shall bear interest at a rate not less than that borne by the Related Note or Notes or, if the Related Notes are of different series, not less than the weighted average rate borne by such Related Notes issued by the High Authority; shall provide for the amortization of the principal thereof at a rate at least as rapid as the rate of amortization of the principal of the Related Note or Notes, or the weighted average rate of amortization of the principal of Related Notes of different series, issued by the High Authority; and shall require, upon any payment of principal before the due date thereof, the payment of a premium thereon at a rate not less than the premium, if any, required on a corresponding prepayment on the Related Note or Notes issued by the High Authority; provided, however, that Enterprise Obligations may consist of instruments for a face amount equal to the sum of instalments, maturing on the same date, of principal of and interest on the Project Loan, or may consist of separate instruments representing, respectively, the instalments of principal of and interest on the Project Loan, in either of which cases the indebtedness represented by such instruments will not also bear interest, except to the extent provided in such instruments with respect to any overdue amounts of such indebtedness; provided, further, that two or more Project Loans may be made by the High Authority if immediately after the making of such Loans (1) the weighted average rate of interest thereon shall not be less than that borne by the Related Notes

or, if the Related Notes are of different series, not less than the weighted average rate borne by such Related Notes issued by the High Authority and (2) the weighted average rate of amortization thereof shall be at least as rapid as the rate of amortization of the Related Notes or the weighted average rate of amortization of Related Notes of different series; and provided, further, that if the Notes, the interest rates and/or amortization rates of which are to be averaged, are of two or more series payable in different currencies, each Enterprise Obligation must be accompanied by a Currency Undertaking or Undertakings which apply to said Notes to the extent that they are payable in another currency or currencies and which conform to the definition of Currency Undertaking hereinafter set forth. The foregoing requirements of this paragraph (a) regarding "weighted average rates" of interest and amortization on Enterprise Obligations, Project Loans and Notes mean that the total interest and amortization payments, respectively, due prior to each future date under the terms of the pertinent Enterprise Obligation or Obligations or Project Loan or Loans shall at least equal the total interest and amortization payments due on or prior to the same future date on the pertinent Note or Notes. The rate of interest on an Enterprise Obligation may, however, be less than that required by the foregoing provisions of this paragraph (a), if, upon delivery of such Enterprise Obligation to the Depositary, the High Authority shall also deliver to it, to be held by it hereunder, a sum of money, in any currency in which such Enterprise Obligation shall be payable, equal to the aggregate of the amounts of interest becoming due on each interest payment date on the Related Notes, or pertinent group of Related Notes, which will not be available for such purpose out of interest payments then or theretofore payable on the Enterprise Obligation, or pertinent group of Enterprise Obligations, in accordance with their terms, together with appropriate Currency Undertakings. The foregoing provisions of this paragraph (a) relating to rates of interest, amortization and premium shall not be applicable to any Enterprise Obligation acquired with money deposited by the High Authority with the Depositary pursuant to the next preceding sentence or to any Enterprise Obligation of the type referred to in the last sentence of the definition of Related Notes.

(b) The Enterprise Obligation shall be payable in the currency in which said Project Loan shall be made or in such currency

and, at the option of the holder, in specified other currencies at rates of exchange determined by or in accordance with the provisions of the Enterprise Obligation.

(c) The Enterprise Obligation shall be described in a credit agreement between the High Authority and an Enterprise providing for said Project Loan, which credit agreement shall include or be accompanied by a commitment by that Enterprise not to issue any additional indebtedness under any existing mortgage or other lien on the Project or Projects or create any mortgage or other lien thereon unless the Enterprise Obligation shall be secured by such existing or newly created mortgage or lien equally and ratably with all other indebtedness to be secured thereby; provided, however, that such commitment shall not be required

(I) if the Enterprise Obligation is secured by a mortgage or other lien upon the Project or Projects (which, in the case of a Project Loan for housing, may consist of one or more mortgages which equal in the aggregate the amount of the Project Loan but which may be discharged with respect to any unit or units of the Project upon payment of an amount equal to that portion of the Project Loan that was used in the construction of such unit or units) that would preclude the issue of any indebtedness secured by a lien thereon in priority to the mortgage or other lien securing the Enterprise Obligation, or

(II) if the Enterprise Obligation is secured

(1) by the guarantee of payment thereof duly executed by the Government of a member country of the Community or by a recognized banking institution in the Community or in any of the overseas territories of its member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada or by another responsible business or industrial concern or concerns (other than the concern which owns the Project) in the Community or in any of the overseas territories of its member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada affiliated or associated with the borrowing Enterprise, or

(2) by a mortgage or other lien on plants or other facilities, other than the Project, in the Community or in any of the overseas territories of its member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada, belonging to the Enterprise or another responsible business or industrial concern or concerns affiliated or associated with the Enterprise,

and if the High Authority shall certify to the Depositary that such other security complies with the provisions of this subparagraph (II) and is, in its opinion, more valuable than the commitment or security on the Project referred to in the prior provisions of this paragraph (c);

and provided, further, that the commitment and any mortgage or other lien upon the Project referred to in the foregoing provisions of this paragraph (c) shall not be required to prevent liens incident to the construction of the Project which do not secure indebtedness for borrowed money and may permit the Enterprise to give to the supplier of equipment a prior lien thereon to secure the deferred payment of a part of the purchase price of such equipment. Notwithstanding the foregoing provisions of this paragraph (c), if the Enterprise to which a Project Loan is made is to use the proceeds to finance a Project owned by another Enterprise, then (i) if the commitment referred to in the foregoing provisions of this paragraph (c) shall be required, such other Enterprise shall be a co-obligor on, or guarantor of payment of, the Enterprise Obligation or Obligations and shall enter into such commitment; (ii) the Enterprise to which the Project Loan is made shall not have any claim to or lien upon any security for such Enterprise Obligation or Obligations, except subordinate to the rights of the High Authority; and (iii) in case of a default upon such Enterprise Obligation or Obligations, the High Authority shall be entitled to enforce all rights in respect thereof against such co-obligor or guarantor or all rights in respect of the security therefor, in priority to other creditors of the Enterprise to which the Project Loan is made; provided, however, that the provisions of this sentence shall not be applicable to a Project Loan for housing where the Enterprise Obligation is, or is secured by, mortgage bonds issued by a mortgage bank, if the

commitment referred to in the foregoing provisions of this paragraph (c) shall not be required, or to any Project Loan secured by the guarantee of a Government or a banking institution or affiliated or associated concern as aforesaid.

(d) The Enterprise Obligation, and any mortgage or other lien securing it, shall be duly executed by the Enterprise or Enterprises and all other parties thereto in full conformity with all applicable laws and shall be duly registered as required under such laws.

(e) The Enterprise Obligation may contain any other terms and provisions not contrary to the terms of this Indenture.

Related Notes: The term used to identify the relationship between any Note or Notes and any one or more of the following: (i) the moneys deposited with the Depositary pursuant to Section 3.03 or Section 4.01C in connection with such Note or Notes, (ii) the Project Loan or Loans originally made out of such moneys, or made out of the proceeds of a Note or Notes retired through the application of moneys referred to in (i), (iii) the Enterprise Obligations representing such Project Loan or Loans, (iv) the service moneys received on such Enterprise Obligations or the proceeds of sale of such Enterprise Obligations and (v) any further Enterprise Obligations received by the Depositary in exchange for such Enterprise Obligations or acquired with the use of funds received as service moneys thereon or on the prepayment or sale thereof. For the purposes of this definition, such further Enterprise Obligations shall thereafter be included in the term "such Enterprise Obligations" in (iv) and (v). Any sum of money received by the Depositary and any Project Loan and any Enterprise Obligation that shall not have a relationship to any Note or Notes pursuant to the foregoing provisions shall be deemed (except for the purpose of the first paragraph of the definition of Currency Undertaking) as of any time to be related to each Note then outstanding hereunder.

Outstanding: When used with reference to Notes, shall mean, as of any date, all Notes theretofore and thereupon authenticated and delivered pursuant to this Indenture, except (a) Notes cancelled at or prior to such date, (b) Notes for the payment or redemption of which funds shall have theretofore been set aside by the Depositary pursuant to Section 4.02 hereof or deposited with the Depositary in a special ac-

count, provided, that if such Notes are to be redeemed prior to the maturity thereof, due notice of such redemption shall have been given, and (c) Notes in substitution for which other Notes shall have been authenticated and delivered.

Event of Default: Any event of default specified in Section 7.01, which continues for the period of time, if any, therein designated.

Supplemental Indenture: Any indenture supplemental hereto hereafter duly authorized and entered into in accordance with the provisions of Article Eight. Any such supplemental indenture shall be in the form of a notarial act if it shall modify the terms of this Indenture or if otherwise necessary under applicable law in order that it shall be the valid and binding obligation of the High Authority in accordance with its terms.

Currency Undertaking: In cases where the Enterprise Obligation and/or any Related Note is required to be paid in a currency or currencies other than the currency of the country in which the borrowing Enterprise is situated, (i) the undertaking of the government of that country (including any duly authorized agency thereof) that foreign exchange will be made available, against national currency, to the Enterprise and/or to any guarantor of or obligor on the Enterprise Obligation and/or to the High Authority or to the Depositary for the account of the High Authority, at the time or times and in the amounts necessary to permit prompt and full payment in such other currency or currencies of each instalment of principal and interest in respect of the Enterprise Obligation and/or such Related Note or (ii) the written statement of such government that the currency of such country is freely convertible into all currencies or into the currency or currencies designated in such statement (which shall include each currency in which the Enterprise Obligation and all currently outstanding Notes, including any Notes related to such Enterprise Obligation, are payable), or (iii) an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depositary (who may be a legal officer of a duly appointed subdepositary) that a statement previously given by such government pursuant to the preceding clause (ii), and covering the currency or currencies in which the Enterprise Obligation and all currently outstanding Notes, including any Notes related to such Enterprise Obligation, shall be payable, is correct under the applicable laws and regulations in such country as currently in force. The currency of a particular

country shall be deemed to be freely convertible into another currency, for purposes of the foregoing provisions, if under the applicable laws and regulations of such country no restrictions exist at the time that limit the right of any party to obtain against currency of such country, and to make payments and transfers in, such other currency for current international transactions within the meaning of the Articles of Agreement of the International Monetary Fund effective December 27, 1945, and if such country shall have accepted the obligations of Article VIII, Sections 2, 3 and 4, of said Articles of Agreement by notifying said Fund, pursuant to Article XIV, Section 3, of said Articles of Agreement, that it is prepared to accept such obligations. Each Currency Undertaking furnished pursuant to the preceding clause (i) shall contain an acknowledgment of the government or agency entering into the same that it is given for the benefit of the holders of the Notes referred to therein.

The reference in this Indenture to the pledging hereunder of any Currency Undertaking shall be understood to mean that such Currency Undertaking will be delivered to the Depositary for the benefit of the holders of the Related Notes.

Note or Secured Note: The instrument issued by the High Authority and authenticated by the Depositary pursuant to the provisions of this Indenture to constitute or evidence an obligation of the High Authority described in Section 6.01. Such instrument, in the case of any series, may be either a promissory note or any other form of evidence of debt, whether or not negotiable, as shall be specified with respect to such series in this Indenture or in the supplemental indenture that shall provide for the issue of the Notes of such series.

Principal Amount: The references in this Indenture to the "principal amount" of a Note or Enterprise Obligation shall mean the face amount of such Note or Enterprise Obligation or, in the case of a Note or Enterprise Obligation representing both principal and interest, the portion of such face amount representing principal, as the case may be. "Principal amount" shall not include the face amount of any Note or Enterprise Obligation which represents interest only. If the principal amount of any Note or Enterprise Obligation shall be payable, at the option of the holder thereof, in any one of two or more currencies specified therein at a rate or rates of exchange determined by or in accordance with the provisions thereof, the "principal amount" thereof shall mean the principal amount stated in such one of said currencies as shall be equivalent, at the date of determination, to the greatest amount in United

States dollars determined in accordance with Section 10.09. If the principal amount of any Note or Enterprise Obligation shall be payable in a specified currency in an amount equivalent at the time of payment to a fixed quantity of gold or of another currency or of European Monetary Agreement units of account or other units of account, the "principal amount" thereof shall mean the amount in such currency equivalent at the date of determination to such fixed quantity. The provisions of the two preceding sentences shall also be applied in determining the amounts of interest payable on Notes and Enterprise Obligations the interest on which shall be payable in any manner described in said two sentences.

Pledge: The term "pledge" as used in this Indenture, either alone or in such expressions as "transfer in pledge" or "hold in pledge", shall be understood to mean a transfer to the Depositary, made for the benefit of the holders of the Notes, of Enterprise Obligations, security therefor, moneys and any other instrument or property, whether or not, by reason of title being in the Depositary or otherwise, such transfer may not technically constitute a pledge, but only if such transfer shall be effective to give the Depositary and the holders of the Notes rights in the subject matter of such transfer ranking prior to those of general creditors of the High Authority; and the subject matter of any such transfer shall be included in the Pledged Property.

ARTICLE TWO

FORM AND EXECUTION OF NOTES

SECTION 2.01. The Notes may, at the election of the High Authority, be in one or more series and, except as hereinafter in this Article provided, shall be designated generally as Secured Notes of the High Authority, with such further appropriate designations added to or incorporated in such title for the Notes of any series as the High Authority may determine. All Notes of any one series shall be identical in respect of date or dates of maturity (unless they are of serial maturities), the place or places of payment of principal and of interest, the rate of interest and dates of interest payments, the terms and rate or rates of optional redemption, if redeemable, and in respect of amortization or analogous provisions (if any) and tax provisions (if any); but Notes of the same series may be of different denominations, and Notes of any series (other

than First Series Notes) may be of serial maturities and, if of serial maturities, may differ as between maturities with respect to redemption prices and interest rates, provided, however, that the Notes of any series may consist of instruments for a face amount equal to the sum of instalments, maturing on the same date, of principal of and interest on the Note, or may consist of separate instruments representing, respectively, the instalments of principal and the instalments of interest, in either of which cases the indebtedness represented by such instruments will not also bear interest.

Interest shall continue to be payable in respect of all Notes, whether heretofore or hereafter issued, including Notes of the First, Second, Third, Fourth and Fifth Series, at the original rate, and no more, on any overdue amounts of principal and on any overdue amounts of interest.

SECTION 2.02. There shall be an initial series of Notes known as the "Secured Notes, First Series" of the High Authority (hereinafter called First Series Notes), which shall be issued as Dollar Payment First Series Notes or Optional Payment First Series Notes, or both, the texts of which Notes and of the Depositary's certificate of authentication to be endorsed thereon are to be in the English language in substantially the respective forms thereof set forth in Annex C and Annex D, respectively, hereto attached, with such additions and modifications as shall be necessary to complete said forms in accordance with the provisions of this Indenture. First Series Notes shall be issued in such denominations as the High Authority shall deem necessary. Each such Note shall be dated the date of issue thereof and shall bear interest at the rate of $3\frac{7}{8}\%$ per annum on the unpaid principal balance thereof from time to time outstanding, such interest to be computed on the basis of the actual number of days using a factor of 365 days and to be due and payable on May 1 of each year. The principal of each First Series Note shall be due and payable in 22 annual instalments on the dates and in the percentages of such principal amount set forth in Annexes C and D, respectively.

Each Dollar Payment First Series Note shall be payable, both as to principal and interest, in lawful money of the United States of America.

Each Optional Payment First Series Note shall be payable, both as to principal and interest, in lawful money of the United States of America, or, at the option of the High Authority, in whole or in part in the currency advanced to the High Authority against such Note at

the rate of exchange at which such currency was advanced, which rate of exchange shall be set forth in such Note. For the purposes of Section 7.02 and Section 10.09, Optional Payment First Series Notes shall not be deemed to be expressed in United States dollars but shall be deemed to be expressed solely in the currency advanced to the High Authority.

The principal of each First Series Note and the interest thereon shall be payable without deduction for any present or future taxes, duties, fees or other charges levied or imposed thereon or on such Note or the holder thereof by or within any member country of the Community or Switzerland or any political or taxing subdivision of any such member country or Switzerland. The High Authority shall have the right to prepay at any time and from time to time, without penalty or premium, all or any part of the principal of any First Series Note with interest thereon to the date of prepayment. Any such prepayment on any First Series Note shall be applied pro-rata to the instalments of principal on such Note.

Upon each payment of principal or interest on any First Series Note, such Note shall be made available to the Depositary or its agent for endorsement thereon or notation of such payment. By agreement between the High Authority and the holder of any such Note, such endorsements may be made by such holder, and in such case such holder shall promptly advise the High Authority and the Depositary in writing of each such endorsement.

SECTION 2.03. Prior to the issue of any Notes of any series other than First Series Notes, the High Authority shall enter into a supplemental indenture whereby there shall be established the terms and conditions of the Notes of such other series, and the form thereof, including the language in which the text thereof and of the Depositary's certificate thereon shall be expressed, and the currency or currencies in which each Note of such series shall be payable. Each such supplemental indenture shall contain such provisions, consistent with and not contrary to the terms of this Indenture, as the High Authority shall determine, including, if any Note issued thereunder shall represent a claim for interest exclusively or shall represent in part a claim for interest, a means of identifying such Note and a statement (which shall also be included in such Note) that all or a specified portion of the face amount of such Note represents interest. Any such other series may, if the supplemental indenture providing for the issuance thereof shall so provide, be desig-

nated as "Bonds", and the term "Notes" as used in this Indenture shall be deemed to include the Bonds of such other series.

SECTION 2.04. All the Notes shall be signed on behalf of the High Authority by two duly authorized representatives of the High Authority. Any Note may consist of an agreement between the High Authority and its lender providing for a loan with respect to which the promise to repay is contained solely in such agreement. No Note shall be secured hereby, or shall be or become valid or obligatory for any purpose, unless there shall be placed thereon a certificate of authentication, substantially as follows:

"This Note [Bond] is one of the Secured Notes [Bonds], of the series designated therein, referred to in the within-mentioned Indenture.

BANK FOR INTERNATIONAL SETTLEMENTS
Depositary

by

Authorized Representative"

or, in the case of any Note consisting of an agreement as aforesaid, substantially as follows:

"This agreement constitutes a Secured Note, of the Series, referred to in the Indenture mentioned therein.

BANK FOR INTERNATIONAL SETTLEMENTS
Depositary

by

Authorized Representative"

signed on behalf of the Depositary by its duly authorized representative, and such certificate on any Note issued by the High Authority shall be conclusive evidence that it has been duly authenticated and delivered hereunder.

*ARTICLE THREE***AUTHENTICATION, ISSUE AND DELIVERY OF NOTES**

SECTION 3.01. The aggregate principal amount of Notes which may be issued hereunder shall not be limited; provided, however, that the High Authority may at any time, at its election, impose such limitation or limitations upon the issue of Notes hereunder as it shall determine and as shall be set forth in an indenture supplemental hereto entered into between the High Authority and the Depository.

SECTION 3.02. From time to time the High Authority may execute, and the Depository shall thereupon authenticate and deliver to or upon the order of the High Authority, First Series Notes up to an aggregate principal amount not exceeding \$100,000,000 (U. S. dollars), upon receipt by the Depository of the following:

(a) a written order or orders of the High Authority (i) specifying the First Series Notes to be issued and whether they are to be Dollar Payment or Optional Payment First Series Notes, and if the latter, the currency or currencies in which they are optionally payable and the related rate or rates of exchange, (ii) directing the authentication and delivery of such First Series Notes in the respective principal amounts and payable to the order of the payee or payees stated in such order, and (iii) containing instructions as to whom such First Series Notes are to be delivered; and

(b) a sum of money (in United States dollars, or, in case any of said First Series Notes shall be Optional Payment First Series Notes, in the currency or currencies referred to in such Optional Payment First Series Notes) in an aggregate principal amount equal to the aggregate principal amount of the First Series Notes to be authenticated and delivered.

SECTION 3.03. After the High Authority shall have entered into an indenture supplemental hereto specifying the terms and conditions of the Notes of any new series, from time to time the High Authority may execute, and the Depository shall thereupon authenticate and deliver to or on the order of the High Authority, Notes of such new series, upon receipt by the Depository of the following:

(a) a written order or orders of the High Authority (i) specifying the Notes to be issued and the series thereof; (ii) directing the authentication and delivery of such Notes, in the face amount stated in such order, and, unless such Notes are to be payable to bearer, stating the name of the payee or payees of such Notes; (iii) stating whether the Notes are to be issued at par or at a specified discount or premium; and (iv) containing instructions as to whom such Notes are to be delivered; and

(b) a sum of money, in the currency or currencies in which the proceeds of such Note shall be received by the High Authority, in an aggregate amount equal to the aggregate principal amount of Notes to be authenticated and delivered plus interest accrued thereon to the date of authentication and delivery or to any earlier date on which such principal amount shall be paid to the Depository and become available for the purposes of Section 4.01; and

(c) an opinion or opinions of a legal officer of the High Authority or other counsel satisfactory to the Depository (who may be a legal officer of a duly appointed subdepository) stating that such Notes and supplemental indenture comply with the requirements of this Indenture and are valid and binding obligations of the High Authority in accordance with their terms and that such Notes are entitled to the benefits provided for in this Indenture and such supplemental indenture.

SECTION 3.04. In order to facilitate the issue of any of the Notes, the orders of the High Authority referred to in Sections 3.02(a) and 3.03(a) may direct the Depository to cause such Notes to be authenticated and delivered provisionally, subject either to the due receipt by the Depository of the moneys referred to in Section 3.02(b) or Section 3.03(b), as the case may be, or to the return to the Depository of the Notes so delivered.

SECTION 3.05. In case any Note issued hereunder shall be mutilated, destroyed, stolen or lost, upon receipt and cancelation by the Depository of the mutilated Note or receipt of proof, satisfactory to both the High Authority and the Depository, of the destruction, theft or loss of the Note, and upon receipt by them of indemnity satisfactory to both of them, or, in the alternative, in the case of a destroyed, lost or stolen Note in negotiable form, upon the receipt by the Depository of a cer-

tified copy of a judicial judgment, in form satisfactory to both the High Authority and the Depositary, entered by a court of competent jurisdiction and adjudging that such Note shall no longer be valid for any purpose, the High Authority shall execute a new Note of the same series and maturity and of like tenor and the Depositary shall thereupon authenticate and deliver such new Note in exchange for the mutilated Note or in substitution for the destroyed, stolen or lost Note. Such new Note shall be so dated that neither gain nor loss in interest shall result from such exchange or substitution. The provisions of this Section 3.05 shall be equally applicable in the case of mutilated, destroyed, stolen or lost coupons appertaining to Notes.

SECTION 3.06. The Depositary shall cancel each Note and coupon surrendered to it upon redemption or payment thereof. The High Authority will from time to time deliver to the Depositary written instructions as to the disposition of such canceled Notes and coupons.

ARTICLE FOUR

APPLICATION OF MONEYS RECEIVED BY THE DEPOSITARY

SECTION 4.01. All moneys received by the Depositary pursuant to Section 3.02 or Section 3.03 shall be held by the Depositary as a part of the Pledged Property until they shall be used from time to time by the High Authority in accordance with this Section 4.01. When the High Authority shall make a Project Loan, it will:

A. deliver to the Depositary a written order of the High Authority signed by its duly authorized representative, specifying the name and address of the Enterprise to which the High Authority proposes to make a Project Loan, the amount and currency in which such Project Loan is to be made and the currency or currencies in which such Project Loan is to be payable, whether such Project Loan is to be made at par or at a specified discount, and the nature of the Project Loan, and that such Project Loan complies with the requirements of this Indenture, and also specifying, by series and serial numbers, the Related Notes, and directing the disbursement of moneys held by the Depositary for such Project Loan and specifying the particular moneys to be used for the purpose;

B. deliver, or cause to be delivered, to the Depositary a signed copy of the credit agreement between the High Authority and the Enterprise pursuant to which the Project Loan is being made, which agreement will, among other provisions, set forth the nature of the Project Loan and (a) the amount and the currency in which such Project Loan is to be made and the currency or currencies in which such Project Loan is to be payable and whether such Project Loan is to be made at par or at a specified discount, (b) the rate of interest to be paid by the Enterprise, (c) the schedule for the amortization of the principal of the loan, indicating the date and amount of each instalment thereof, (d) the number and the respective amounts of Enterprise Obligations to be issued by the Enterprise to evidence the Project Loan, (e) the type of Currency Undertaking, if any, to be delivered to the Depositary and (f) a description of any security for such Enterprise Obligations and of any instrument of transfer, assignment and pledge that shall be requisite to transfer such security and such Currency Undertakings to the Depositary for the purpose of pledging the same hereunder;

C. deliver, or cause to be delivered, to the Depositary (1) Enterprise Obligations of such Enterprise, in a principal amount at least equal to the principal amount of such Project Loan and payable in the currency in which such Project Loan is being granted or in such currency and, at the option of the holder, in specified other currencies at rates of exchange determined by or in accordance with the provisions of such Enterprise Obligations, together with any sum of money required by the third sentence of paragraph (a) of the definition of Enterprise Obligation, (2) any security for such Enterprise Obligations (unless held by a banking institution for the common security of the Enterprise Obligations and other obligations secured thereby), (3) the written instrument containing the commitment referred to in paragraph (c) of the definition of Enterprise Obligation, if required, (4) appropriate Currency Undertakings, if any, and (5) all instruments of transfer, assignment and pledge as may be requisite to transfer to the Depositary all such Enterprise Obligations and any security therefor to be delivered to the Depositary hereunder and related Currency Undertakings, if any, for the purpose of pledging the same hereunder; and

D. deliver, or cause to be delivered, to the Depositary an opinion or opinions of a legal officer of the High Authority or other counsel satisfactory to the Depositary (who may be a legal officer of a duly appointed subdepository) stating that the credit agreement and the Enterprise Obligations so delivered to the Depositary and the written instrument containing the commitment, if any, referred to in paragraph (c) of the definition of Enterprise Obligation comply with the requirements of this Indenture and are valid and binding obligations of the Enterprise in accordance with their terms and, with respect to any such Enterprise Obligation that is secured by a mortgage or other lien, that such mortgage or other lien has been registered and inscribed in accordance with all laws and regulations applicable thereto and constitutes valid and legal security for such Enterprise Obligation and, with respect to any such Enterprise Obligation that is secured by a guaranty of payment, that such guaranty is a valid and binding obligation of the guarantor in accordance with its terms; that the security for such Enterprise Obligation and the Currency Undertakings so delivered comply with the requirements of this Indenture; that there has been effected a valid and binding pledge hereunder of said Enterprise Obligations and any security therefor and any related Currency Undertakings; and that all conditions precedent provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) which relate to the making of such Project Loan have been complied with.

The Depositary, upon receipt of the documents delivered to it as aforesaid in respect of a Project Loan, will examine the same to determine that they constitute the documents to be delivered to it in accordance with the foregoing requirements and comply as to form with such requirements, but the Depositary shall not be responsible for the validity of such documents or for the correctness of the statements or opinions set forth therein. Upon its receipt of such documents and the making of such determination by it, the Depositary shall pay to or on the order of the High Authority, out of the moneys specified by the High Authority and to be used by the Depositary for such purpose, the amount of such Project Loan.

The sum of money received by the Depositary pursuant to Section 3.03 in connection with the authentication and delivery of any new Note

or Notes shall, so long as an Event of Default shall not have occurred and be continuing, also be applied by the Depositary, upon written request of the High Authority, to the prepayment, or to the purchase from the holder or holders thereof (including the High Authority, if such a holder) or to the retirement in any other manner prior to maturity, of (a) any of such new Notes specified in such request, the principal amount of which together with the interest accrued thereon to the date of authentication and delivery thereof shall be at least equal to the sum of money so applied, if the High Authority shall deposit with the Depositary the funds required to pay any premium thereon together with any interest accrued thereon since such date, or (b) any of the other Notes then outstanding specified in such request of a principal amount at least equal to the principal amount of such new Note or Notes if (i) the High Authority shall deposit with the Depositary the funds required to pay any premium on the Notes to be so retired, (ii) the Enterprise Obligations theretofore related to the retired Note or Notes and now related to such new Note or Notes meet the requirements of the definition of Enterprise Obligation with respect to such new Note or Notes and (iii) the High Authority shall deliver to the Depositary any additional Currency Undertakings that may be appropriate. All Notes so retired shall be canceled.

SECTION 4.02. (a) The Depositary shall collect and receive all sums paid in respect of the principal of and premium (if any) or interest on each Enterprise Obligation held as a part of the Pledged Property, whether received by prepayment or in due course or collected as a result of the enforcement of any security for such Enterprise Obligation or otherwise, and shall hold such sums, as well as all sums representing interest paid on or profits realized from deposits or investments made pursuant to Section 4.04 and all other sums received by the Depositary except pursuant to Section 3.03, as a part of the Pledged Property until they shall be applied in accordance with this Section 4.02. The Depositary will, in the case of Enterprise Obligations payable in multiple currencies, collect the principal thereof and premium (if any) and interest thereon in such currency or currencies as the High Authority shall request in writing at such times prior to the payment dates as the High Authority and the Depositary shall agree upon. So long as the principal of all the Notes outstanding shall not have been declared to be due and payable pursuant to a declaration (which shall not have been rescinded) made pursuant to Section 7.01,

(i) the Depositary shall apply the sums referred to in the first and second sentences of this paragraph (a) to the payment of instalments of principal and interest on the Related Note or Notes as and when the same shall become due in accordance with the terms of such Notes; and

(ii) to the extent that such sums shall not be immediately required for the purpose specified in the preceding clause (i), the Depositary, upon the written request of the High Authority, which shall identify the particular funds to be used for the purpose, shall apply such sums, so long as an Event of Default shall not have occurred and be continuing:

(A) to the making of Project Loans in accordance with Section 4.01 (in the same manner as moneys received by the Depositary pursuant to Sections 3.02 or 3.03), or

(B) to the prepayment, or to the purchase from the holder or holders thereof (including the High Authority, if such a holder) or to the retirement in any other manner prior to maturity, of any Related Notes then outstanding specified in such request of a principal amount at least equal to the amount of moneys so applied (all Notes so retired to be canceled), if the High Authority shall deposit with the Depositary the funds required to pay any premium on the Notes to be so retired, or

(C) to the extent that it shall not be possible to apply such funds for the purpose set forth in the foregoing subclause (B) within 10 days after written request from the High Authority to the Depositary so to do, to the purchase from the holder or holders thereof (including the High Authority, if such a holder) of Notes of any series then outstanding specified in such request payable in the same currency or currencies as the Related Notes and of a principal amount at least equal to the amount of moneys so applied, if the Notes so purchased may be surrendered or otherwise used to satisfy equal service requirements of Notes of the series so purchased at the time or times when the sums so applied may be needed for service requirements of the Related Notes, provided that the service moneys received by the Depositary and otherwise available for such service requirements of Notes of the series so purchased shall be applied to meet such service requirements of the Related Notes, and pro-

vided further that the High Authority shall deposit with the Depository the funds required to pay any premium on the Notes to be so purchased, or

(D) to the extent of any interest moneys, to the payment of any compensation or expenses which shall at the time be due under Section 6.08;

and

(iii) the Depository, at the written direction of the High Authority from time to time, shall apply such sums, so long as an Event of Default shall not have occurred and be continuing, (A) to provide any supplementary amount which the High Authority would otherwise be required by paragraph (b) of this Section 4.02 to provide for the payment of any instalment of principal of or interest on any of the Notes of any series, or (B) for any other purpose for which the High Authority might otherwise be required to furnish funds to the Depository hereunder, or (C) to the payment thereof to the High Authority; provided, however, that after giving effect to such application under this clause (iii) the sum of (I) the then unpaid principal amount of all Enterprise Obligations held by the Depository and in good standing, (II) the unpaid interest thereon calculated up to the date of such application and (III) any moneys held by the Depository hereunder, whether set aside in a special account or not, including moneys on deposit or invested as provided in Section 4.04 (counting any such investments at the cost, exclusive of interest, or then current market value thereof, whichever is less), shall exceed the sum of (IV) the then unpaid principal amount of all Notes and the unpaid interest thereon calculated up to that date, including principal and interest for which funds have been set aside in a special account, and (V) the unpaid compensation and expenses under Section 6.08 calculated up to that date.

Notwithstanding any other provision of this Section 4.02(a), any funds held by the Depository to fulfill the requirements of the third sentence of paragraph (a) of the definition of Enterprise Obligation shall not be applied or paid pursuant to the foregoing clauses (i), (ii) or (iii) in any manner inconsistent with the availability of such funds to permit application thereof as contemplated by said sentence.

(b) So long as the principal of all the Notes outstanding shall not have been declared to be due and payable pursuant to a declaration (which shall not have been rescinded) made pursuant to Section 7.01, the Depositary shall, on or within 10 days prior to the payment date for any instalment of principal of or interest on any of the Notes, or on or within 30 days prior to the redemption date of any Notes to be redeemed by prepayment, set aside in a special account to the extent that such moneys shall be available therefor the amounts required to make payment of such instalment, or of the redemption price, to or on the order of the holders of such Notes, and if such moneys held by the Depositary shall not be sufficient, the Depositary will request the High Authority to furnish to it, and the High Authority will forthwith furnish to the Depositary, any supplementary amounts necessary for that purpose. The High Authority will give or cause to be given to the Depositary due notice prior to the respective payment dates of the currency or currencies in which the holders of Notes payable in multiple currencies will demand payment of principal of and premium (if any) and interest on their Notes. After the setting aside of any of the moneys as aforesaid, they shall be held for the exclusive benefit of the holders of such Notes until paid to or upon the order of such holders, and shall no longer be deemed to be a part of the Pledged Property held as security for all the Notes; provided, however, that any moneys so held by the Depositary and remaining unclaimed for six years after the date when such instalment or such redemption price shall have become due and payable, shall, so long as an Event of Default shall not have occurred and be continuing, be paid to the High Authority, and thereafter, anything in this Indenture to the contrary notwithstanding, the holders of such Notes shall look only to the High Authority for payment of the instalment or redemption price in respect of which such moneys shall have been so paid to the High Authority. No such payment of any moneys to the High Authority shall relieve it of the obligation to pay the principal of or interest on any Note upon the due subsequent presentation thereof to the High Authority, subject to any applicable period of limitation prescribed by law.

SECTION 4.03. The High Authority will instruct the Depositary in writing from time to time to make such conversions of moneys held by it into other currencies as may be necessary for carrying out Section 4.01 or 4.02.

SECTION 4.04. Upon the written request of the High Authority so long as a Representative shall not have been designated by the Noteholders as provided in Section 7.03(a) and be in office, moneys in any currency held by the Depositary as a part of the Pledged Property shall be placed on deposit with such bank or banks located in any member country of the Community or in the overseas territories of any such country or in any country that is presently a member of the European Free Trade Association or in the United States of America or in Canada, at such rates of interest and generally on such terms as the High Authority shall direct or approve, provided that any such deposits shall be payable either in the same currency, or in gold, or in the currency of any of the above-specified countries if, under the applicable laws and regulations or by virtue of special licenses, no restrictions exist at the time that limit the right of the Depositary to obtain, against the amount payable upon withdrawal of such deposit, and to transfer, the currency originally held, without limit as to any purpose for which the Depositary may apply or pay any funds under this Indenture; or, upon like request, such moneys shall be used by the Depositary to purchase gold, or acceptances of any bank or banks located in any of the above-specified countries, or short-term (not more than two years to maturity) securities (bonds, notes or other evidences of indebtedness) specified by the High Authority if the issuer of such security shall be the Government of any of the above-specified countries or any bank or banking institution located therein or the European Investment Bank or the European Atomic Community or any other international or supranational instrumentality of which all member countries of the Community shall at the time be members, provided that any such acceptance or security shall be payable either in the same currency, or in gold, or in the currency of any of the above-specified countries if, under the applicable laws and regulations or by virtue of special licenses, no restrictions exist at the time that limit the right of the Depositary to obtain, against the proceeds of such acceptance or security, and to transfer, the currency originally held, without limit as to any purpose for which the Depositary may apply or pay any funds under this Indenture. Upon like request, the Depositary shall withdraw any such deposits and sell any such acceptances or securities. The Depositary may, for purposes of this Section 4.04, rely upon an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depositary (who may be a legal officer of a duly appointed subdepositary) with respect to the existence or non-existence of restrictions on the acquisition and transfer of currencies under the

applicable laws and regulations of any country or by virtue of special licenses.

ARTICLE FIVE

CONCERNING THE PLEDGED PROPERTY

SECTION 5.01. The High Authority will from time to time instruct the Depositary in writing (a) to give such consents with respect to the Enterprise Obligations and any security therefor held as a part of the Pledged Property and to take such other action in respect thereof not contrary to the provisions of this Indenture as the High Authority shall deem advisable and (b) in respect of any such Enterprise Obligation or any security therefor, to join in and become a party to any plan of reorganization (whether voluntary or involuntary) of the issuing Enterprise or any other party which the High Authority deems advisable and to take such other action as may be required by such plan.

SECTION 5.02. The High Authority will from time to time instruct the Depositary in writing (a) to sell, free from the lien hereof, any Enterprise Obligations and any security therefor at the time held by the Depositary, which the High Authority shall deem it advisable to sell, for a purchase price equal at least to the principal amount thereof and accrued interest thereon payable in any currency in which the Enterprise Obligations being sold are payable and accompanied by appropriate Currency Undertakings, if any, and (b) to exchange, free from the lien hereof, any such Enterprise Obligations and any security therefor, which the High Authority shall deem it advisable to exchange, for an equal principal amount of new Enterprise Obligations of the same or another Enterprise bearing interest from a date not later than the date to which interest has been paid on the Enterprise Obligation so exchanged, and (c) in lieu of exchanging any such Enterprise Obligation and security therefor for a new Enterprise Obligation as aforesaid, to agree to the modification of such existing Enterprise Obligation or such security or to the release of any such security or (in the case of a mortgage or other lien) of any of the property subject thereto. A release of property that is made in compliance with Section 5.03 shall not be deemed to be a modification or release of security for purposes of the foregoing clause (c). Any such new or modified Enterprise Obligation

and the security for an Enterprise Obligation remaining after any such exchange or modification or release of security or any such release of property shall meet the requirements of the definition of Enterprise Obligation and shall be accompanied by any appropriate Currency Undertakings. The proceeds of any such sales and any such new Enterprise Obligations and any security therefor and related Currency Undertakings shall be held by the Depositary as part of the Pledged Property; any such proceeds may be applied by the Depositary pursuant to Section 4.02(a).

SECTION 5.03. In addition to its rights under Sections 5.01 and 5.02, the High Authority will from time to time instruct the Depositary in writing to release from any mortgage or other lien securing an Enterprise Obligation held as a part of the Pledged Property such of the property subject to such mortgage or other lien as the High Authority shall determine, without making any other modification of the security for such Enterprise Obligation, if (i) the fair sale value (as appraised by appraisers or engineers selected by the High Authority and satisfactory to the Depositary) of the property remaining subject to such mortgage or other lien shall be at least 125% of the unamortized amount of all indebtedness of the Enterprise secured thereby or (ii) the Depositary shall receive a certificate of the High Authority in writing stating the purpose for which the release is desired and that the value of the property to be released for that purpose does not exceed the equivalent of \$10,000 (U. S. dollars), determined as provided in Section 10.09 hereof. Such appraiser or engineer referred to in this Section 5.03 may, in any case, be a subdepositary referred to in Section 10.03(b) or an official or representative thereof.

SECTION 5.04. In case any Enterprise or any guarantor of or obligor on an Enterprise Obligation shall default in the performance of any of its obligations under such Enterprise Obligation or any security therefor held as a part of the Pledged Property, the High Authority will be entitled, with full power of substitution and delegation, to enforce, and to take all action by judicial proceedings or otherwise which the High Authority shall deem necessary or proper to enforce, such Enterprise Obligation or any security therefor. The High Authority will request the Depositary in writing to furnish all such powers of attorney, written consents, instruments of transfer and other documents as shall be required in connection with such enforcement by the High Authority or

by any other person authorized by the High Authority to act on its behalf in connection therewith.

SECTION 5.05. So long as a Representative shall not have been designated by the Noteholders as provided in Section 7.03(a) and be in office, the Depositary will act in accordance with any instructions or requests received by it from the High Authority pursuant to Sections 5.01, 5.02, 5.03 or 5.04; provided, however, that (a) if the instructions or requests are pursuant to Sections 5.01 or 5.02 or clause (ii) of the first sentence of Section 5.03, the Depositary shall receive a certificate duly signed by the High Authority to the effect that the value of the Enterprise Obligation affected by the proposed action will not thereby be materially reduced, and (b) if the instructions or requests are pursuant to Sections 5.01 or 5.02, the Depositary shall receive an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depositary (who may be a legal officer of a duly appointed subdepository) that such action is not contrary to the provisions of this Indenture or contrary to law, and that all conditions precedent provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) which relate to such action have been complied with, and such opinion shall contain statements, corresponding to those required in opinions furnished under paragraph D of Section 4.01, with respect to any new or modified Enterprise Obligation, and the security for an Enterprise Obligation remaining after any exchange or modification of security or any release of security or property, that shall be involved in the action; and provided further that if the instructions or requests are pursuant to Section 5.04, the Depositary shall receive an opinion of such legal officer or other counsel that the proposed action is not contrary to the provisions of this Indenture or contrary to law. In case a Representative shall have been designated by the Noteholders as provided in Section 7.03(a) and be in office, the Depositary will act in accordance with any instructions or requests received by it pursuant to the foregoing Sections from such Representative. The Depositary shall not be responsible for the validity of any documents delivered to it pursuant to this Article Five or for the correctness of the statements or opinions set forth in such documents.

SECTION 5.06. Upon receipt by the Depositary of payment in full of the principal of, and premium (if any) and interest on, any Enterprise Obligation, the Depositary shall, upon the written instruction of the

High Authority, execute all such instruments as may be proper to acknowledge the payment of such Enterprise Obligation and to satisfy and discharge any security therefor.

ARTICLE SIX

COVENANTS OF THE HIGH AUTHORITY

SECTION 6.01. Each Note shall constitute or evidence a general obligation of the High Authority pledging its full faith and credit for the due and punctual payment of the principal thereof and the premium (if any) and interest thereon in accordance with its terms.

SECTION 6.02. The proceeds of Notes will be used by the High Authority only for making Project Loans to Enterprises to which the High Authority is empowered to make loans under the Treaty or for retiring outstanding Notes in accordance with Section 4.01. In the case of Project Loans made from the proceeds of First Series Notes, such Projects shall be limited to the following categories:

(a) modernizing and mechanizing mining operations and expanding capacity for the production of coal and providing additional housing for miners;

(b) modernizing and mechanizing mining operations and expanding capacity for the production of iron ore, modernizing facilities for the treatment of iron ore, and providing additional housing for miners;

(c) modernizing operations and expanding capacity for the production of coke; and

(d) constructing and modernizing power stations at the pit heads to facilitate the use of low-grade coal to supply low-cost power for coal mining operations and for sale.

Project Loans made from the proceeds of Notes of any series other than the First Series Notes will be made for purposes within such categories as may be specified in the respective indentures supplemental hereto providing for the issue of Notes of such series.

SECTION 6.03. So long as any of the Notes shall remain outstanding, the only obligations that shall be issued by the High Authority

for money borrowed by it shall, except as stated in the next sentence, be Notes issued under and secured pursuant to the provisions of this Indenture. The High Authority may, however, issue other obligations for money borrowed by it in accordance with the provisions of the Treaty, if such other obligations are not secured by any mortgage, pledge or other priority on any revenues or assets of the High Authority and are not entitled to the benefit of any commitment of the High Authority which might require it at any time to secure such obligations (either alone or with other indebtedness) by any such mortgage, pledge or other priority.

SECTION 6.04. Loans to Enterprises made out of the proceeds of Notes or other funds constituting part of the Pledged Property will be made by the High Authority only in the manner provided in this Indenture. The provisions of this Indenture shall not apply to loans made by the High Authority out of funds not forming a part of the Pledged Property, except to the extent that any such loan shall become a Project Loan as provided in the definition of Project Loan.

SECTION 6.05. The High Authority will maintain and collect levies, as provided in the Treaty, on the production of coal and steel by Enterprises within the jurisdiction of the Community, sufficient to provide, in addition to any other payments to be made therefrom, for any payment of the principal of and premium (if any) and interest on the Notes which cannot be promptly and fully paid from the receipts of the High Authority from Project Loans made with the proceeds of the Notes, or promptly and fully paid from its other funds; and the High Authority will apply such levies, to the extent required, to the payment of the Notes and interest thereon.

SECTION 6.06. The High Authority, considering that it is essential that all creditors, direct and indirect, of the High Authority shall have assurance that no one of them will receive any preference over any of the others as to the aforesaid levies which the Treaty authorizes the High Authority to maintain and collect and which underlie the credit of the High Authority, and considering that the levies and the guaranty fund resulting from them should be at all times available to protect, without discrimination, all engagements of the High Authority, whatever their form, hereby states that it does not propose to create, and agrees that it will not create, any mortgage, pledge or other priority on

its revenues coming from the levies or on the accumulated levies from time to time resulting therefrom, or, except as provided herein, on any other assets of the High Authority.

SECTION 6.07. The High Authority will pay or cause to be paid all taxes, duties, fees or other charges levied or imposed by any country or any political or taxing subdivision thereof on or in respect of this Indenture or any Enterprise Obligation or any security therefor or related Currency Undertaking or any moneys or other property received by the Depositary hereunder.

SECTION 6.08. The High Authority will pay to the Depositary and any bank or other subdepositary or agent employed by the Depositary, or any bank or other agent employed by the High Authority to perform services as registrar, paying agent or sinking fund agent or services related to the making or supervision of Project Loans or similar services, in connection with the performance of the provisions of this Indenture or any supplemental indenture, such reasonable compensation and expenses (including the fees and disbursements of their counsel) for their services as shall be agreed upon with the High Authority. The Depositary and any such bank or other subdepositary or agent shall have a lien on the Pledged Property, prior to the lien securing the Notes, for the payment of such compensation and expenses.

ARTICLE SEVEN

REMEDIES IN CASE OF DEFAULT

SECTION 7.01. In case any of the following events (herein called Events of Default) shall happen and be continuing:

(a) default shall be made in the prompt and full payment of any instalment of principal of or interest on any Note or in the prompt and full payment or other satisfaction of any amortization obligation in respect of any Note, which shall not be cured by payment thereof within thirty days of the due date; or

(b) there shall be a material breach of any other of the covenants or conditions contained in this Indenture or any indenture supplemental hereto or in the Notes, which shall not be cured within

ninety days after written notice thereof shall have been given to the High Authority and the Depositary by the holders of not less than 25% in principal amount of the Notes of any series at the time outstanding; or

(c) the Treaty shall be modified in a manner that shall adversely affect the capacity of the High Authority to perform its obligations under this Indenture or any indenture supplemental hereto or under the Notes and written notice of such modification shall have been given to the High Authority and the Depositary by the holders of a majority in principal amount of all the Notes at the time outstanding;

then and in each such case, the principal of all Notes then outstanding hereunder (if not already due) may be declared to be due and payable immediately by written notice given to the High Authority and the Depositary by the holders of not less than a majority in principal amount of all the Notes at the time outstanding.

If, at any time after the principal of all the Notes shall have been so declared due and payable and before any judgment or decree for the payment of moneys due thereon shall have been entered, all arrears of interest upon all the Notes and all other sums due in respect of the Notes, except any principal payments which shall not have matured by their terms, shall have been duly paid by the High Authority and all defaults hereunder shall have been made good, the holders of a majority in principal amount of all the Notes then outstanding, by written notice given to the High Authority and to the Depositary, may rescind such declaration; but no such rescission shall impair any right consequent on any subsequent default.

The Depositary may conclusively rely upon any statement contained in any written notice given to it pursuant to the provisions of this Section 7.01. For any purpose of this Section 7.01, the principal amount of any Notes the holders of which shall have given any notice hereunder shall be determined as of the date by which the last holder required to give notice for such purpose shall have given such notice to both the High Authority and the Depositary.

SECTION 7.02. In case the principal of all the Notes outstanding shall have been declared to be due and payable pursuant to a declaration (which shall not have been rescinded) made pursuant to Section

7.01, anything in this Indenture or in any supplemental indenture to the contrary notwithstanding, all further payments that shall be made by the Depository to the holders of the Notes (other than payments in respect of which moneys shall previously have been set aside pursuant to Section 4.02), whether made out of payments received or collected by it in respect of, or out of the proceeds of the sale of, the Pledged Property or otherwise, shall be made pro-rata to such holders, without regard to the series of the several Notes, in proportion to the principal amounts of the Notes held by them, respectively, and the unpaid interest accrued thereon, so that the payments received by the holders of each series of Notes in the currency in which such Notes are expressed (or, in the case of any Note payable in multiple currencies, in such one of those currencies as shall be selected by the Noteholder within three months from the date of notification to the Noteholders that all Notes have become due or, in the absence of such selection, as provided in the applicable supplemental indenture) shall be the same percentage of the principal of and unpaid interest on such Notes expressed in that currency as the percentage of the principal of and unpaid interest on each other series of Notes received by the holders thereof in the currency, or one of the currencies as aforesaid, in which such other Notes are expressed. Such payments shall be made from time to time on such dates as the Depository shall determine, and each such payment shall be applied first to the payment of the interest accrued on such Notes to the date of payment and then to payment of the principal thereof.

The Depository is hereby authorized, and the holder of each Note in accepting such Note shall thereby authorize the Depository, to use any moneys held or received by it, including any moneys made available pursuant to a Currency Undertaking, and to convert any such moneys into any other currency or currencies, as it shall deem necessary in order to permit payments to be made to the holders of the Notes in accordance with this Section 7.02.

SECTION 7.03. (a) In case an Event of Default shall occur and be continuing, the holders of not less than a majority in principal amount of the outstanding Notes may, by written instrument or instruments filed with the Depository, designate a bank or other financial institution or agency to act as the representative (hereinafter called the Representative) for all holders of Notes in matters relating to their rights hereunder, and any such Representative, on behalf of the holders of all out-

standing Notes, shall have full authority to make any request upon, and give any instruction or consent to, the Depositary, and take any other action which the High Authority might make, give or take at any time in accordance with the provisions hereof. For purposes of this Section 7.03(a), the principal amount of any Notes the holders of which shall have filed any such instrument or instruments shall be determined as of the date of filing thereof or, if more than one instrument, the date of filing of the last thereof that shall be required for such purposes. The High Authority hereby grants to any such Representative the right to take, and authorizes such Representative to take, any action that could be taken, pursuant to this Indenture or otherwise, by the High Authority under or with respect to any Enterprise Obligation or any security therefor or the related credit agreement or any other related undertaking, irrespective of whether the same shall be pledged or required to be pledged hereunder, and the High Authority hereby acknowledges that the foregoing grant and authorization are made in the interest of the holders of the Notes and are irrevocable so long as the Event of Default on the basis of which such Representative was appointed shall continue.

(b) The Representative shall have the right to direct and control all action to be taken for the protection of the security for the Notes and, with full power of substitution and delegation, to take such action to protect and enforce the rights of the holders of Notes under this Indenture by any appropriate form of legal or judicial proceedings, whether for the specific performance of any covenant or condition contained herein, or for the protection of the Enterprise Obligations or any security therefor or any related undertaking, or for any other appropriate remedy, all as such Representative shall determine. The Depositary will furnish to the Representative all such powers of attorney, written consents, instruments of transfer and other documents as the Representative shall request in writing in connection with any such action to be taken by the Representative or by any other person authorized by it to act on its behalf in connection therewith. The Representative shall have the further right, by a written instrument delivered to the Depositary, to appoint a bank or other financial institution or agency (including itself) as successor to the Depositary hereunder, and any bank, institution or agency so appointed shall, upon compliance with the provisions of Section 10.06, succeed to all the rights and powers and all the obligations of the Depositary hereunder, including all its rights, powers and obligations in respect of the Pledged Property.

(c) Neither the High Authority nor the Representative, however, will be entitled to enforce an Enterprise Obligation or any security therefor as long as the issuing Enterprise is not in default under that Enterprise Obligation.

(d) No holder of any Note shall, as such holder, have any right to institute any proceeding for the enforcement of any security for the Notes.

ARTICLE EIGHT

SUPPLEMENTAL INDENTURES

SECTION 8.01. The High Authority and the Depositary may, and if required by the terms of this Indenture shall, enter into such indenture or indentures supplemental hereto as the High Authority shall determine for any one or more of the following purposes:

(a) to transfer and assign to the Depositary to be held as a part of the Pledged Property any Enterprise Obligations and any security therefor and any related undertaking;

(b) to provide for the issue under this Indenture of Notes of any series other than First Series Notes;

(c) to close this Indenture against, or further to restrict, the issue of additional Notes hereunder;

(d) to add further covenants, restrictions or conditions for the protection of the holders of Notes;

(e) to specify additional defaults as Events of Default; and

(f) to cure any ambiguity or to correct any defect or inconsistent provision contained in this Indenture or in any supplemental indenture.

Any such supplemental indenture may be executed without the consent of the holders of any of the Notes at the time outstanding. The Depositary shall not be required, without its consent, to enter into any such supplemental indenture which shall in the opinion of the Depositary adversely affect its rights, powers, obligations and immunities hereunder.

SECTION 8.02. With the written consent of the holders of not less than $66\frac{2}{3}\%$ in principal amount of all the Notes at the time outstanding, the High Authority and the Depositary may enter into a notarial act or notarial acts constituting an indenture or indentures supplemental hereto for the purpose of modifying any of the terms or provisions contained in this Indenture or in any supplemental indenture or indentures or in any Note; provided, however, that (i) if any such supplemental indenture would alter the dates fixed for the payment of the principal of, or instalments of interest on, any Note, or otherwise modify the terms of payment of such principal or interest or impose any conditions with respect to such payment, or alter the amount of principal of, or the rate of interest or premium payable on, any of the Notes, or affect the rights of the holders of less than all the Notes of any series then outstanding, such supplemental indenture shall not be entered into without the consent of the holders of all Notes affected thereby, (ii) if any such supplemental indenture would affect the rights of the holders of one or more series, but less than all series, of the Notes then outstanding, such supplemental indenture shall not be entered into without the consent of the holders of at least $66\frac{2}{3}\%$ in principal amount of the Notes of each of the series affected thereby then outstanding and (iii) if any such supplemental indenture would reduce the aforesaid percentages of Notes, or of the Notes of any series, the consent of the holders of which shall be required for the authorization of any such modification, such supplemental indenture shall not be entered into without the consent of the holders of all outstanding Notes, or of all outstanding Notes of such series, as the case may be.

It shall not be necessary for the consent of the Noteholders under this Section 8.02 to approve the precise form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. For purposes of this Section 8.02, the principal amount of Notes the holders of which shall have given any such consent shall be determined as of the date on which the High Authority and the Depositary shall enter into a notarial act pursuant thereto.

SECTION 8.03. When any supplemental indenture that shall modify this Indenture shall have been entered into pursuant to the provisions of this Article Eight, all the terms and conditions of any such supplemental indenture shall, except as therein expressly otherwise provided, be deemed to be part of the terms and conditions of this Indenture for all purposes. Notes thereafter issued may bear a notation as to any

matter provided for in said supplemental indenture, and new Notes conforming to any modification of this Indenture contained in any such supplemental indenture may, if the High Authority so determines, be executed by the High Authority, authenticated by the Depository and delivered in exchange for an equal principal amount of Notes previously outstanding.

ARTICLE NINE

SATISFACTION AND DISCHARGE

SECTION 9.01. If the High Authority shall pay or cause to be paid to the holders of all Notes outstanding hereunder the principal thereof, and the premium (if any) and interest thereon, at the times and in the manner stipulated therein, or shall provide for the payment thereof by depositing in a special account with the Depository in the required currency or currencies the entire amount due or to become due thereon for principal, premium (if any) and interest, then this Indenture shall cease and all property, rights and interests theretofore conveyed or assigned in pledge to the Depository shall revert to the High Authority, and the Depository in such case, on written demand of the High Authority, shall cancel this Indenture and assign and transfer to or on the order of the High Authority all cash and other property then held by the Depository hereunder.

SECTION 9.02. Any moneys (other than moneys referred to in the proviso in Section 4.02 relating to unclaimed moneys) held by or for account of the Depository hereunder for the payment of principal of or premium or interest on the Notes and remaining unclaimed for six years after all the Notes shall have become due and payable, either at maturity **or upon call for redemption**, shall be paid to the High Authority. No such payment of moneys to the High Authority shall relieve it of the obligation to pay the principal of or premium or interest on any Note upon the due subsequent presentation thereof to the High Authority, subject to any applicable period of limitation prescribed by law.

ARTICLE TEN

MISCELLANEOUS

SECTION 10.01. Nothing expressed in or to be implied from this Indenture or the Notes shall be construed to give to any person, other

than the parties hereto and the holders of the Notes or any Representative and any bank or other subdepository or agent of the Depository or the High Authority referred to in Section 6.08, any right, remedy or claim under this Indenture or under any covenant or condition herein contained; this Indenture and all covenants and conditions hereof being intended to be for the exclusive benefit of the parties hereto and of the holders of the Notes issued hereunder or any Representative and, to the extent provided in Section 6.08, any such bank or other subdepository or agent of the Depository or the High Authority.

SECTION 10.02. No recourse under or upon any covenant contained in this Indenture or in any Note, or because of the creation of any indebtedness hereby authorized, shall be had against any member or official or other representative, past, present or future, as such, of the High Authority, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, it being expressly agreed and understood that this Indenture and the Notes are solely obligations of the High Authority and that no personal liability whatever shall attach to or be incurred by the members or officials or other representatives, as such, of the High Authority because of the execution of this Indenture or the Notes.

SECTION 10.03. The Depository agrees to carry out the provisions of this Indenture upon the terms and conditions thereof, including the following, to all of which the parties hereto and the holders of the Notes agree:

(a) The Depository will use reasonable care in the selection of sub-depositaries and agents employed by it as hereinafter provided and in the safekeeping of any part of the Pledged Property in its actual custody, and will require each such sub-depository or agent which shall have any of the Pledged Property in its custody to agree in writing to use reasonable care in the safekeeping thereof.

(b) The Depository may employ, as subdepositaries and other agents, banks or other recognized financial institutions approved by the High Authority which shall, at the direction and for the account of the Depository, receive and hold Enterprise Obligations and other instruments and moneys constituting part of the Pledged Property, receive and collect payments made upon such Enterprise Obligations and make payments when due upon Notes, and shall,

upon the authority of and on behalf of the Depositary, perform such of its other duties hereunder as the Depositary shall from time to time direct. The Depositary may authorize any agent (including an individual) selected by the Depositary for the purpose to authenticate, upon the authority of and on behalf of the Depositary, the Notes of any series issued hereunder as hereinbefore provided. The Depositary shall not be responsible for any action taken by any sub-depositary or agent selected by it in accordance with subparagraph (a) above. The Depositary may, and at the request of the High Authority (at any time when there shall not be a Representative in office) or of any Representative at the time in office shall, revoke the power and authority of any such sub-depositary or agent and/or require it to transmit to or upon the order of the Depositary any of the Pledged Property held by such sub-depositary or agent.

(c) The Depositary may act upon any notice, request, instruction, opinion, consent, certificate, appraisal report, letter, telegram, cablegram, radiogram, document or other paper believed by it to be genuine or to have been signed, sent or presented by the proper persons or properly authorized or duly made.

(d) The Depositary shall not be responsible for the performance of any duties under this Indenture except such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Depositary, but the duties and obligations of the Depositary shall be determined solely by the express provisions of this Indenture.

(e) The Depositary may in its discretion require, before recognizing anyone as a holder of Notes, that the Notes claimed to be held be submitted to the Depositary for inspection and title thereto established to its satisfaction.

(f) The Depositary shall not be responsible or accountable to anyone, either by reason of its execution of this Indenture or any indenture supplemental hereto or any certificate of authentication on any Note or for any other reason whatsoever, with respect to the validity of this Indenture or of any indenture supplemental hereto or of the Notes, or for the validity or value of any Pledged Property, or for any computation made in accordance with Section 10.09, or for any act done or omitted by it in good faith, or

for anything whatever in connection with this Indenture or any indenture supplemental hereto or any Note, except for its own wilful misconduct or failure to exercise reasonable care in the performance of its duties hereunder.

(g) In acting hereunder, the Depositary may advise with legal counsel and (subject to the provisions of subparagraph (f) above) shall be fully protected with respect to any action taken or suffered by it in good faith in accordance with the opinion of such counsel.

(h) The High Authority agrees to indemnify the Depositary for, and to hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the performance of its services hereunder, as well as the costs and expenses of defending against any claim of liability in the premises.

(i) The Depositary shall not be accountable for interest on any funds held by it hereunder, except in accordance with such agreement as it may make with respect thereto with the High Authority. The payment of interest by sub-depositaries and agents on funds held by them hereunder shall be in accordance with agreements entered into by such subdepositaries and agents with the High Authority and approved by the Depositary.

SECTION 10.04. The Depositary, or any depositary hereafter appointed, may resign and be fully discharged from all further responsibility hereunder, upon giving six months' notice in writing to the High Authority, or such shorter notice as the High Authority may accept as sufficient, in which notice there shall be stated a date when such resignation shall take effect; and such resignation shall take effect on the day specified in said notice unless previously a successor depositary shall be appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor depositary.

SECTION 10.05. In case a vacancy shall arise from any cause in the depositaryship under this Indenture, the High Authority shall promptly appoint a new depositary in its place. Such appointment by the High Authority shall be attested by the certificate in writing of its President or other duly authorized representative. Any depositary so appointed hereunder shall be a bank or other financial institution or

agency in good standing and shall be approved by the holders of a majority in principal amount of all the Notes at the time outstanding, determined as of the date on which such depositary shall sign and deliver to the High Authority the instrument referred to in Section 10.06.

SECTION 10.06. Any successor depositary appointed by the High Authority pursuant to Section 10.05 and any successor depositary appointed by the Representative of the Noteholders pursuant to Section 7.03 shall sign and deliver to the High Authority an instrument accepting such appointment hereunder, and thereupon such successor depositary, without any further act, deed or conveyance, shall become vested with all the rights and powers and all the obligations of its predecessor hereunder, with like effect as if originally named as Depositary hereunder; but, nevertheless, on the written request of the High Authority or of the successor depositary, the depositary ceasing to act shall enter into a notarial act transferring to such successor depositary all the rights and powers hereunder of the depositary so ceasing to act, and shall deliver (subject to the lien provided for in Section 6.08) to such successor depositary all the Pledged Property and other assets and moneys held by it hereunder. Upon request of any such successor depositary, the High Authority shall enter into such notarial acts constituting indentures supplemental hereto and other instruments in writing as shall be appropriate for vesting in such successor depositary all such rights and powers.

SECTION 10.07. Immediately upon the appointment of a successor depositary by the High Authority or by the Representative, the High Authority shall give notice thereof by publication in the Official Gazette of the Community.

SECTION 10.08. The Depositary shall give to each person who is named as a payee in an outstanding Note and whose address is known to the Depositary and to each holder of an outstanding Note whose name and address have been filed with the Depositary for that purpose, (i) a copy of any notice given as provided in Section 10.04, (ii) a copy of any notice published as provided in Section 10.07 and (iii) written notice of the happening of any Event of Default known to the Depositary, within 10 days after the happening thereof; provided, however, that the Depositary shall not be required to give any notice of any default which has been cured.

SECTION 10.09. For the purpose of determining whether the holders of a specified amount of Notes shall have taken any action provided for in this Indenture, the principal amount (determined as provided in this Indenture) of all outstanding Notes shall be computed in United States dollars and the principal amount of any Note expressed to be payable in a different currency or currencies shall be deemed to be the equivalent principal amount in such dollars

(a) at the ratio on the appropriate date between the then existing par values of the United States dollar and of the other currency concerned as at that time agreed with the International Monetary Fund; or

(b) if in the case of any currency involved there is no such par value or the generally applicable exchange rate deviates significantly from such par value, then at the ratio between the United States dollar and the other currency concerned as determined by the middle rate of exchange generally applicable for cable transfers in United States dollars in the principal exchange market of the other country at the close of business on that date, or on the last previous date when such a rate was available; or

(c) in the event that there is more than one such rate, then at the ratio between the United States dollar and the other currency concerned based on that rate of exchange between the two currencies applicable on the appropriate date, to the category or categories of commercial imports into the country having more than one such rate which, during the previous calendar year, constituted a greater amount by value than any other category or categories of such imports subject on such appropriate date to any single different rate of exchange between the two currencies, as may be determined by the Depository.

The provisions of this Section 10.09 shall be equally applicable for the purpose of any other provision of this Indenture that may require the computation of amounts in various currencies. For the purposes of a computation as of any date pursuant to this Section 10.09, the appropriate date referred to above as of which par values, exchange rates and similar matters shall be taken shall be the close of business in New York City on the third business day preceding the date as of which the com-

putation is being made, and any such computation by the Depositary shall be final and binding upon all parties.

Any Notes which to the knowledge of the Depositary are at the time held by or for the account of the High Authority shall not be deemed to be outstanding for any purpose in connection with any computation pursuant to this Section.

SECTION 10.10. Any notice, demand or request or other instrument required by this Indenture to be signed by Noteholders may be in any number of concurrent writings of similar tenor and may be signed by such Noteholders in person or by agent appointed in writing. The due signature of any such notice, demand, request or other instrument may be proved by a duly executed certificate of a notary or other government official authorized to take oaths, or of any bank or banker or other financial institution or any member of any stock exchange (wherever situated) satisfactory to the Depositary, before whom such instrument shall have been signed. The fact of the holding by any person of Notes which are not registered as to principal and are transferable by delivery or endorsement, and the amounts and numbers of such Notes and the date of holding the same, may be proved by a certificate executed by any bank or banker or other institution, wherever situated, if such certificate shall be deemed by the Depositary to be satisfactory, showing that at the date therein mentioned such person had on deposit with or exhibited to such bank, banker or other institution a Note or Notes bearing a specified serial number or numbers described in such certificate. The holding by any person named in such certificate of any Note specified therein shall be presumed to continue until written notice to the contrary is served on the Depositary. The ownership of registered Notes shall be proved by the registration books kept as provided in any indenture supplemental hereto authorizing the issuance of such Notes.

SECTION 10.11. Any action by the holder of any Note shall bind all future holders of the same Note in respect of anything done or permitted by the High Authority or by the Depositary in pursuance thereof.

SECTION 10.12. All notices, requests and instructions shall be deemed to have been duly given if sent by registered letter, or sent by cable and confirmed by registered letter, addressed to the following addresses respectively, or to such other addresses as may from time to

time be designated in writing by the party who is to receive such notice, request or instruction: (a) if to the High Authority—to the High Authority of the European Coal and Steel Community, Luxembourg; (b) if to the Depositary—to Bank for International Settlements, Basle, Switzerland.

SECTION 10.13. In case any one or more of the provisions contained in this Indenture or in the Notes should be invalid or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Notes shall not in any way be affected or impaired thereby.

SECTION 10.14. The holder of each Note in accepting such Note shall thereby consent to all the provisions of this Indenture and agree to be bound by all such provisions.

This Act and the annexes thereto have been read by me the Notary to the Appearers, who, having been questioned by me, have declared that it is in conformity with their wills and who, together with me the Notary, have signed this Act at the foot hereof and in the margin of the intervening sheets.

Signed JEAN MONNET

Signed R. AUBOIN

Signed G. FABER, Notary

[Notarial seal]

Extract from the Minutes of the Session of the High Authority of the European Coal and Steel Community of November 24, 1954

RESOLUTION

approving and authorizing the signing of an Act of Pledge to be entered into by the High Authority of the European Coal and Steel Community and the Bank for International Settlements

Present: MESSRS. JEAN MONNET, ALBERT COPPÉ, LÉON DAUM, PAUL FINET, HEINZ POTTHOFF, DIRK SPIERENBURG.

The Session was presided over by Mr. MONNET, President of the High Authority.

“ The High Authority approves the proposed Act of Pledge, providing for the securing of the Secured Notes of the High Authority, to be entered into by the High Authority of the European Coal and Steel Community and the Bank for International Settlements, in the form of the text submitted to this meeting.

The High Authority, therefore, authorizes its President, Mr. JEAN MONNET, to sign such Act of Pledge on behalf of the High Authority of the European Coal and Steel Community in such form, with such changes therein as he shall by his signature thereof approve.

The President states that this resolution is adopted in accordance with the conditions laid down in Article XIII of the Treaty.”

I HEREBY CERTIFY THAT THIS IS A TRUE COPY

Secretary of the High Authority
(M. KOHNSTAMM)

BANK FOR INTERNATIONAL SETTLEMENTS

Basle
26th April 1954.

DEAR SIRs,

We beg to transmit herewith, for your information, a revised list of the facsimile signatures of those authorised to sign on behalf of the Bank for International Settlements.

The present list replaces the lists circulated prior to 26th April 1954.

Yours faithfully

Maurice FRÈRE
President

Copy certified correct

A. FERRARI
Secretary General.

The Bank for International Settlements is legally committed vis-à-vis third parties for all operations which it may transact

- (a) by the individual signature of the President, who will sign:
- | | | |
|--|---------------|---------------|
| | President | |
| | Maurice Frère | Maurice Frère |
- (b) by the individual signature of the Alternate of the President, who will sign:
- | | | |
|--|--|-----------|
| | Roger Auboin
General Manager
Alternate of the
President | |
| | | R. Auboin |
- (c) by the joint signatures of two of the following members of the Management, under the title:

BANK FOR INTERNATIONAL SETTLEMENTS

M. M. van Zeeland, First Manager, Head of the Bank- ing Department, who will sign :	M. van Zeeland First Manager	M. van Zeeland
Mr. O. Berntsen, Manager, who will sign :	Oluf Berntsen Manager	Oluf Berntsen
Mr. F. G. Conolly, Manager, who will sign :	F. G. Conolly Manager	F. G. Conolly
Signor A. Ferrari, Secretary General, who will sign :	A. Ferrari Secretary General	A. Ferrari

(d) by the joint signatures of

- (1) one of the members of the Management
indicated under (c) above

and

- (2) one of the following
gentlemen,

under the title:

BANK FOR INTERNATIONAL SETTLEMENTS

Mr. S. G. Binnerts, Assistant Manager, who will sign :	Binnerts Assistant Manager	Binnerts
M. G. Royot, Sub-Manager, who will sign :	Georges Royot Sub-Manager	Georges Royot

Signor W. Roncagli,
 Head of Section,
 who will sign:

Roncagli
 Head of Section

Roncagli

Mr. M. H. Parker,
 Head of Section,
 who will sign:

Malcolm Parker
 Head of the
 Administrative
 Section

Malcolm Parker

Mr. A. N. Barltrop,
 Chief Accountant,
 who will sign:

A. N. Barltrop
 Chief Accountant

A. N. Barltrop

**HIGH AUTHORITY OF THE EUROPEAN COAL
AND STEEL COMMUNITY
SECURED NOTE**

under Indenture dated November , 1954

(Dollar Payment First Series Note)

No.

Luxembourg

\$

, 1954

FOR VALUE RECEIVED, the High Authority of the European Coal and Steel Community (hereinafter referred to as the "High Authority") hereby promises to pay to _____ or order, at

, the principal sum of

Dollar (\$) _____) in lawful money of the

United States of America in twenty-two annual installments on the dates and in the amounts set forth below:

<i>Date</i>	<i>Installment of Principal</i> [Here set forth the Dollar amounts corresponding to the following percentages of the principal amount of the Note]
May 1, 1958	\$ [2.9%]
May 1, 1959	[3.1%]
May 1, 1960	[3.2%]
May 1, 1961	[3.3%]
May 1, 1962	[3.4%]
May 1, 1963	[3.6%]
May 1, 1964	[3.7%]
May 1, 1965	[3.9%]
May 1, 1966	[4.0%]
May 1, 1967	[4.2%]
May 1, 1968	[4.3%]
May 1, 1969	[4.5%]
May 1, 1970	[4.7%]
May 1, 1971	[4.9%]
May 1, 1972	[5.0%]
May 1, 1973	[5.2%]

<i>Date</i>	<i>Installment of Principal</i> [Here set forth the Dollar amounts corresponding to the following percentages of the principal amount of the Note]
May 1, 1974	[5.4%]
May 1, 1975	[5.7%]
May 1, 1976	[5.9%]
May 1, 1977	[6.1%]
May 1, 1978	[6.4%]
May 1, 1979	[6.6%]

and to pay interest in like money from date hereof on May 1 of each year at the rate of three and seven-eighths per cent. (3-7/8%) per annum on the unpaid principal balance of this Note from time to time outstanding.

The principal of this Note and the interest thereon shall be payable without deduction for any present or future taxes, duties, fees or other charges levied or imposed thereon or on this Note or the holder hereof by or within any member country of the European Coal and Steel Community or Switzerland or any political or taxing subdivision of any such member country or Switzerland.

The High Authority hereby reserves the right to prepay at any time and from time to time, without penalty or premium, all or any part of the principal of this Note by payment of the principal amount so prepaid with interest thereon to the date of prepayment. Any such prepayment shall be applied pro rata to the installments of principal on this Note.

This Note is one of the Secured Notes of the High Authority (hereinafter referred to as the "Notes"), issuable in series, and is one of a series of the Notes designated "Secured Notes, First Series", all issued and to be issued under, and equally secured by, the Act of Pledge (hereinafter referred to as the "Indenture") dated November , 1954, entered into by the High Authority and Bank for International Settlements, Basle, Switzerland, as Depositary, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the terms and conditions upon which the Notes are secured.

In case an Event of Default, as defined in the Indenture, shall occur, the principal of all the Notes at any such time outstanding under the

Indenture may be declared due and payable, and any such declaration may subsequently be rescinded, upon the conditions and in the manner and with the effect provided in the Indenture.

The High Authority hereby waives any diligence, presentment, demand, protest or notice of nonpayment or dishonor with respect to this Note.

This Note is a general obligation of the High Authority which hereby pledges its full faith and credit for the payment of the principal of this Note and the interest thereon in accordance with its terms.

HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY

by

(Title)

by

(Title)

This Note is one of the Secured Notes, of the series designated therein, referred to in the within-mentioned Indenture.

BANK FOR INTERNATIONAL SETTLEMENTS,
Depositary

by

Authorized Representative

<i>Date</i>	<i>Installment of Principal</i> [Here set forth the Dollar amounts corresponding to the following percentages of the principal amount of the Note]
May 1, 1974	[5.4%]
May 1, 1975	[5.7%]
May 1, 1976	[5.9%]
May 1, 1977	[6.1%]
May 1, 1978	[6.4%]
May 1, 1979	[6.6%]

and to pay interest in like money from the date hereof on May 1 of each year at the rate of three and seven-eighths per cent. ($3\frac{7}{8}\%$) per annum on the unpaid principal balance of this Note from time to time outstanding.

At the option of the High Authority, the principal of this Note and the interest thereon may be paid in whole or in part in (name of currency) at the rate of (number of units and name of currency) to one United States dollar.

The principal of this Note and the interest thereon shall be payable without deduction for any present or future taxes, duties, fees or other charges levied or imposed thereon or on this Note or the holder hereof by or within any member country of the European Coal and Steel Community or Switzerland or any political or taxing subdivision of any such member country or Switzerland.

The High Authority hereby reserves the right to prepay at any time and from time to time, without penalty or premium, all or any part of the principal of this Note by payment of the principal amount so prepaid with interest thereon to the date of prepayment. Any such prepayment shall be applied pro rata to the installments of principal on this Note.

This Note is one of the Secured Notes of the High Authority (hereinafter referred to as the "Notes"), issuable in series, and is one of a series of the Notes designated as "Secured Notes, First Series", all issued and to be issued under, and equally secured by, the Act of Pledge (hereinafter referred to as the "Indenture") dated November , 1954, entered into by the High Authority and Bank for International Settlements, Basle, Switzerland, as Depositary, to which Indenture and all

indentures supplemental thereto reference is hereby made for a description of the terms and conditions upon which the Notes are secured.

In case an Event of Default, as defined in the Indenture, shall occur, the principal of all the Notes at any such time outstanding under the Indenture may be declared due and payable, and any such declaration may subsequently be rescinded, upon the conditions and in the manner and with the effect provided in the Indenture.

The High Authority hereby waives any diligence, presentment, demand, protest or notice of nonpayment or dishonor with respect to this Note.

This Note is a general obligation of the High Authority which hereby pledges its full faith and credit for the payment of the principal of this Note and the interest thereon in accordance with its terms.

HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY

by

(Title)

by

(Title)

This Note is one of the Secured Notes, of the series designated therein, referred to in the within-mentioned Indenture.

BANK FOR INTERNATIONAL SETTLEMENTS,
 Depositary

by

Authorized Representative

***Explanation of
Proposed Amendments to Act of Pledge
between
High Authority of the European Coal and Steel Community
and
Bank for International Settlements, as Depositary***

Under the Treaty establishing the European Coal and Steel Community, the High Authority is authorized to borrow funds and to make loans to Enterprises of the Community to facilitate the financing of projects deemed important to the objectives of the Community. In 1954, the High Authority entered into an Act of Pledge with Bank for International Settlements, Basle, Switzerland, as Depositary. The Act of Pledge (hereinafter called the Indenture) is an open-end Indenture providing for the issue, in series, of Secured Notes* of the High Authority, against the deposit with the Depositary of funds equal to the principal amount of the Notes; for the use of such funds to make Project Loans to Enterprises; and for the pledging with the Depositary, as security for all the Secured Notes, without preference or priority among them, of the obligations received by the High Authority from the Enterprises for such loans, and any security for such obligations, as well as any other moneys and property from time to time delivered to the Depositary (together called the Pledged Property).

The Secured Notes themselves are unconditional general promises to pay of the High Authority. It must provide out of its unpledged assets (including levy-tax-moneys, guaranty fund and earnings thereon) funds to pay the principal of and interest on the Notes, if the service moneys received by the Depositary on the pledged Enterprise Obligations shall not suffice therefor.

Secured Notes are outstanding in twelve Series in an aggregate principal amount equivalent to about \$200,000,000. There have been no

*The terms "Notes" or "Secured Notes" include "Secured Bonds", "Secured Bank Loans", and other obligations of the High Authority issued under the Indenture.

defaults on any of the Secured Notes or any of the pledged Enterprise Obligations.

The Indenture was originally prepared in connection with the first borrowing by the High Authority, i.e., the \$100 million borrowing from the United States Government in 1954. At that time the post-war recovery of Europe was far from complete; the only convertible currency in Europe, existing or in prospect, was the Swiss franc; the dollar gap was still a problem and the capital markets in most of Europe were still closed except on prohibitive terms. The favorable developments in Europe in the last five years, attributable no doubt in part to the common market for coal and steel created by the Community, have greatly changed the conditions that existed when the Indenture was first entered into.

The High Authority now desires, with the consent of the Noteholders and in accordance with the applicable provisions of the Indenture, to make certain changes which its experience during the last five years indicates would be desirable.

Many of the proposed changes may be regarded as "modernizing provisions" designed to permit the High Authority to conduct its borrowing and lending operations efficiently in an expanding economy rather than under the conditions previously existing. To some extent, the proposed changes confirm that "hindsight is better than foresight".

In suggesting the proposed changes, the High Authority is acting in its role as a lender to the Enterprises, rather than in its role as a borrower from the Noteholders. It has no interest conflicting with the interest of the Noteholders, since it is the primary lender to the Enterprises and since its entire patrimony stands behind the Notes if the pledged Enterprise Obligations shall not be adequate to service the Notes.

The proposed changes do not modify the terms of the outstanding Notes, as distinguished from the terms of the Indenture. Nor do they represent any basic departure from the original structure and concept of the Indenture and, if approved, they would, in the opinion of the High Authority and its legal officers and United States counsel, be in the best interests of the High Authority and the holders of the Notes as herein described.

The accompanying copy of the Indenture (as heretofore amended), attached hereto as Annex A, shows the precise text of the proposed changes, by deletion and insertion. This memorandum discusses the principal proposed changes, and sets forth their purpose and effect, with footnote references to related provisions of the accompanying Indenture.

(1) Borrowings by the High Authority Outside the Indenture.

The Indenture now provides that

“the only obligations that shall be issued by the High Authority for money borrowed by it” shall be Secured Notes issued under the Indenture.

It is proposed to remove this restriction, to the extent of permitting the High Authority to borrow outside the Indenture so long as such borrowings shall be completely unsecured so far as any lien on the revenues or assets of the High Authority is concerned and shall not be entitled to the benefit of negative pledge commitments relating to any such revenues or assets.¹ Under the Treaty, funds so borrowed can only be used by the High Authority to make loans to Enterprises.

The Indenture by its terms is now inapplicable to loans to Enterprises made by the High Authority out of funds not forming part of the Pledged Property. If the proposed change is made, the Indenture would also be inapplicable to borrowings made by the High Authority outside the Indenture as described above.

While such borrowings outside the Indenture would have equal rights with the Secured Notes in respect of the general assets of the High Authority (including levy-tax-moneys, guaranty fund and earnings thereon), such borrowings would, of course, not be secured by the Pledged Property held by the Depositary as security for the Secured Notes. Moreover, the proposed change would not have any effect on the covenant of the High Authority contained in the Indenture not to

“create, any mortgage, pledge or other priority on its revenues coming from the levies or on the accumulated levies from time to time resulting therefrom, or, except as provided herein [i.e., in the Indenture], on any other assets of the High Authority.”

On the other hand, the proceeds of such borrowings and the resulting loans to Enterprises, together with any security therefor, would constitute additional resources of the High Authority behind all its obligations, whether issued under the Indenture or outside it.

The restriction which it is proposed to remove is one not normally found in an indenture providing for the issue of secured obligations. It is no longer regarded as serving any useful purpose.

The High Authority anticipates that it may be able from time to time to borrow advantageously on an unsecured basis in various markets, de-

¹Sec. 6.03.

pending on its requirements as to maturities, interest rates, etc. It believes that it is in the interest of the Noteholders that it be permitted to do so, if occasion arises.

(2) Currency Undertakings.

The Indenture provides that, when a Project Loan is made, if the Enterprise Obligation, or the Related Secured Note, is payable in a currency other than the currency of the country where the Enterprise is located, that country must furnish a Currency Undertaking, i.e., an undertaking of its government or an authorized agency thereof to make available, against local currency, the foreign currency required for the service of the Enterprise Obligation or Secured Note, or both. Currency Undertakings may also be required at other times, as when changes in the Pledged Property make it necessary to extend the coverage of the existing Currency Undertakings.

Each member country is a party to the Articles of Agreement of the International Monetary Fund effective December 27, 1945. By Article VIII of that Agreement, each signatory agrees, among other things, that, if it shall make its currency freely convertible for current transactions (which are defined to include interest and moderate amounts for amortization), it will not, so long as it continues as a member of the Fund, unilaterally (i.e., without the consent of or prior action by the Fund) limit or restrict such convertibility. That Agreement is a binding international obligation.

It is proposed to change the definition of Currency Undertaking so as to permit a member country of the Community which has made its currency convertible without restriction for current transactions, and has accepted the obligations of Article VIII by giving appropriate notice to the Fund, to furnish, in lieu of a Currency Undertaking, a statement to that effect.²

When the Indenture was entered into, none of the six member countries of the Community had made its currency so freely convertible. Indeed, at that time, foreign exchange was being rigidly controlled by most governments, including the governments of the six member countries. Accordingly, a requirement for a Currency Undertaking was included in the Indenture, following the classical tradition in the case of foreign loans to borrowers other than the sovereign.

Such Currency Undertaking does not, of course, purport to protect against devaluation of the national currency, but it does make provision

²Art. One, definition of "Currency Undertaking".

for obtaining, against local currency, the foreign exchange necessary to pay the service on the Enterprise Obligations and the Notes.

As indicated above, since the Indenture was entered into, conditions in Europe have been changing. Germany has made its currency freely convertible. Other member countries of the Community may do so in the not too distant future. Germany has already indicated that giving Currency Undertakings would not be compatible with its status after it shall have notified the International Monetary Fund that it is prepared to accept the obligations of Article VIII of the Articles of Agreement of the Fund. Other member countries may be expected to take the same attitude when they shall have given such notice. If so, and if this proposed change is not adopted, the High Authority will be unable to relend the proceeds of Secured Notes in countries that recover completely from postwar monetary difficulties. It will be able to relend only in countries which remain subject to postwar currency restrictions. Such a result would be contrary to the interests of the High Authority as the primary lender and of its Noteholders.

The High Authority has concluded that there is no reasonable likelihood that a member country which shall make its currency convertible for current transactions would seek (or that the International Monetary Fund would grant) relief from its international obligation (in the Articles of the Fund) to continue on a convertible basis. Whatever the form of commitment (whether Currency Undertaking or International Monetary Fund Agreement or otherwise), its performance could under some conditions become impossible in the case of any country in the world. As the lender whose resources would be the first to bear the burden of default, the High Authority is satisfied to rely on the International Monetary Fund Agreement, without a specific Currency Undertaking, in the case of a member country which has made or shall make its currency convertible with notice as aforesaid, and to look to that Agreement (including its provisions for use of the Fund's resources) for assurance that that country will not restrict the availability of foreign exchange, against local currency, for the service of the Notes and Enterprise Obligations.

The proposed change will not alter the existing Currency Undertakings, nor will it permit substitution therefor of a statement in the proposed form unless the related Enterprise Obligations or Secured Notes are modified, pursuant to the Indenture, so as to change the foreign

exchange requirements for their service. It should be noted, however, that, under the Indenture, in case the payment of the Notes should be accelerated by the Noteholders after a default, all payments will be made by the Depositary pro rata on all outstanding Notes, regardless of the source of the funds or the status of the Currency Undertakings, if any, applicable to particular Notes.

It is also proposed to change the definition of Currency Undertaking by eliminating a provision for a special form of Undertaking that was originally included for possible application to the First Series Notes, but which was never used and is now obsolete.

(3) Clarification of Provisions Relative to Claims Against Enterprises which are to be Pledged and the Manner of Pledging the Same.

As stated above, the original scheme of the Indenture is that the proceeds of the Notes will be deposited with the Depositary and used by the High Authority to make loans to Enterprises, and that the resulting claims against the Enterprises, and any security therefor, will be pledged. It is now desired to add certain provisions to the Indenture that will make it clear:

(a) that the claim against the Enterprise which is required to be pledged is the monetary claim to receive payment of the principal of and interest on the Project Loan, when due;

(b) that certain transfers to the Depositary for the benefit of the Secured Notes, which may not technically constitute pledges, will nevertheless be deemed to be pledges for the purposes of the Indenture; and

(c) that certain duplication of formalities in connection with pledging will not be required where they are unnecessary to protect the Noteholders.

These changes will eliminate certain questions which have arisen during the administration of the Indenture. They are not regarded as departing from its original intent.

Examples of the matters to be clarified are:

(a) In the first place, it is desired to make it clear that claims which the High Authority has against an Enterprise that are unrelated to the Project Loan are not required to be pledged, such as claims for levy moneys or for fines or penalties, etc.

The same is true as to other claims which, although related in some way to the Project Loan, are outside the monetary claim to receive payment of the principal of and interest on the Project Loan, when due.³ For example, the Credit Agreement between the High Authority and the Enterprise may confer on the High Authority various rights against the Enterprise, such as the right to consent to changes in the Project or otherwise to exercise some measure of control over the Project or other affairs of the Enterprise, including the right to premature the Enterprise Obligation for violation of the Credit Agreement or otherwise. It is not intended that these fringe claims and rights should be pledged with the Depository, but rather that they should remain in the High Authority to be administered by it as the primary creditor unless and until a Representative is designated by the Noteholders after any default on the Secured Notes. After such designation, such fringe claims and rights would be administered by the Representative.

In view of the foregoing, it is proposed to include in the Indenture a broad authorization in favor of the Representative designated by the Noteholders, after any event of default, to exercise all rights with respect to the Pledged Property or related to the Project Loans which the High Authority could exercise prior to such designation.⁴

(b) In the second place, it may be desirable in certain cases to transfer to the Depository for the benefit of the Noteholders technical title to an Enterprise Obligation, rather than a more limited pledgee's interest. Also, some instruments to be delivered to the Depository for the benefit of the Noteholders are not such as would normally be regarded as technically the proper subject of a "pledge". Examples are the instrument containing the "negative pledge" commitment of an Enterprise, or a Currency Undertaking. The proposed changes would make it clear that such transfers would constitute "pledges" for the purposes of the Indenture.⁵

(c) In the third place, the proposed changes would make it clear that the duplication involved in pledging the claim against the Enterprise and, separately, the Enterprise Obligation, or in pledging the Enterprise Obligation and, separately, the security therefor, are not required if the Enterprise Obligation constitutes the claim and the pledge thereof

³Page 3 of accompanying Indenture; Art. One, definition of "Enterprise Obligation", first sentence.

⁴Sec. 7.03(a), last sentence.

⁵Art. One, definition of "Pledge".

carries with it the claim and the security mentioned thereon.⁶ This clarification will avoid unnecessary expense and formalities.

(4) Selection of Security for Enterprise Obligations.

The Indenture properly gives the High Authority a wide measure of discretion in selecting the kind of security required for an Enterprise Obligation. Such security may be any one of the following: (i) a negative pledge commitment of the Enterprise with respect to the Project; (ii) a mortgage on the Project that closes the issue of any further indebtedness under any prior mortgage thereon; (iii) a guaranty of payment by the government of the member country in which the Enterprise is located or by a recognized banking institution or other responsible concern in specified categories; or (iv) a mortgage on plants or other facilities, other than the Project, belonging to the Enterprise or another concern in specified categories.

There is, however, a restriction, namely, that the security referred to under item (iii) or item (iv) cannot be accepted, unless the High Authority certifies

- that it is “not feasible or not in the interest of the holders of Secured Notes” to obtain the security referred to in item (i) or item (ii), and
- that the security obtained under item (iii) or item (iv) is “adequate for said Project Loan and more valuable than” the security referred to in (i) or (ii).

It is proposed to eliminate all conditions to the use of the type of security referred to in item (iii) or item (iv), except a certificate of the High Authority that such security is more valuable than the security specified in item (i) or item (ii).⁷

When the Project constitutes an addition to a plant on which there is a large existing mortgage, the negative pledge commitment related to, or the mortgage on, the Project may be less valuable than a government guaranty or a mortgage on another plant. The High Authority has sometimes been forced by the present Indenture requirements to demand multiple security where that has served no useful purpose. In other cases, impossible situations have arisen, as where a government guaranty, otherwise available, could not be obtained for an Enterprise because the

⁶Art. One, definition of “Enterprise Obligation”, first sentence, and paragraph (c).

⁷Art. One, definition of “Enterprise Obligation”, para. (c), clause (II).

Enterprise itself was required to give either a mortgage or a negative pledge commitment.

The above-mentioned restriction has thus, in practice, proved to be an inconvenient and, it is believed, a useless departure from the general scheme of the Indenture under which the High Authority is given complete authority to determine the Enterprises, the Projects, the terms of Enterprise Obligations (above their minimum requirements) and, except for the restriction now under discussion, the type of security therefor.

It should be made clear that, apart from the above restriction, the High Authority has on many occasions obtained multiple security for Enterprise Obligations when it deemed such action advisable at the time when the Project Loan was made. In fact, most of the existing Enterprise Obligations have two or more kinds of security. The High Authority expects to continue that practice in the future in appropriate cases. It should not, however, be forced to take a less valuable security in cases where it could otherwise get a more valuable security, or to seek multiple security unnecessarily. See discussion below under heading "Administration of Pledged Enterprise Obligations and Their Security".

It is also proposed to change the provisions relating to the security for Enterprise Obligations to make it clear that mechanics liens and other liens incident to the construction of the Project, which do not constitute security for borrowed money, will be regarded as permitted encumbrances.⁸ It is also proposed to relax certain geographical restrictions in connection with guarantors of the Enterprise Obligations and mortgages on non-Project property.⁸

(5) Administration of Pledged Enterprise Obligations and Their Security.

So long as no Event of Default on the Notes occurs, the High Authority has some freedom to make or consent to changes in the pledged Enterprise Obligations and their security, but that authority is not as broad as its authority to determine the security for Enterprise Obligations in the first instance. It is proposed to make certain changes in the Indenture which will permit the High Authority, until the designation of a Representative by the Noteholders after an Event of Default, to make or consent to changes in the pledged Enterprise Obligations or their security, whenever the High Authority, as the direct lender, deems such action advisable, provided that the resulting Enterprise Obligation and

⁸Art. One, definition of "Enterprise Obligation", para. (c).

its security remain within the framework of what the High Authority would now be authorized to accept in the first instance.⁹ This does not mean that the High Authority can drop the interest rate on an Enterprise Obligation from 5% to 4%, if the rate on the Related Notes is still 5%. It does mean, however, for example, that if the High Authority, when the Project Loan is made, insists on a mortgage on the Project, and also on a bank guaranty and a mortgage on other properties of the Enterprise as well, it may later consent to a rearrangement of the security so long as the result would have been qualified under the terms of the Indenture in the first instance and, in the opinion of the High Authority as primary lender, the value of the Enterprise Obligation is not materially reduced.

It may well happen, after the Project Loan is made, that the Enterprise will need to expand its facilities and, in order to finance such expansion, to rearrange its debts and liens. Such action may be the step which converts an Enterprise from a marginal debtor to a first class credit, or, indeed, the step which saves a failing Enterprise from disaster. The High Authority, as the direct creditor, has an important interest in facilitating such rearrangements that will improve, and no interest in consenting to a rearrangement that will, over-all, injure, its loan to the Enterprise.

Also, the Indenture permits the High Authority, under certain conditions, to exchange one pledged Enterprise Obligation and its security for another. It is now proposed that permitted changes in Enterprise Obligations and their security may be accomplished not only by the exchange of one pledged Enterprise Obligation for another or its sale and the reinvestment of the proceeds thereof in another Enterprise Obligation, but also by modifying the pledged Enterprise Obligation itself or its security.¹⁰

It is also proposed to change the Indenture so as to permit the High Authority to consent to minor releases of property from a mortgage securing a pledged Enterprise Obligation (not exceeding a value of \$10,000 for any one purpose).¹¹ Such minor releases are frequently necessary in connection with public highways, etc.

The Indenture now requires, in the case of certain modifications of pledged Enterprise Obligations and their security, a determination by

⁹Secs. 5.02 and 5.05.

¹⁰Sec. 5.02.

¹¹Sec. 5.03.

the Depository that the action is not “prejudicial to the interests of the Noteholders or contrary to law”. In view of the purpose of granting greater flexibility to the High Authority in this area, it is deemed appropriate to require, in lieu of such determination by the Depository, a certificate by the High Authority that the value of the Enterprise Obligation is not thereby materially reduced and an opinion of counsel that the action taken is not contrary to law or the terms of the Indenture.¹²

It cannot be too strongly emphasized that the purpose of these changes is not to take away anything of value from the Noteholders or the High Authority for the benefit of the Enterprise, but rather to enable the High Authority to help the Enterprises become stronger debtors than they otherwise would be. It should follow that the Enterprise Obligations will constitute better paper than they might be if the High Authority were not free to permit changes to be made. It seems clear that the High Authority (or a Representative, if one shall be designated in the future), rather than the Depository, should be the one to exercise judgment in these cases.

Nothing could be more unfortunate than to make it necessary for the High Authority, in order to have the necessary flexibility, to demand only minimal security in the first instance.

(6) Refunding of Secured Notes and Enterprise Obligations.

It is proposed to change the Indenture so as to permit the issue of Secured Notes to refund, by purchase or redemption in accordance with their terms, Secured Notes previously issued to provide funds for Project Loans.¹³ This will enable the High Authority to take advantage of subsequent improvements in capital markets, and is so normal in an open-end Indenture that extended discussion seems unnecessary.

A corresponding change will permit the High Authority to accept Enterprise Obligations issued to refund a loan previously granted by the High Authority, whether or not out of funds forming part of the Pledged Property, or previously guaranteed by the High Authority, to finance a Project.¹⁴ Another proposed change will permit the High Authority, in lieu of refunding a loan previously granted by it outside the Indenture, to convert the unpaid balance thereof into a Project Loan by delivering

¹²Sec. 5.05.

¹³Sec. 4.01, clause (b) of last para.; Sec. 6.02; Art. One, definition of “Related Notes”, clause (ii).

¹⁴Art. One, definition of “Project Loan”, first sentence; Secs. 4.01A and 4.01B.

to the Depository the documents required for a loan made from the Pledged Property.¹⁵

(7) Secured Notes and Enterprise Obligations Payable in Multiple Currencies.

It is proposed to change the Indenture to permit the High Authority to issue Secured Notes and accept Enterprise Obligations that are payable, at the option of the holder, in two or more currencies at rates of exchange determined by or in accordance with the provisions of the instrument, or in an amount of a currency measured by a fixed amount of gold or of specified units of account, etc.¹⁶

It is recognized that certain promises to pay principal and interest in multiple currencies at fixed rates of exchange or in amounts measured by gold, etc., may not be enforceable in United States courts. Such promises are, however, enforceable in many countries of Europe and are frequently included in obligations issued there, where the applicable law permits. It is deemed advisable to change the Indenture to confer this facility on the High Authority, since it is almost sure to improve the salability of its Notes in those markets.

(8) Moneys Deposited with the Depository by the High Authority and Disposition of Excess Moneys Held by the Depository.

There are a number of situations where the High Authority is required to deposit some of its own funds with the Depository. For example, if the net proceeds of an issue of Notes is less than their principal amount, the High Authority must put up the difference with the Depository when the Notes are authenticated. If the Project Loans are made on the same discounted basis, the amount so deposited by the High Authority will not continue to be required to maintain equilibrium between the Pledged Property and the Notes. If, however, in the case of an issue of Notes on a discounted basis, the Project Loans are made at par, the amortization of the Enterprise Obligations will provide funds to pay the principal of the Notes but the amount deposited by the High Authority may be recovered only gradually, by means of a higher interest rate on the Project Loans, over the life of such Loans. Similarly if, after the Notes are issued, interest rates go down before all the proceeds

¹⁵Art. One, definition of "Project Loan", 2nd sentence; Sec. 6.04.

¹⁶Art. One, definition of "Principal Amount"; Art. One, definition of "Enterprise Obligation", para. (b); Secs. 4.01C(1), 4.02 and 7.02.

are reloaned to the Enterprises, some of the Project Loans may necessarily be made at an interest rate lower than borne by the Notes. Here again, the Depositary looks to the High Authority to deposit, when the Enterprise Obligation is pledged, the entire interest deficiency for the life of the Enterprise Obligation; a proposed addition to the Indenture expressly so provides.¹⁷ A similar situation might arise if the High Authority should find it advisable to insist on prepayment* of a Project Loan, but at that time the proceeds could not be reloaned at an interest rate as high as that borne by the Related Notes. The interest differential would have to be put up by the High Authority.

It is proposed to add provisions to the Indenture making it clear that any excess moneys at any time held by the Depositary (including any excess funds resulting from the amortization of the Note discount and expense, any other excess service moneys received on Enterprise Obligations and interest and profits on temporary investments) may, at the election of the High Authority, be offset against any payment which the High Authority might otherwise be required to make to the Depositary out of its own funds, including any payments of the types mentioned above under this heading.¹⁸

It is also proposed to permit the Depositary to return to the High Authority, free of restriction under the Indenture, any such excess moneys, to the extent that they have not been earmarked for future use for any other Indenture purpose.¹⁸ The Treaty requires that such moneys returned to the High Authority shall be held in a reserve fund, to the extent that they represent excess service moneys received on Enterprise Obligations that are not applied to amortize financing costs previously paid by the High Authority from its own funds.

(9) Miscellaneous.

Other proposals include changes:

(a) To provide that supplemental indentures which merely create a new series of Notes and do not modify the Indenture may be entered

*Generally the High Authority controls the voluntary prepayment of Enterprise Obligations, except at premiums which would take care of this problem when the Enterprise elects to prepay.

¹⁷Art. One, definition of "Enterprise Obligation", para. (a), 3rd and 4th sentences; Art. One, definition of "Related Notes", clause (i); Sec. 4.01C(1); Sec. 4.02(a), last sentence.

¹⁸Sec. 4.02(a)(iii).

into as simple contracts, rather than notarial acts, between the High Authority and the Depository.¹⁹

(b) To extend the provisions relating to the compensation of the Depository and subdepositories and the lien therefor on the Pledged Property, so as to permit the use of interest moneys held by the Depository to pay such compensation and so as also to include registrars and other agents of the High Authority for services under the Indenture.²⁰

(c) To enlarge somewhat the categories of investments which the High Authority may request the Depository to make with moneys held as part of the Pledged Property, to permit the High Authority to exercise this right until designation of a Representative by the Noteholders and to clarify the requirement regarding convertibility of the proceeds of these investments.²¹

(d) To make it clear that the "Secured Note" may be a loan agreement between the High Authority and its lender,²² and that the Enterprise Obligation may be a loan agreement between the High Authority and the Enterprise,²³ where the promise to pay the principal of and interest on the loan is contained in such loan agreement, rather than in a separate promissory note or other instrument.

(e) To make the provisions relating to mutilated, destroyed, stolen or lost Notes, and to the cancelation of Notes, apply also to coupons.²⁴

(f) To provide that the negative pledge commitment of the Enterprise may be included in a separate instrument to be delivered to the Depository, rather than in the credit agreement between the High Authority and the Enterprise, thus implementing the above-described change under which such agreement need not be pledged unless it constitutes the Enterprise Obligation.²⁵

¹⁹Art. One, definitions of "Supplemental Indenture" and "Note or Secured Note"; Secs. 2.03, 8.01 and 8.03.

²⁰Secs. 4.02(a) (ii) (D), 6.08 and 10.01.

²¹Sec. 4.04.

²²Sec. 2.04.

²³Art. One, definition of "Enterprise Obligation", first sentence.

²⁴Secs. 3.05 and 3.06.

²⁵Art. One, definition of "Enterprise Obligation", para. (c); Secs. 4.01C(3) and 4.01D.

(g) To permit funds held by the Depositary to be used to purchase outstanding Notes which are not "Related Notes", provided specified conditions are met.²⁶

(h) To provide that the holder of an uncollected Note or coupon will look only to the High Authority, and not to the Depositary, for payment thereof, if the funds set aside therefor have, in accordance with the Indenture, been turned over to the High Authority by the Depositary after expiration of six years from the due date.²⁷

(i) To amplify the Indenture provisions regarding computation of amounts in different currencies for various Indenture purposes²⁸ and to limit the responsibility of the Depositary for any such computations.²⁹

(j) To simplify the requirements for authentication of Noteholders' signatures of notices, demands, requests or other instruments.³⁰

Additional minor changes, shown in the accompanying copy of the Indenture, are also proposed. Such changes are designed to cure possible ambiguities or accomplish uniformity of expression between different parts of the Indenture, etc., and are, it is believed, self-explanatory.

The proposed amendments will be set forth in a supplemental indenture, in the form of a notarial act, to be entered into between the High Authority and the Depositary and will become effective upon the execution of such supplemental indenture in accordance with the provisions of the Indenture. Such supplemental indenture will provide, among other things, that no amendment to be made shall invalidate any action theretofore taken under the Indenture and that any action theretofore taken under the Indenture which is authorized by such amendments is thereby ratified and confirmed.

Dated: June 14, 1960.

²⁶Sec. 4.02(a)(ii)(C).

²⁷Sec. 4.02(b).

²⁸Secs. 7.01, 7.03(a), 8.02, 10.05 and 10.09.

²⁹Sec. 10.03(f).

³⁰Sec. 10.10.

ANNEX A

PROPOSED AMENDMENTS TO**ACT OF PLEDGE**

**dated November 28, 1954, as amended,
between High Authority of the European
Coal and Steel Community and Bank for
International Settlements, as Depositary**

**[Underscoring indicates new matter.
Brackets indicate matter to be deleted.]**

ACT OF PLEDGE*

In the year One Thousand Nine Hundred Fifty-four, on this 28th day of the month of November, at Nine A. M., in the City of Luxembourg, before me Georges FABER, a Notary, registered in the City of Luxembourg, there appeared

(1) Jean MONNET, residing in Luxembourg, in his capacity as President of the HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY (hereinafter called the Community) by virtue of the authority conferred upon him by a resolution adopted on November 24, 1954, by the High Authority of the Community, an authenticated copy of which is annexed hereto as Annex A, and

(2) Roger AUBOIN, residing in Basle, Switzerland, in his capacity as General Manager, Alternate of the President of BANK FOR INTERNATIONAL SETTLEMENTS (hereinafter called the Depository) and an authorized signatory of the Bank pursuant to the list of facsimile signatures of those authorized to sign on behalf of the Bank, dated April 26, 1954, an authenticated copy of which is annexed hereto as Annex B;

and said individuals, of whose personal identity I, the Notary, am personally certain, having waived with my consent the presence of witnesses, request me to establish by the present instrument the terms and provisions of an indenture providing for the securing of Notes of the High Authority as follows:

WHEREAS the Community, established by Treaty dated April 18, 1951, was created with supranational powers in order to establish a common basis for economic development in Europe through the creation of a common market in coal and steel; and

WHEREAS the attainment of the purposes of the Community requires that capital resources be made available to the enterprises of the Community to assist the financing of works and installations which will increase production or lower production costs, or facilitate the distribution, of products subject to the jurisdiction of the Community; and

*Incorporating the changes set forth in the Supplemental Indentures, dated May 25, 1955 and May 16, 1956.

WHEREAS the above-mentioned Treaty confers on the High Authority the power and duty to facilitate the financing of such projects as are of importance to the Community as a whole and authorizes the High Authority for such purposes to borrow funds and to make loans to the enterprises of the Community out of the borrowed funds; and

WHEREAS for such purposes the High Authority proposes to borrow funds from time to time in capital markets located without as well as within the Community and, in connection with such borrowings, to issue its notes for the sums so borrowed, such notes to be secured by pledge of the obligations which the High Authority shall receive from the enterprises to which it relends the borrowed funds; and

WHEREAS the High Authority desires to make provision so that all obligations and any security therefor and any related undertakings received by the High Authority in connection with loans made by it to enterprises with the proceeds of its own borrowings shall be held in pledge for the equal pro rata benefit and security of all lenders to the High Authority; and

WHEREAS the Depositary is a corporation organized under a constituent charter granted by The Swiss Confederation pursuant to an international convention dated January 20, 1930, and has full capacity under its statutes to enter into this Act of Pledge and to serve as Depositary as hereinafter provided; and

WHEREAS, for the purposes aforesaid, the High Authority desires to enter into this Act of Pledge with the Depositary and thereby to make provision for the issue from time to time of its notes, to be known as its "Secured Notes", and for securing the payment thereof, all as hereinafter provided; and

WHEREAS all acts and proceedings required by law duly to authorize this Act have been done and taken;

Now, Therefore, this Act of Pledge (hereinafter called [the] this Indenture) Witnesseth:

That in order to declare the conditions upon which the Notes are to be issued, and in order to secure the payment of all Notes at any time outstanding and the performance of all the covenants and conditions in

the Notes and herein contained, the High Authority has entered into this Indenture and has transferred and does hereby transfer unto the Depositary all [obligations of enterprises] enterprise obligations and any security therefor and any related currency undertakings, all as hereinafter described, as well as all moneys and any other property, now or at any time hereafter delivered to the Depositary pursuant hereto, together with the proceeds thereof and the income therefrom (all hereinafter together called the Pledged Property), upon the express agreement of the Depositary that it will hold the Pledged Property in pledge for the equal pro-rata benefit of the holders of the Notes and as security for the enforcement of the payment of the principal of, and premium (if any) and interest on, the Notes and the performance of the covenants and conditions in the Notes and in this Indenture contained, all without preference or priority of any Note over any other Note or Notes, whether on account of differences in the times of issuance of the Notes, or in the series thereof, or in the dates of maturity thereof, or in the currencies in which the same may be payable, or otherwise howsoever, so that all Notes at any time outstanding shall have the same security under this Indenture, subject, however, to the express terms of this Indenture hereinafter set forth.

PROVIDED, HOWEVER, that if the High Authority shall pay or cause to be paid the principal and interest to become due in respect of all the Notes, together with the premium, if any, payable thereon, at the times and in the manner stipulated therein, and shall perform all the covenants and conditions in the Notes and in this Indenture contained, then this Indenture, and the rights of the Depositary and of the holders of the Notes in the Pledged Property, shall cease and determine.

AND IT IS HEREBY DECLARED that the Notes are to be secured in accordance with the conditions hereinafter set forth:

ARTICLE ONE

DEFINITIONS

Treaty: The Treaty (with the Annexes thereto and the related Protocols annexed thereto) entered into on April 18, 1951, on behalf of and subsequently ratified by the German Federal Republic, Belgium, the French Republic, the Italian Republic, the Grand Duchy of Luxem-

bourg, and the Netherlands, establishing the European Coal and Steel Community, and any modifications and amendments of such Treaty hereafter adopted as provided therein.

Enterprise: A corporation or other form of organization to which the High Authority is authorized by the Treaty to make loans. The term Enterprise as used in this Indenture means either (i) the Enterprise to which the High Authority makes a loan and which may either own the financed Project or may use the proceeds to finance a Project owned by another Enterprise or (ii) such other Enterprise.

Project: Works and installations of an Enterprise and houses for workers employed by an Enterprise, including both newly acquired or constructed facilities, and additions, betterments and improvements to, and the rebuilding, rehabilitation and reconstruction of, existing facilities. Such facilities may consist of (a) facilities to be acquired or constructed by an existing Enterprise which owns other properties, where the new facilities constitute an operating unit physically separate from such other properties, or (b) facilities to be acquired or constructed by an existing Enterprise which owns other properties, where the new facilities constitute an integral part of such other properties, or (c) facilities to be acquired or constructed by an Enterprise organized for the purpose which owns no other physical properties.

Project Loan: A loan made by the High Authority out of funds forming part of the Pledged Property to an Enterprise to facilitate the financing of a Project or Projects (including a loan made to enable the Enterprise to repay in whole or in part the outstanding balance of a loan previously granted by the High Authority, whether or not out of funds forming part of the Pledged Property, or guaranteed by the High Authority, for such purpose), which loan is evidenced by an Enterprise Obligation or Obligations as hereinafter described. If the High Authority shall deliver or cause to be delivered to the Depositary the documents referred to in Section 4.01 in respect of a loan previously made by the High Authority out of funds not forming a part of the Pledged Property but otherwise conforming to this definition of Project Loan, such loan shall be deemed to be a Project Loan and to have been made from the moneys paid by the Depositary to or on the order of the High Authority, and the obligation of the Enterprise in respect of such loan shall be deemed to be an Enterprise Obligation and to have been issued, all at the time of the determination by the Depositary that such documents constitute the

documents to be delivered to it in accordance with Section 4.01. The amount of any such Project Loan shall be deemed to be the then outstanding principal amount of the loan so made by the High Authority. The amount of any Project Loan made at a discount shall be deemed to be the full principal amount thereof which is payable to the High Authority without deduction for such discount.

Enterprise Obligation: [The claim against an Enterprise arising from a Project Loan and the instrument or instruments which shall constitute or evidence, as the case may be, such claim.] The instrument or instruments constituting the claim against an Enterprise for repayment of the principal of a Project Loan and payment of any premium and interest thereon or, in the absence of such an instrument, such claim and the instrument or instruments evidencing it. The Enterprise Obligation shall conform to the following requirements:

(a) The Enterprise Obligation shall be payable to, or to the order of, the High Authority or the Depositary or to bearer, and shall be for an aggregate principal amount at least equal to the amount of said Project Loan; shall bear interest at a rate not less than that borne by the Related Note or Notes or, if the Related Notes are of different series, not less than the weighted average rate borne by such Related Notes issued by the High Authority; shall provide for the amortization of the principal thereof at a rate at least as rapid as the rate of amortization of the principal of the Related Note or Notes, or the weighted average rate of amortization of the principal of Related Notes of different series, issued by the High Authority; and shall require, upon any payment of principal before the due date thereof, the payment of a premium thereon at a rate not less than the premium, if any, required on a corresponding prepayment on the Related Note or Notes issued by the High Authority; provided, however, that Enterprise Obligations may consist of instruments for a face amount equal to the sum of instalments, maturing on the same date, of principal of and interest on the Project Loan, or may consist of separate instruments representing, respectively, the instalments of principal of and interest on the Project Loan, in either of which cases the indebtedness represented by such instruments will not also bear interest, except to the extent provided in such instruments with respect to any overdue amounts of such indebtedness; provided, further, that two or more Project Loans may be made by the High Authority if immediately

after the making of such Loans (1) the weighted average rate of interest thereon shall not be less than that borne by the Related Notes or, if the Related Notes are of different series, not less than the weighted average rate borne by such Related Notes issued by the High Authority and (2) the weighted average rate of amortization thereof shall be at least as rapid as the rate of amortization of the Related Notes or the weighted average rate of amortization of Related Notes of different series; and provided, further, that if the Notes, the interest rates and/or amortization rates of which are to be averaged, are of two or more series payable in different currencies, each Enterprise Obligation must be accompanied by a Currency Undertaking or Undertakings which apply to said Notes to the extent that they are payable in another currency or currencies and which conform to [clause (ii) of] the definition of Currency Undertaking hereinafter set forth. The foregoing requirements of this paragraph (a) regarding "weighted average rates" of interest and amortization on Enterprise Obligations, Project Loans and Notes mean that the total interest and amortization payments, respectively, due prior to each future date under the terms of the pertinent Enterprise Obligation or Obligations or Project Loan or Loans shall at least equal the total interest and amortization payments due on or prior to the same future date on the pertinent Note or Notes. The rate of interest on an Enterprise Obligation may, however, be less than that required by the foregoing provisions of this paragraph (a), if, upon delivery of such Enterprise Obligation to the Depository, the High Authority shall also deliver to it, to be held by it hereunder, a sum of money, in any currency in which such Enterprise Obligation shall be payable, equal to the aggregate of the amounts of interest becoming due on each interest payment date on the Related Notes, or pertinent group of Related Notes, which will not be available for such purpose out of interest payments then or theretofore payable on the Enterprise Obligation, or pertinent group of Enterprise Obligations, in accordance with their terms, together with appropriate Currency Undertakings. The foregoing provisions of this paragraph (a) relating to rates of interest, amortization and premium shall not be applicable to any Enterprise Obligation acquired with money deposited by the High Authority with the Depository pursuant to the next preceding sentence or to any Enterprise Obligation of the type referred to in the last sentence of the definition of Related Notes.

(b) The Enterprise Obligation shall be payable in the currency in which said Project Loan shall be made or in such currency and, at the option of the holder, in specified other currencies at rates of exchange determined by or in accordance with the provisions of the Enterprise Obligation.

(c) The Enterprise Obligation shall be [issued by an Enterprise pursuant to] described in a credit agreement between the High Authority and [that] an Enterprise providing for said Project Loan, which credit agreement shall include or be accompanied by a commitment by that Enterprise not to issue any additional indebtedness under any existing mortgage or other lien on the Project or Projects or create any mortgage or other lien thereon unless the Enterprise Obligation shall be secured by such existing or newly created mortgage or lien equally and ratably with all other indebtedness to be secured thereby; provided, however, that such commitment shall not be required

(I) if the Enterprise Obligation is secured by a mortgage or other lien upon the Project or Projects (which, in the case of a Project Loan for housing, may consist of one or more mortgages which equal in the aggregate the amount of the Project Loan but which may be discharged with respect to any unit or units of the Project upon payment of an amount equal to that portion of the Project Loan that was used in the construction of such unit or units) that would preclude the [creation] issue of any indebtedness secured by a lien thereon in priority to the mortgage or other lien securing the Enterprise Obligation, or

(II) [in the case of a Project Loan with respect to which the High Authority certifies to the Depository that it is not feasible or not in the interest of the holders of Secured Notes to obtain the commitment or security referred to above,] if the Enterprise Obligation is secured

(1) by the guarantee of payment thereof duly executed by the Government of [the country in which the Enterprise is situated] a member country of the Community or by a recognized banking institution in the Community [or in Switzerland, the United Kingdom or the United States of America,] or in any of the overseas territories of its

member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada or by another responsible business or industrial concern or concerns (other than the concern which owns the Project) in the Community or in any of the overseas territories of its member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada affiliated or associated with the borrowing Enterprise, or

(2) by a mortgage or other lien on plants or other facilities, other than the Project, in the Community or in any of the overseas territories of its member countries or in any country that is presently a member of the European Free Trade Association or in the United States of America or Canada, belonging to the Enterprise or another responsible business or industrial concern or concerns affiliated or associated with the Enterprise,

and if the High Authority shall certify to the Depositary that such other security complies with the provisions of this subparagraph (II) and is, in its opinion, [adequate for said Project Loan and] more valuable than the commitment or security on the Project referred to in the prior provisions of this paragraph (c);

and provided, further, that the [credit agreement] commitment and any mortgage or other lien upon the Project referred to in the foregoing provisions of this paragraph (c) shall not be required to prevent liens incident to the construction of the Project which do not secure indebtedness for borrowed money and may permit the Enterprise to give to the supplier of equipment a prior lien thereon to secure the deferred payment of a part of the purchase price of such equipment. Notwithstanding the foregoing provisions of this paragraph (c), if the Enterprise to which a Project Loan is made is to use the proceeds to finance a Project owned by another Enterprise, then (i) if the commitment referred to in the foregoing provisions of this paragraph (c) shall be required, such other Enterprise shall be a co-obligor on, or guarantor of payment of, the Enterprise Obligation or Obligations and shall enter into such commitment; (ii) the

Enterprise to which the Project Loan is made shall not have any claim to or lien upon any security for such Enterprise Obligation or Obligations, except subordinate to the rights of the High Authority; and (iii) in case of a default upon such Enterprise Obligation or Obligations, the High Authority shall be entitled to enforce all rights in respect thereof against such co-obligor or guarantor or all rights in respect of the security therefor, [without regard] in priority to other creditors of the Enterprise to which the Project Loan is made; provided, however, that the provisions of this sentence shall not be applicable to a Project Loan for housing where the Enterprise Obligation is, or is secured by, mortgage bonds issued by a mortgage bank, if the commitment referred to in the foregoing provisions of this paragraph (c) shall not be required, or to any Project Loan secured by the guarantee of a Government or a banking institution or affiliated or associated concern as aforesaid.

(d) The Enterprise Obligation, and any mortgage or other lien securing it, shall be duly executed by the Enterprise or Enterprises and all other parties thereto in full conformity with all [relative laws of its or their domicile] applicable laws and shall be duly registered as required under such laws.

(e) The Enterprise Obligation may contain any other terms and provisions not contrary to the terms of this Indenture.

Related Notes: The term used to identify the relationship between any Note or Notes and any one or more of the following: (i) the moneys deposited with the Depository [representing the proceeds of such Note or Notes] pursuant to Section 3.03 or Section 4.01C in connection with such Note or Notes, (ii) the Project Loan or Loans originally made out of such [proceeds] moneys, or made out of the proceeds of a Note or Notes retired through the application of moneys referred to in (i), (iii) the Enterprise Obligations representing such Project Loan or Loans, (iv) the service moneys received on such Enterprise Obligations or the proceeds of sale of such Enterprise Obligations and (v) any further Enterprise Obligations received by the Depository in exchange for such Enterprise Obligations or acquired with the use of funds [referred to in (iv)] received as service moneys thereon or on the prepayment or sale thereof. For the purposes of this definition, such further Enterprise Obligations shall thereafter be included in the term "such Enterprise Obligations" in (iv) and (v). Any sum of money received by the Deposi-

tary and any Project Loan and any Enterprise Obligation that shall not have a relationship to any Note or Notes pursuant to the foregoing provisions shall be deemed (except for the purpose of the first paragraph of the definition of Currency Undertaking) as of any time to be related to each Note then outstanding hereunder.

Outstanding: When used with reference to Notes, shall mean, as of any date, all Notes theretofore and thereupon authenticated and delivered pursuant to this Indenture, except (a) Notes cancelled at or prior to such date, (b) Notes for the payment or redemption of which funds shall have theretofore been set aside by the Depositary pursuant to Section 4.02 hereof or deposited with the Depositary in a special account, provided, that if such Notes are to be redeemed prior to the maturity thereof, due notice of such redemption shall have been given, and (c) Notes in substitution for which other Notes shall have been authenticated and delivered.

Event of Default: Any event of default specified in Section 7.01, which continues for the period of time, if any, therein designated.

Supplemental Indenture: Any [notarial act] indenture supplemental hereto hereafter duly authorized and entered into in accordance with the provisions of Article Eight. Any such supplemental indenture shall be in the form of a notarial act if it shall modify the terms of this Indenture or if otherwise necessary under applicable law in order that it shall be the valid and binding obligation of the High Authority in accordance with its terms.

Currency Undertaking: [The undertaking of the government of the country in which a borrowing Enterprise is situated that (i) in cases where the Enterprise Obligation and the Related Note are payable in the currency of such country, and the Related Note is to be issued originally against payment in such currency by a lender domiciled in a different country, payments of service in respect thereof in such currency and the use of such currency by the payee will be free from restrictions of such government and (ii) in]. In cases where the Enterprise Obligation and/or any Related Note is required to be paid in [another currency,] a currency or currencies other than the currency of the country in which the borrowing Enterprise is situated, (i) the undertaking of the government of that country (including any duly authorized agency thereof) that foreign exchange will be made available, against national currency, to the Enterprise and/or to any guarantor of or obligor on the

Enterprise Obligation and/or to the High Authority or to the Depository for the account of the High Authority, at the time or times and in the amounts necessary to permit prompt and full payment in such other currency or currencies of each instalment of principal and interest in respect of the Enterprise Obligation and/or such Related Note or (ii) the written statement of such government that the currency of such country is freely convertible into all currencies or into the currency or currencies designated in such statement (which shall include each currency in which the Enterprise Obligation and all currently outstanding Notes, including any Notes related to such Enterprise Obligation, are payable), or (iii) an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depository (who may be a legal officer of a duly appointed subdepository) that a statement previously given by such government pursuant to the preceding clause (ii), and covering the currency or currencies in which the Enterprise Obligation and all currently outstanding Notes, including any Notes related to such Enterprise Obligation, shall be payable, is correct under the applicable laws and regulations in such country as currently in force. The currency of a particular country shall be deemed to be freely convertible into another currency, for purposes of the foregoing provisions, if under the applicable laws and regulations of such country no restrictions exist at the time that limit the right of any party to obtain against currency of such country, and to make payments and transfers in, such other currency for current international transactions within the meaning of the Articles of Agreement of the International Monetary Fund effective December 27, 1945, and if such country shall have accepted the obligations of Article VIII, Sections 2, 3 and 4, of said Articles of Agreement by notifying said Fund, pursuant to Article XIV, Section 3, of said Articles of Agreement, that it is prepared to accept such obligations. Each Currency Undertaking furnished pursuant to the preceding clause (i) shall contain an acknowledgment of the government or agency entering into the same that it is given for the benefit of the holders of the Notes referred to therein.

The reference in this Indenture to the pledging hereunder of any Currency Undertaking shall be understood to mean that such Currency Undertaking will be delivered to the Depository for the benefit of the holders of the Related Notes.

Note or Secured Note: The instrument issued by the High Authority and authenticated by the Depository pursuant to the provisions of this Indenture to constitute or evidence an obligation of the High Authority

described in Section 6.01. Such instrument, in the case of any series, may be either a promissory note or any other form of evidence of debt, whether or not negotiable, as shall be specified with respect to such series in this Indenture or in the supplemental [notarial act] indenture that shall provide for the issue of the Notes of such series.

Principal Amount: The references in this Indenture to the "principal amount" of a Note or Enterprise Obligation shall mean the face amount of such Note or Enterprise Obligation or, in the case of a Note or Enterprise Obligation representing both principal and interest, the portion of such face amount representing principal, as the case may be. "Principal amount" shall not include the face amount of any Note or Enterprise Obligation which represents interest only. If the principal amount of any Note or Enterprise Obligation shall be payable, at the option of the holder thereof, in any one of two or more currencies specified therein at a rate or rates of exchange determined by or in accordance with the provisions thereof, the "principal amount" thereof shall mean the principal amount stated in such one of said currencies as shall be equivalent, at the date of determination, to the greatest amount in United States dollars determined in accordance with Section 10.09. If the principal amount of any Note or Enterprise Obligation shall be payable in a specified currency in an amount equivalent at the time of payment to a fixed quantity of gold or of another currency or of European Monetary Agreement units of account or other units of account, the "principal amount" thereof shall mean the amount in such currency equivalent at the date of determination to such fixed quantity. The provisions of the two preceding sentences shall also be applied in determining the amounts of interest payable on Notes and Enterprise Obligations the interest on which shall be payable in any manner described in said two sentences.

Pledge: The term "pledge" as used in this Indenture, either alone or in such expressions as "transfer in pledge" or "hold in pledge", shall be understood to mean a transfer to the Depository, made for the benefit of the holders of the Notes, of Enterprise Obligations, security therefor, moneys and any other instrument or property, whether or not, by reason of title being in the Depository or otherwise, such transfer may not technically constitute a pledge, but only if such transfer shall be effective to give the Depository and the holders of the Notes rights in the subject matter of such transfer ranking prior to those of general creditors of the High Authority; and the subject matter of any such transfer shall be included in the Pledged Property.

ARTICLE TWO**FORM AND EXECUTION OF NOTES**

SECTION 2.01. The Notes may, at the election of the High Authority, be in one or more series and, except as hereinafter in this Article provided, shall be designated generally as Secured Notes of the High Authority, with such further appropriate designations added to or incorporated in such title for the Notes of any series as the High Authority may determine. All Notes of any one series shall be identical in respect of date or dates of maturity (unless they are of serial maturities), the place or places of payment of principal and of interest, the rate of interest and dates of interest payments, the terms and rate or rates of optional redemption, if redeemable, and in respect of amortization or analogous provisions (if any) and tax provisions (if any); but Notes of the same series may be of different denominations, and Notes of any series (other than First Series Notes) may be of serial maturities and, if of serial maturities, may differ as between maturities with respect to redemption prices and interest rates, provided, however, that the Notes of any series may consist of instruments for a face amount equal to the sum of instalments, maturing on the same date, of principal and interest on the Note, or may consist of separate instruments representing, respectively, the instalments of principal and the instalments of interest, in either of which cases the indebtedness represented by such instruments will not also bear interest.

Interest shall continue to be payable in respect of all Notes, whether heretofore or hereafter issued, including Notes of the First, Second, Third, Fourth and Fifth Series, at the original rate, and no more, on any overdue amounts of principal and on any overdue amounts of interest.

SECTION 2.02. There shall be an initial series of Notes known as the "Secured Notes, First Series" of the High Authority (hereinafter called First Series Notes), which shall be issued as Dollar Payment First Series Notes or Optional Payment First Series Notes, or both, the texts of which Notes and of the Depository's certificate of authentication to be endorsed thereon are to be in the English language in substantially the respective forms thereof set forth in Annex C and Annex D, respectively, hereto attached, with such additions and modifications as shall be necessary to complete said forms in accordance with the provisions of this Indenture. First Series Notes shall be issued in such denominations as

the High Authority shall deem necessary. Each such Note shall be dated the date of issue thereof and shall bear interest at the rate of $3\frac{7}{8}\%$ per annum on the unpaid principal balance thereof from time to time outstanding, such interest to be computed on the basis of the actual number of days using a factor of 365 days and to be due and payable on May 1 of each year. The principal of each First Series Note shall be due and payable in 22 annual instalments on the dates and in the percentages of such principal amount set forth in Annexes C and D, respectively.

Each Dollar Payment First Series Note shall be payable, both as to principal and interest, in lawful money of the United States of America.

Each Optional Payment First Series Note shall be payable, both as to principal and interest, in lawful money of the United States of America, or, at the option of the High Authority, in whole or in part in the currency advanced to the High Authority against such Note at the rate of exchange at which such currency was advanced, which rate of exchange shall be set forth in such Note. For the purposes of Section 7.02 and Section 10.09, Optional Payment First Series Notes shall not be deemed to be expressed in United States dollars but shall be deemed to be expressed solely in the currency advanced to the High Authority.

The principal of each First Series Note and the interest thereon shall be payable without deduction for any present or future taxes, duties, fees or other charges levied or imposed thereon or on such Note or the holder thereof by or within any member country of the Community or Switzerland or any political or taxing subdivision of any such member country or Switzerland. The High Authority shall have the right to prepay at any time and from time to time, without penalty or premium, all or any part of the principal of any First Series Note with interest thereon to the date of prepayment. Any such prepayment on any First Series Note shall be applied pro-rata to the instalments of principal on such Note.

Upon each payment of principal or interest on any First Series Note, such Note shall be made available to the Depositary or its agent for endorsement thereon of notation of such payment. By agreement between the High Authority and the holder of any such Note, such endorsements may be made by such holder, and in such case such holder shall promptly advise the High Authority and the Depositary in writing of each such endorsement.

SECTION 2.03. Prior to the issue of any Notes of any series other than First Series Notes, the High Authority shall enter into a supplemental [notarial act with the Depositary, which shall constitute an indenture supplemental to this Indenture and be deemed to be a part hereof,] indenture whereby there shall be established the terms and conditions of the Notes of such other series, and the form thereof, including the language in which the text thereof and of the Depositary's certificate thereon shall be expressed, and the currency or currencies in which each Note of such series shall be payable. Each such supplemental [notarial act] indenture shall contain such provisions, consistent with and not contrary to the terms of this Indenture, as the High Authority shall determine, including, if any Note issued thereunder shall represent a claim for interest exclusively or shall represent in part a claim for interest, a means of identifying such Note and [, in the latter case,] a statement (which shall also be included in such Note) [as to the] that all or a specified portion of the face amount of such Note [which] represents interest. Any such other series may, if the supplemental [notarial act] indenture providing for the issuance thereof shall so provide, be designated as "Bonds", and the term "Notes" as used in this Indenture shall be deemed to include the Bonds of such other series.

SECTION 2.04. All the Notes shall be signed on behalf of the High Authority by two duly authorized representatives of the High Authority. Any Note may consist of an agreement between the High Authority and its lender providing for a loan with respect to which the promise to repay is contained solely in such agreement. No Note shall be secured hereby, or shall be or become valid or obligatory for any purpose, unless there shall be placed thereon a certificate of authentication, substantially as follows:

"This Note (Bond) is one of the Secured Notes (Bonds), of the series designated therein, referred to in the within-mentioned Indenture.

BANK FOR INTERNATIONAL SETTLEMENTS
Depositary

by

Authorized Representative"

or, in the case of any Note consisting of an agreement as aforesaid, substantially as follows:

"This agreement constitutes a Secured Note, of the Series, referred to in the Indenture mentioned therein.

BANK FOR INTERNATIONAL SETTLEMENTS
Depository

by

Authorized Representative"

signed on behalf of the Depository by its duly authorized representative, and such certificate on any Note issued by the High Authority shall be conclusive evidence that it has been duly authenticated and delivered hereunder.

ARTICLE THREE

AUTHENTICATION, ISSUE AND DELIVERY OF NOTES

SECTION 3.01. The aggregate principal amount of Notes which may be issued hereunder shall not be limited; provided, however, that the High Authority may at any time, at its election, impose such limitation or limitations upon the issue of Notes hereunder as it shall determine and as shall be set forth in an indenture supplemental hereto entered into between the High Authority and the Depository.

SECTION 3.02. From time to time the High Authority may execute, and the Depository shall thereupon authenticate and deliver to or upon the order of the High Authority, First Series Notes up to an aggregate principal amount not exceeding \$100,000,000 (U. S. dollars), upon receipt by the Depository of the following:

(a) a written order or orders of the High Authority (i) specifying the First Series Notes to be issued and whether they are to be Dollar Payment or Optional Payment First Series Notes, and if the latter, the currency or currencies in which they are optionally payable and the related rate or rates of exchange, (ii) directing the

authentication and delivery of such First Series Notes in the respective principal amounts and payable to the order of the payee or payees stated in such order, and (iii) containing instructions as to whom such First Series Notes are to be delivered; and

(b) a sum of money (in United States dollars, or, in case any of said First Series Notes shall be Optional Payment First Series Notes, in the currency or currencies referred to in such Optional Payment First Series Notes) in an aggregate principal amount equal to the aggregate principal amount of the First Series Notes to be authenticated and delivered.

SECTION 3.03. After the High Authority shall have entered into an indenture supplemental hereto specifying the terms and conditions of the Notes of any new series, from time to time the High Authority may execute, and the Depository shall thereupon authenticate and deliver to or on the order of the High Authority, Notes of such new series, upon receipt by the Depository of the following:

(a) a written order or orders of the High Authority (i) specifying the Notes to be issued and the series thereof; (ii) directing the authentication and delivery of such Notes, in the face amount stated in such order, and, unless such Notes are to be payable to bearer, stating the name of the payee or payees of such Notes; (iii) stating whether the Notes are to be issued at par or at a specified discount or premium; and (iv) containing instructions as to whom such Notes are to be delivered; and

(b) [a sum of money, in the currency in which such Notes are to be payable, in an aggregate principal amount equal to the aggregate principal amount of Notes to be authenticated and delivered.] a sum of money, in the currency or currencies in which the proceeds of such Note shall be received by the High Authority, in an aggregate amount equal to the aggregate principal amount of Notes to be authenticated and delivered plus interest accrued thereon to the date of authentication and delivery or to any earlier date on which such principal amount shall be paid to the Depository and become available for the purposes of Section 4.01; and

(c) an opinion or opinions of a legal officer of the High Authority or other counsel satisfactory to the Depository (who may be a legal officer of a duly appointed subdepository) stating that

such Notes and supplemental indenture comply with the requirements of this Indenture and are valid and binding obligations of the High Authority in accordance with their terms and that such Notes are entitled to the benefits provided for in this Indenture and such supplemental indenture.

SECTION 3.04. In order to facilitate the issue of any of the Notes, the orders of the High Authority referred to in Sections 3.02(a) and 3.03(a) may direct the Depositary to cause such Notes to be authenticated and delivered provisionally, subject either to the due receipt by the Depositary of the moneys referred to in Section 3.02(b) or Section 3.03(b), as the case may be, or to the return to the Depositary of the Notes so delivered.

SECTION 3.05. In case any Note issued hereunder shall be mutilated, destroyed, stolen or lost, upon receipt and cancelation by the Depositary of the mutilated Note or receipt of proof, satisfactory to both the High Authority and the Depositary, of the destruction, theft or loss of the Note, and upon receipt by them of indemnity satisfactory to both of them, or, in the alternative, in the case of a destroyed, lost or stolen Note in negotiable form, upon the receipt by the Depositary of a certified copy of a judicial judgment, in form satisfactory to both the High Authority and the Depositary, entered by a court of competent jurisdiction and adjudging that such Note shall no longer be valid for any purpose, the High Authority shall execute a new Note of the same series and maturity and of like tenor and the Depositary shall thereupon authenticate and deliver such new Note in exchange for the mutilated Note or in substitution for the destroyed, stolen or lost Note. Such new Note shall be so dated that neither gain nor loss in interest shall result from such exchange or substitution. The provisions of this Section 3.05 shall be equally applicable in the case of mutilated, destroyed, stolen or lost coupons appertaining to Notes.

SECTION 3.06. The Depositary shall cancel each Note and coupon surrendered to it upon redemption or payment thereof. The High Authority will from time to time deliver to the Depositary written instructions as to the disposition of such canceled Notes and coupons.

ARTICLE FOUR

**APPLICATION OF MONEYS RECEIVED
BY THE DEPOSITARY**

SECTION 4.01. All moneys received by the Depositary pursuant to Section 3.02 or Section 3.03 shall be held by the Depositary as a part of the Pledged Property until they shall be used from time to time by the High Authority in accordance with this Section 4.01. When the High Authority shall make a Project Loan, it will:

A. deliver to the Depositary a written order of the High Authority signed by its duly authorized representative, specifying the name and address of the Enterprise to which the High Authority proposes to make a Project Loan, the amount and currency in which such Project Loan is to be made and the currency or currencies in which such Project Loan is to be payable, whether such Project Loan is to be made at par or at a specified discount, and the nature of the Project Loan [in respect of which such Project Loan is to be made], and that such Project Loan complies with [Section 6.02 hereof] the requirements of this Indenture, and also specifying, by series and serial numbers, the Related Notes, and directing the disbursement of moneys held by the Depositary for such Project Loan and specifying the particular moneys to be used for the purpose;

B. deliver, or cause to be delivered, to the Depositary a signed copy of the credit agreement between the High Authority and the Enterprise pursuant to which the Project Loan is being made, which agreement will, among other provisions, set forth the nature of the Project Loan and (a) the amount and the currency in which such Project Loan is to be made and the currency or currencies in which such Project Loan is to be payable and whether such Project Loan is to be made at par or at a specified discount, (b) the rate of interest to be paid by the Enterprise, (c) the schedule for the amortization of the principal of the loan, indicating the date and amount of each instalment thereof, (d) the number and the respective amounts of Enterprise Obligations to be issued by the Enterprise to evidence the Project Loan, (e) the type of Currency Undertaking, if any, to be delivered to the Depositary and (f) a description of any security for such Enterprise Obligations and of any instrument of transfer, assignment and pledge that shall be requisite to transfer such

security and such Currency Undertakings to the Depository for the purpose of pledging the same hereunder;

C. deliver, or cause to be delivered, to the Depository (1) Enterprise Obligations of such Enterprise, in a principal amount at least equal to the principal amount of such Project Loan and payable in the currency in which such Project Loan is being granted or in such currency and, at the option of the holder, in specified other currencies at rates of exchange determined by or in accordance with the provisions of such Enterprise Obligations, together with any sum of money required by the third sentence of paragraph (a) of the definition of Enterprise Obligation, (2) any security for such Enterprise Obligations (unless held by a banking institution for the common security of the Enterprise Obligations and other obligations secured thereby), (3) the written instrument containing the commitment referred to in paragraph (c) of the definition of Enterprise Obligation, if required, [(3)] (4) appropriate Currency Undertakings, if any, and [(4)] (5) all instruments of transfer, assignment and pledge as [shall] may be requisite to transfer to the Depository all such Enterprise Obligations and any security therefor to be delivered to the Depository hereunder and related Currency Undertakings, if any, for the purpose of pledging the same hereunder; and

D. deliver, or cause to be delivered, to the Depository an opinion or opinions of a legal officer of the High Authority or other counsel satisfactory to the Depository (who may be a legal officer of a duly appointed subdepository) stating that the credit agreement and the Enterprise Obligations so delivered to the Depository and the written instrument containing the commitment, if any, referred to in paragraph (c) of the definition of Enterprise Obligation comply with the requirements of this Indenture and are valid and binding obligations of the Enterprise in accordance with their terms and, with respect to any such Enterprise Obligation that is secured by a mortgage or other lien, that such mortgage or other lien has been registered and inscribed in accordance with all laws and regulations applicable thereto and constitutes valid and legal security for such Enterprise Obligation and, with respect to any such Enterprise Obligation that is secured by a guaranty of payment, that such guaranty is a valid and binding obligation of the guarantor in accordance with its terms; that the security for such

Enterprise Obligation and the Currency Undertakings so delivered comply with the requirements of this Indenture; that there has been effected a valid and binding pledge hereunder of said Enterprise Obligations and [the security, if any, therefor] any security therefor and any related Currency Undertakings; and that all conditions precedent provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) which relate to the making of such Project Loan have been complied with.

The Depositary, upon receipt of the documents delivered to it as aforesaid in respect of a Project Loan, will examine the same to determine that they constitute the documents to be delivered to it in accordance with the foregoing requirements and comply as to form with such requirements, but the Depositary shall not be responsible for the validity of such documents or for the correctness of the statements or opinions set forth therein. Upon its receipt of such documents and the making of such determination by it, the Depositary shall pay to or on the order of the High Authority, out of the moneys specified by the High Authority and to be used by the Depositary for such purpose, the amount of such Project Loan.

The sum of money received by the Depositary pursuant to Section 3.03 in connection with the authentication and delivery of any new Note or Notes shall, so long as an Event of Default shall not have occurred and be continuing, also be applied by the Depositary, upon written request of the High Authority, to the prepayment, or to the purchase from the holder or holders thereof (including the High Authority, if such a holder) or to the retirement in any other manner prior to maturity, of (a) any of such new Notes specified in such request, the principal amount of which together with the interest accrued thereon to the date of authentication and delivery thereof shall be at least equal to the sum of money so applied, if the High Authority shall deposit with the Depositary the funds required to pay any premium thereon together with any interest accrued thereon since such date, or (b) any of the other Notes then outstanding specified in such request of a principal amount at least equal to the principal amount of such new Note or Notes if (i) the High Authority shall deposit with the Depositary the funds required to pay any premium on the Notes to be so retired, (ii) the Enterprise Obligations theretofore related to the retired Note or Notes and now related to such new Note or Notes meet the requirements of the definition of Enter-

prise Obligation with respect to such new Note or Notes and (iii) the High Authority shall deliver to the Depository any additional Currency Undertakings that may be appropriate. All Notes so retired shall be canceled.

SECTION 4.02. (a) The Depository shall collect and receive all sums paid in respect of the principal of and premium (if any) or interest on each Enterprise Obligation held as a part of the Pledged Property, whether received by prepayment or in due course or collected as a result of the enforcement of any security for such Enterprise Obligation or otherwise, and shall hold such sums, as well as all sums representing interest paid on or profits realized from deposits or investments made pursuant to Section 4.04 and all other sums received by the Depository except pursuant to Section 3.03, as a part of the Pledged Property until they shall be applied in accordance with this Section 4.02. The Depository will, in the case of Enterprise Obligations payable in multiple currencies, collect the principal thereof and premium (if any) and interest thereon in such currency or currencies as the High Authority shall request in writing at such times prior to the payment dates as the High Authority and the Depository shall agree upon. So long as the principal of all the Notes outstanding shall not have been declared to be due and payable pursuant to a declaration (which shall not have been rescinded) made pursuant to Section 7.01,

(i) the Depository shall apply [all such moneys] the sums referred to in the first and second sentences of this paragraph (a) to the payment of instalments of principal and interest on the Related Note or Notes as and when the same shall become due in accordance with the terms of such Notes; [provided, however, that any of such moneys held by the Depository not so applied may be applied by the Depository in accordance with the provisions of Section 4.03;] and

(ii) to the extent that such sums shall not be immediately required for the purpose specified in the preceding clause (i), the Depository, upon the written request of the High Authority, which shall identify the particular funds to be used for the purpose, shall apply such sums, so long as an Event of Default shall not have occurred and be continuing:

(A) to the making of Project Loans in accordance with Section 4.01 (in the same manner as moneys received by the Depository pursuant to Sections 3.02 or 3.03), or

(B) to the prepayment, or to the purchase from the holder or holders thereof (including the High Authority, if such a holder) or to the retirement in any other manner prior to maturity, of any Related Notes then outstanding specified in such request of a principal amount at least equal to the amount of moneys so applied (all Notes so retired to be canceled), if the High Authority shall deposit with the Depository the funds required to pay any premium on the Notes to be so retired, or

(C) to the extent that it shall not be possible to apply such funds for the purpose set forth in the foregoing subclause (B) within 10 days after written request from the High Authority to the Depository so to do, to the purchase from the holder or holders thereof (including the High Authority, if such a holder) of Notes of any series then outstanding specified in such request payable in the same currency or currencies as the Related Notes and of a principal amount at least equal to the amount of moneys so applied, if the Notes so purchased may be surrendered or otherwise used to satisfy equal service requirements of Notes of the series so purchased at the time or times when the sums so applied may be needed for service requirements of the Related Notes, provided that the service moneys received by the Depository and otherwise available for such service requirements of Notes of the series so purchased shall be applied to meet such service requirements of the Related Notes, and provided further that the High Authority shall deposit with the Depository the funds required to pay any premium on the Notes to be so purchased, or

(D) to the extent of any interest moneys, to the payment of any compensation or expenses which shall at the time be due under Section 6.08;

and [provided, further, that]

(iii) the Depository, at the written direction of the High Authority from time to time, shall apply such sums, so long as an Event of Default shall not have occurred and be continuing, (A) to provide any supplementary amount which the High Authority

would otherwise be required by paragraph (b) of this Section 4.02 to provide for the payment of any instalment of principal of or interest on any of the Notes of any series, or (B) for any other purpose for which the High Authority might otherwise be required to furnish funds to the Depositary hereunder, or (C) to the payment thereof to the High Authority; provided, however, that after giving effect to such application under this clause (iii) [if on any date when an Event of Default shall not have occurred and be continuing] the sum of [(i)] (I) the then unpaid principal amount of all Enterprise Obligations held by the Depositary and in good standing, [(ii)] (II) the unpaid interest thereon calculated up to [that] the date of such application and [(iii)] (III) any moneys held by the Depositary hereunder, whether set aside in a special account or not, including moneys on deposit or invested as provided in Section 4.04 (counting any such investments at the cost, exclusive of interest, or then current market value thereof, whichever is less), shall exceed the sum of [iv] (IV) the then unpaid principal amount of all Notes and the unpaid interest thereon calculated up to that date, including principal and interest for which funds have been set aside in a special account, and [v] (V) the unpaid compensation and expenses under Section 6.08 calculated up to that date [, any excess of moneys held by the Depositary shall, upon the request of the High Authority, be earmarked by the Depositary as a reserve fund which shall, at the direction of the High Authority from time to time, (a) be used to provide any supplementary amounts which the High Authority would otherwise be required by the following sentence to provide for the payment of any instalment of principal of or of interest on any of the Notes of any series or (b) be paid by the Depositary to the High Authority against receipt of a certificate of the High Authority stating that the moneys so paid to it will be held by it as a reserve fund as provided in Articles 50 and 51 of the Treaty].

Notwithstanding any other provision of this Section 4.02(a), any funds held by the Depositary to fulfill the requirements of the third sentence of paragraph (a) of the definition of Enterprise Obligation shall not be applied or paid pursuant to the foregoing clauses (i), (ii) or (iii) in any manner inconsistent with the availability of such funds to permit application thereof as contemplated by said sentence.

(b) So long as the principal of all the Notes outstanding shall not have been declared to be due and payable pursuant to a declaration

(which shall not have been rescinded) made pursuant to Section 7.01, the Depositary shall, on or within 10 days prior to the payment date for any instalment of principal of or interest on any of the Notes, or on or within 30 days prior to the redemption date of any Notes to be redeemed by prepayment, set aside in a special account to the extent that such moneys shall be available therefor the amounts required to make payment of such instalment, or of the redemption price, to or on the order of the holders of such Notes, and if such moneys held by the Depositary shall not be sufficient, the Depositary will request the High Authority to furnish to it, and the High Authority will forthwith furnish to the Depositary, any supplementary amounts necessary for that purpose. The High Authority will give or cause to be given to the Depositary due notice prior to the respective payment dates of the currency or currencies in which the holders of Notes payable in multiple currencies will demand payment of principal of and premium (if any) and interest on their Notes. After the setting aside of any of the moneys as aforesaid, they shall be held for the exclusive benefit of the holders of [the Related Notes] such Notes until paid to or upon the order of such holders, and shall no longer be deemed to be a part of the Pledged Property held as security for all the Notes; provided, however, that any moneys so held by the Depositary and remaining unclaimed for six years after the date when such instalment or such redemption price shall have become due and payable, shall, so long as an Event of Default shall not have occurred and be continuing, be paid to the High Authority, and thereafter, anything in this Indenture to the contrary notwithstanding, the holders of such Notes shall look only to the High Authority for payment of the instalment or redemption price in respect of which such moneys shall have been so paid to the High Authority. No such payment of any moneys to the High Authority shall relieve it of the obligation to pay the principal of or interest on any Note upon the due subsequent presentation thereof to the High Authority, subject to any applicable period of limitation prescribed by law.

SECTION 4.03. The High Authority will instruct the Depositary in writing from time to time to make such conversions of moneys held by it into other currencies as may be necessary for carrying out [this Article Four] Section 4.01 or 4.02.

[SECTION 4.03. All moneys received by the Depositary which, pursuant to Section 4.02 or Section 5.02 hereof, shall be permitted to be held

and applied in accordance with this Section 4.03, shall be held by the Depositary as part of the Pledged Property until they shall be applied in accordance with this Section 4.03. From time to time, so long as an Event of Default shall not have occurred and be continuing, such moneys may be applied by the Depositary as follows:

[A. Upon the written request of the High Authority, any such moneys shall be added to the moneys received by the Depositary pursuant to Section 3.02 or Section 3.03, and shall thereafter be held and applied in accordance with Section 4.01; or

[B. Upon the written request of the High Authority, any such moneys shall be applied by the Depositary to the prepayment, or to the purchase from the holder or holders thereof (including the High Authority, if such a holder) or to the retirement in any other manner prior to maturity, of Related Notes then outstanding specified in such request of a principal amount at least equal to the amount of moneys so applied. All Notes retired pursuant to this Clause B shall be cancelled; or

[C. Upon the written request of the High Authority, any interest moneys which pursuant to Section 4.02 shall be permitted to be held and applied in accordance with this Section 4.03, may be applied by the Depositary to the payment of any compensation which shall at the time be due under Section 6.08 hereof.]

SECTION 4.04. Upon the written request of the High Authority so long as [an Event of Default shall not have occurred and be continuing] a Representative shall not have been designated by the Noteholders as provided in Section 7.03(a) and be in office, moneys in any currency held by the Depositary as a part of the Pledged Property shall be placed on deposit [(in the same currency, or in the currency of any member country of the Community, or of the United Kingdom, provided that the amounts so placed are convertible into the currency so held, or in the currency of the United States of America or Switzerland, or in gold)] with such bank or banks located in any member country of the Community or in the overseas territories of any such country or in any country that is presently a member of the European Free Trade Association or in the United States of America or in Canada, at such rates

of interest and generally on such terms as the High Authority shall direct or approve, provided that any such deposits shall be payable either in the same currency, or in gold, or in the currency of any of the above-specified countries if, under the applicable laws and regulations or by virtue of special licenses, no restrictions exist at the time that limit the right of the Depositary to obtain, against the amount payable upon withdrawal of such deposit, and to transfer, the currency originally held, without limit as to any purpose for which the Depositary may apply or pay any funds under this Indenture; or, upon like request, such moneys shall be used by the Depositary to purchase gold, or acceptances of any bank or banks located in any of the above-specified countries, or short-term (not more than two years to maturity) [Government] securities (bonds, notes or other evidences of indebtedness) specified by the High Authority [of Governments of the countries in the currencies of which the Related Notes are payable or of] if the issuer of such security shall be the Government of any [member country of the Community, or of the United Kingdom, if the proceeds of such securities are convertible into the currency so held, or of the Government of the United States of America or Switzerland] of the above-specified countries or any bank or banking institution located therein or the European Investment Bank or the European Atomic Community or any other international or supranational instrumentality of which all member countries of the Community shall at the time be members, provided that any such acceptance or security shall be payable either in the same currency, or in gold, or in the currency of any of the above-specified countries if, under the applicable laws and regulations or by virtue of special licenses, no restrictions exist at the time that limit the right of the Depositary to obtain, against the proceeds of such acceptance or security, and to transfer, the currency originally held, without limit as to any purpose for which the Depositary may apply or pay any funds under this Indenture. Upon like request, the Depositary shall withdraw any such deposits and sell any such acceptances or securities. The Depositary may, for purposes of this Section 4.04, rely upon an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depositary (who may be a legal officer of a duly appointed subdepository) with respect to the existence or non-existence of restrictions on the acquisition and transfer of currencies under the applicable laws and regulations of any country or by virtue of special licenses.

ARTICLE FIVE**CONCERNING THE PLEDGED PROPERTY**

SECTION 5.01. The High Authority will from time to time instruct the Depositary in writing (a) to give such consents with respect to the Enterprise Obligations and any security therefor held as a part of the Pledged Property and to take such other action in respect thereof not contrary to the provisions of this Indenture as the High Authority shall deem advisable and (b) in respect of any such Enterprise Obligation or any security therefor, to join in and become a party to any plan of reorganization (whether voluntary or involuntary) of the issuing Enterprise or any other party which the High Authority deems advisable and to take such other action as may be required by such plan.

SECTION 5.02. The High Authority will from time to time instruct the Depositary in writing (a) to sell, free from the lien hereof, any Enterprise Obligations and any security therefor at the time held by the Depositary, which the High Authority shall deem it advisable to sell, for a purchase price equal at least to the principal amount thereof and accrued interest thereon payable in [the currency] any currency in which the Enterprise Obligations being sold are payable and accompanied by appropriate Currency Undertakings, if any, and (b) to exchange, free from the lien hereof, any such Enterprise Obligations and any security therefor, which the High Authority shall deem it advisable to exchange, for [a like] an equal principal amount of new Enterprise Obligations of the same or another Enterprise [payable in the same currency or currencies and] bearing interest from a date not later than the date to which interest has been paid on the Enterprise Obligation so exchanged [and accompanied by any appropriate Currency Undertakings.] , and (c) in lieu of exchanging any such Enterprise Obligation and security therefor for a new Enterprise Obligation as aforesaid, to agree to the modification of such existing Enterprise Obligation or such security or to the release of any such security or (in the case of a mortgage or other lien) of any of the property subject thereto. A release of property that is made in compliance with Section 5.03 shall not be deemed to be a modification or release of security for purposes of the foregoing clause (c). Any such new or modified Enterprise Obligation and the security for an Enterprise Obligation remaining after any such

exchange or modification or release of security or any such release of property shall meet the requirements of the definition of Enterprise Obligation and shall be accompanied by any appropriate Currency Undertakings. The proceeds of any such sales and any such new Enterprise Obligations and any security therefor and related Currency Undertakings shall be held by the Depository as part of the Pledged Property; any such proceeds may be applied by the Depository pursuant to Section [4.03] 4.02(a).

SECTION 5.03 [5.04]. In addition to its rights under Sections 5.01 and 5.02, the [The] High Authority will from time to time instruct the Depository in writing to release from any mortgage or other lien securing an Enterprise Obligation held as a part of the Pledged Property such of the property subject to such mortgage or other lien as the High Authority shall determine, without making any other modification of the security for such Enterprise Obligation, [; provided, however, that the Depository shall not release any such property unless] if (i) the fair sale value (as appraised by appraisers or engineers selected by the High Authority and satisfactory to the Depository) of the property remaining subject to such mortgage or other lien shall be at least 125% of the unamortized amount of all indebtedness of the Enterprise secured thereby or (ii) the Depository shall receive a certificate of the High Authority in writing stating the purpose for which the release is desired and that the value of the property to be released for that purpose does not exceed the equivalent of \$10,000 (U. S. dollars), determined as provided in Section 10.09 hereof. Such appraiser or engineer referred to in this Section 5.03 may, in any case, be a subdepository referred to in Section 10.03(b) or an official or representative thereof.

SECTION 5.04 [5.03]. In case any Enterprise or any guarantor of or obligor on an Enterprise Obligation shall default in the performance of any of its obligations under such Enterprise Obligation or any security therefor held as a part of the Pledged Property, the High Authority will be entitled, with full power of substitution and delegation, to enforce, and to take all action by judicial proceedings or otherwise which the High Authority shall deem necessary or proper to enforce, such Enterprise Obligation or any security therefor. The [Depository will] High Authority will request the Depository in writing to furnish [the High Authority] all such powers of attorney, written consents, instruments of transfer and other documents as [the High Authority shall request

in writing] shall be required in connection with such enforcement by the High Authority or by any other person authorized by the High Authority to act on its behalf in connection therewith.

SECTION 5.05. So long as [an Event of Default shall not have occurred and be continuing] a Representative shall not have been designated by the Noteholders as provided in Section 7.03(a) and be in office, the Depository will act in accordance with any instructions or requests received by it from the High Authority pursuant to Sections 5.01, 5.02, 5.03 or 5.04 [unless it shall deem the same to be prejudicial to the interests of the Noteholders or contrary to law.]; provided, however, that (a) if the instructions or requests are pursuant to Sections 5.01 or 5.02 or clause (ii) of the first sentence of Section 5.03, the Depository shall receive a certificate duly signed by the High Authority to the effect that the value of the Enterprise Obligation affected by the proposed action will not thereby be materially reduced, and (b) if the instructions or requests are pursuant to Sections 5.01 or 5.02, the Depository shall receive an opinion of a legal officer of the High Authority or other counsel satisfactory to the Depository (who may be a legal officer of a duly appointed subdepository) that such action is not contrary to the provisions of this Indenture or contrary to law, and that all conditions precedent provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) which relate to such action have been complied with, and such opinion shall contain statements, corresponding to those required in opinions furnished under paragraph D of Section 4.01, with respect to any new or modified Enterprise Obligation, and the security for an Enterprise Obligation remaining after any exchange or modification of security or any release of security or property, that shall be involved in the action; and provided further that if the instructions or requests are pursuant to Section 5.04, the Depository shall receive an opinion of such legal officer or other counsel that the proposed action is not contrary to the provisions of this Indenture or contrary to law. In case [an Event of Default shall have occurred and be continuing] a Representative shall have been designated by the Noteholders as provided in Section 7.03(a) and be in office, the Depository will act in accordance with any instructions or requests received by it pursuant to the foregoing Sections from [a] such Representative [designated as provided in Section 7.03(a)]. The Depository shall not be responsible for the validity of any documents delivered to it pursuant to this Article Five or for the correctness of the statements or opinions set forth in such documents.

SECTION 5.06. Upon receipt by the Depositary of payment in full of the principal of, and premium (if any) and interest on, any Enterprise Obligation, the Depositary shall, upon the written instruction of the High Authority, execute all such instruments as may be proper to acknowledge the payment of such Enterprise Obligation and to satisfy and discharge any security therefor.

ARTICLE SIX

COVENANTS OF THE HIGH AUTHORITY

SECTION 6.01. Each Note shall constitute or evidence a general obligation of the High Authority pledging its full faith and credit for the due and punctual payment of the principal thereof and the premium (if any) and interest thereon in accordance with its terms.

SECTION 6.02. The proceeds of Notes will be used by the High Authority only for making Project Loans to Enterprises to which the High Authority is empowered to make loans under the Treaty or for retiring outstanding Notes in accordance with Section 4.01. In the case of Project Loans made from the proceeds of First Series Notes, such Projects shall be limited to the following categories:

(a) modernizing and mechanizing mining operations and expanding capacity for the production of coal and providing additional housing for miners;

(b) modernizing and mechanizing mining operations and expanding capacity for the production of iron ore, modernizing facilities for the treatment of iron ore, and providing additional housing for miners;

(c) modernizing operations and expanding capacity for the production of coke; and

(d) constructing and modernizing power stations at the pit heads to facilitate the use of low-grade coal to supply low-cost power for coal mining operations and for sale.

Project Loans made from the proceeds of Notes of any series other than the First Series Notes will be made for [Projects] purposes within such categories as may be specified in the respective indentures supplemental hereto providing for the issue of Notes of such series.

SECTION 6.03. So long as any of the Notes shall remain outstanding, the only obligations that shall be issued by the High Authority for money borrowed by it shall, except as stated in the next sentence, be Notes issued under and secured pursuant to the provisions of this Indenture. [and, subject to Section 6.04, loans to Enterprises will be made by the High Authority only out of the proceeds of Notes and otherwise in the manner provided in this Indenture.] The High Authority may, however, issue other obligations for money borrowed by it in accordance with the provisions of the Treaty, if such other obligations are not secured by any mortgage, pledge or other priority on any revenues or assets of the High Authority and are not entitled to the benefit of any commitment of the High Authority which might require it at any time to secure such obligations (either alone or with other indebtedness) by any such mortgage, pledge or other priority.

SECTION 6.04. Loans to Enterprises made out of the proceeds of Notes or other funds constituting part of the Pledged Property will be made by the High Authority only in the manner provided in this Indenture. The provisions of this Indenture shall not apply to loans made by the High Authority out of funds not forming a part of the Pledged Property, except to the extent that any such loan shall become a Project Loan as provided in the definition of Project Loan.

SECTION 6.05. The High Authority will maintain and collect levies, as provided in the Treaty, on the production of coal and steel by Enterprises within the jurisdiction of the Community, sufficient to provide, in addition to any other payments to be made therefrom, for any payment of the principal of and premium (if any) and interest on the Notes which cannot be promptly and fully paid from the receipts of the High Authority from Project Loans made with the proceeds of the Notes, or promptly and fully paid from its other funds; and the High Authority will apply such levies, to the extent required, to the payment of the Notes and interest thereon.

SECTION 6.06. The High Authority, considering that it is essential that all creditors, direct and indirect, of the High Authority shall have

assurance that no one of them will receive any preference over any of the others as to the aforesaid levies which the Treaty authorizes the High Authority to maintain and collect and which underlie the credit of the High Authority, and considering that the levies and the guaranty fund resulting from them should be at all times available to protect, without discrimination, all engagements of the High Authority, whatever their form, hereby states that it does not propose to create, and agrees that it will not create, any mortgage, pledge or other priority on its revenues coming from the levies or on the accumulated levies from time to time resulting therefrom, or, except as provided herein, on any other assets of the High Authority.

SECTION 6.07. The High Authority will pay or cause to be paid all taxes, duties, fees or other charges levied or imposed by any country or any political or taxing subdivision thereof on or in respect of this Indenture or any Enterprise Obligation or any security therefor or related Currency Undertaking or any moneys or other property received by the Depositary hereunder.

SECTION 6.08. The High Authority will pay to the Depositary and any bank or other subdepository or agent employed by the Depositary [hereunder], or any bank or other agent employed by the High Authority to perform services as registrar, paying agent or sinking fund agent or services related to the making or supervision of Project Loans or similar services, in connection with the performance of the provisions of this Indenture or any supplemental indenture, such reasonable compensation and expenses (including the fees and disbursements of their counsel) for their services [hereunder] as shall be agreed upon with the High Authority. The Depositary and any such bank or other subdepository or agent shall have a lien on the Pledged Property, prior to the lien securing the Notes, for the payment of such compensation and expenses.

ARTICLE SEVEN

REMEDIES IN CASE OF DEFAULT

SECTION 7.01. In case any of the following events (herein called Events of Default) shall happen and be continuing:

- (a) default shall be made in the prompt and full payment of any instalment of principal of or interest on any Note or in the

prompt and full payment or other satisfaction of any amortization obligation in respect of any Note, which shall not be cured by payment thereof within thirty days of the due date; or

(b) there shall be a material breach of any other of the covenants or conditions contained in this Indenture or any indenture supplemental hereto or in the Notes, which shall not be cured within ninety days after written notice thereof shall have been given to the High Authority and the Depositary by the holders of not less than 25% in principal amount of the Notes of any series at the time outstanding; or

(c) the Treaty shall be modified in a manner that shall adversely affect the capacity of the High Authority to perform its obligations under this Indenture or any indenture supplemental hereto or under the Notes and written notice of such modification shall have been given to the High Authority and the Depositary by the holders of a majority in principal amount of all the Notes at the time outstanding;

then and in each such case, the principal of all Notes then outstanding hereunder (if not already due) may be declared to be due and payable immediately by written notice given to the High Authority and the Depositary by the holders of not less than a majority in principal amount of all the Notes at the time outstanding.

If, at any time after the principal of all the Notes shall have been so declared due and payable and before any judgment or decree for the payment of moneys due thereon shall have been entered, all arrears of interest upon all the Notes and all other sums due in respect of the Notes, except any principal payments which shall not have matured by their terms, shall have been duly paid by the High Authority and all defaults hereunder shall have been made good, the holders of a majority in principal amount of all the Notes then outstanding, by written notice given to the High Authority and to the Depositary, may rescind such declaration; but no such rescission shall impair any right consequent on any subsequent default.

The Depositary may conclusively rely upon any statement contained in any written notice given to it pursuant to the provisions of this Section 7.01. For any purpose of this Section 7.01, the principal amount of any Notes the holders of which shall have given notice hereunder shall be determined as of the date by which the last holder

required to give notice for such purpose shall have given such notice to both the High Authority and the Depositary.

SECTION 7.02. In case the principal of all the Notes outstanding shall have been declared to be due and payable pursuant to a declaration (which shall not have been rescinded) made pursuant to Section 7.01, anything in this Indenture or in any supplemental indenture to the contrary notwithstanding, all further payments that shall be made by the Depositary to the holders of the Notes (other than payments in respect of which moneys shall previously have been set aside pursuant to Section 4.02), whether made out of payments received or collected by it in respect of, or out of the proceeds of the sale of, the Pledged Property or otherwise, shall be made pro-rata to such holders, without regard to the series of the several Notes, in proportion to the principal amounts of the Notes held by them, respectively, and the unpaid interest accrued thereon, so that the payments received by the holders of each series of Notes in the currency in which such Notes are expressed (or, in the case of any Note payable in multiple currencies, in such one of those currencies as shall be selected by the Noteholder within three months from the date of notification to the Noteholders that all Notes have become due or, in the absence of such selection, as provided in the applicable supplemental indenture) shall be the same percentage of the principal of and unpaid interest on such Notes expressed in that currency as the percentage of the principal of and unpaid interest on each other series of Notes received by the holders thereof in the currency, or one of the currencies as aforesaid, in which such other Notes are expressed. Such payments shall be made from time to time on such dates as the Depositary shall determine, and each such payment shall be applied first to the payment of the interest accrued on such Notes to the date of payment and then to payment of the principal thereof.

The Depositary is hereby authorized, and the holder of each Note in accepting such Note shall thereby authorize the Depositary, to use any moneys held or received by it, including any moneys made available pursuant to a Currency Undertaking, and to convert any such moneys into any other currency or currencies, as it shall deem necessary in order to permit payments to be made to the holders of the Notes in accordance with this Section 7.02.

SECTION 7.03. (a) In case an Event of Default shall occur and be continuing, the holders of not less than a majority in principal amount

of the outstanding Notes may, by written instrument or instruments filed with the Depositary, designate a bank or other financial institution or agency to act as the representative (hereinafter called the Representative) for all holders of Notes in matters relating to their rights hereunder, and any such Representative, on behalf of the holders of all outstanding Notes, shall have full authority to make any request upon, and give any instruction or consent to, the Depositary, and take any other action which the High Authority might make, give or take at any time in accordance with the provisions hereof. For purposes of this Section 7.03(a), the principal amount of any Notes the holders of which shall have filed any such instrument or instruments shall be determined as of the date of filing thereof or, if more than one instrument, the date of filing of the last thereof that shall be required for such purposes. The High Authority hereby grants to any such Representative the right to take, and authorizes such Representative to take, any action that could be taken, pursuant to this Indenture or otherwise, by the High Authority under or with respect to any Enterprise Obligation or any security therefor or the related credit agreement or any other related undertaking, irrespective of whether the same shall be pledged or required to be pledged hereunder, and the High Authority hereby acknowledges that the foregoing grant and authorization are made in the interest of the holders of the Notes and are irrevocable so long as the Event of Default on the basis of which such Representative was appointed shall continue.

(b) The Representative shall have the right to direct and control all action to be taken for the protection of the security for the Notes and, with full power of substitution and delegation, to take such action to protect and enforce the rights of the holders of Notes under this Indenture by any appropriate form of legal or judicial proceedings, whether for the specific performance of any covenant or condition contained herein, or for the protection of the Enterprise Obligations or any security therefor or any related undertaking, or for any other appropriate remedy, all as such Representative shall determine. The Depositary will furnish to the Representative all such powers of attorney, written consents, instruments of transfer and other documents as the Representative shall request in writing in connection with any such action to be taken by the Representative or by any other person authorized by it to act on its behalf in connection therewith. The Representative shall have the further right, by a written instrument delivered to the Depositary, to appoint a bank or other financial institution or agency (including

itself) as successor to the Depositary hereunder, and any bank, institution or agency so appointed shall, upon compliance with the provisions of Section 10.06, succeed to all the rights and powers and all the obligations of the Depositary hereunder, including all its rights, powers and obligations in respect of the Pledged Property.

(c) Neither the High Authority nor the Representative, however, will be entitled to enforce an Enterprise Obligation or any security therefor as long as the issuing Enterprise is not in default under that Enterprise Obligation.

(d) No holder of any Note shall, as such holder, have any right to institute any proceeding for the enforcement of any security for the Notes.

ARTICLE EIGHT

SUPPLEMENTAL INDENTURES

SECTION 8.01. The High Authority and the Depositary may, and if required by the terms of this Indenture shall, enter into such [notarial act or notarial acts constituting an] indenture or indentures supplemental hereto as the High Authority shall determine for any one or more of the following purposes:

(a) to transfer and assign to the Depositary to be held as a part of the Pledged Property any Enterprise Obligations and any security therefor and any related undertaking;

(b) to provide for the issue under this Indenture of Notes of any series other than First Series Notes;

(c) to close this Indenture against, or further to restrict, the issue of additional Notes hereunder;

(d) to add further covenants, restrictions or conditions for the protection of the holders of Notes;

(e) to specify additional defaults as Events of Default; and

(f) to cure any ambiguity or to correct any defect or inconsistent provision contained in this Indenture or in any supplemental indenture.

Any such supplemental indenture may be executed without the consent of the holders of any of the Notes at the time outstanding. The Depository shall not be required, without its consent, to enter into any such supplemental indenture which shall in the opinion of the Depository adversely affect its rights, powers, obligations and immunities hereunder.

SECTION 8.02. With the written consent of the holders of not less than $66\frac{2}{3}\%$ in principal amount of all the Notes at the time outstanding, the High Authority and the Depository may enter into a notarial act or notarial acts constituting an indenture or indentures supplemental hereto for the purpose of modifying any of the terms or provisions contained in this Indenture or in any supplemental indenture or indentures or in any Note; provided, however, that (i) if any such supplemental indenture would alter the dates fixed for the payment of the principal of, or instalments of interest on, any Note, or otherwise modify the terms of payment of such principal or interest or impose any conditions with respect to such payment, or alter the amount of principal of, or the rate of interest or premium payable on, any of the Notes, or affect the rights of the holders of less than all the Notes of any series then outstanding, such supplemental indenture shall not be entered into without the consent of the holders of all Notes affected thereby, (ii) if any such supplemental indenture would affect the rights of the holders of one or more series, but less than all series, of the Notes then outstanding, such supplemental indenture shall not be entered into without the consent of the holders of at least $66\frac{2}{3}\%$ in principal amount of the Notes of each of the series affected thereby then outstanding and (iii) if any such supplemental indenture would reduce the aforesaid percentages of Notes, or of the Notes of any series, the consent of the holders of which shall be required for the authorization of any such modification, such supplemental indenture shall not be entered into without the consent of the holders of all outstanding Notes, or of all outstanding Notes of such series, as the case may be.

It shall not be necessary for the consent of the Noteholders under this Section 8.02 to approve the precise form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. For purposes of this Section 8.02, the principal amount of Notes the holders of which shall have given any such consent shall be determined as of the date on which the High Authority and the Depository shall enter into a notarial act pursuant thereto.

SECTION 8.03. When any supplemental indenture that shall modify this Indenture shall have been entered into pursuant to the provisions of this Article Eight, [this Indenture shall be deemed to be modified in accordance therewith and, except as herein expressly otherwise provided,] all the terms and conditions of any such supplemental indenture shall, except as therein expressly otherwise provided, be deemed to be part of the terms and conditions of this Indenture for all purposes. Notes thereafter issued may bear a notation as to any matter provided for in said supplemental indenture, and new Notes conforming to any modification of this Indenture contained in any such supplemental indenture may, if the High Authority so determines, be executed by the High Authority, authenticated by the Depository and delivered in exchange for an equal principal amount of Notes previously outstanding.

ARTICLE NINE

SATISFACTION AND DISCHARGE

SECTION 9.01. If the High Authority shall pay or cause to be paid to the holders of all Notes outstanding hereunder the principal thereof, and the premium (if any) and interest thereon, at the times and in the manner stipulated therein, or shall provide for the payment thereof by depositing in a special account with the Depository in the required currency or currencies the entire amount due or to become due thereon for principal, premium (if any) and interest, then this Indenture shall cease and all property, rights and interests theretofore conveyed or assigned in pledge to the Depository shall revert to the High Authority, and the Depository in such case, on written demand of the High Authority, shall cancel this Indenture and assign and transfer to or on the order of the High Authority all cash and other property then held by the Depository hereunder.

SECTION 9.02. Any moneys (other than moneys referred to in the proviso in Section 4.02 relating to unclaimed moneys) held by or for account of the Depository hereunder for the payment of principal or interest on the Notes and remaining unclaimed for six years after all the Notes shall have become due and payable, either at maturity or upon call for redemption, shall be paid to the High Authority. No such payment of moneys to the High Authority shall relieve it of the

obligation to pay the principal of or premium or interest on any Note upon the due subsequent presentation thereof to the High Authority, subject to any applicable period of limitation prescribed by law.

ARTICLE TEN

MISCELLANEOUS

SECTION 10.01. Nothing expressed in or to be implied from this Indenture or the Notes shall be construed to give to any person, other than the parties hereto and the holders of the Notes or any Representative and any bank or other subdepository or agent of the Depository or the High Authority referred to in Section 6.08, any right, remedy or claim under this Indenture or under any covenant or condition herein contained; this Indenture and all covenants and conditions hereof being intended to be for the exclusive benefit of the parties hereto and of the holders of the Notes issued hereunder or any Representative and, to the extent provided in Section 6.08, any such bank or other subdepository or agent of the Depository or the High Authority.

SECTION 10.02. No recourse under or upon any covenant contained in this Indenture or in any Note, or because of the creation of any indebtedness hereby authorized, shall be had against any member or official or other representative, past, present or future, as such, of the High Authority, whether by virtue of any statute or rule of law or by the enforcement of any assessment or penalty or otherwise, it being expressly agreed and understood that this Indenture and the Notes are solely obligations of the High Authority and that no personal liability whatever shall attach to or be incurred by the members or officials or other representatives, as such, of the High Authority because of the execution of this Indenture or the Notes.

SECTION 10.03. The Depository agrees to carry out the provisions of this Indenture upon the terms and conditions thereof, including the following, to all of which the parties hereto and the holders of the Notes agree:

(a) The Depository will use reasonable care in the selection of sub-depositaries and agents employed by it as hereinafter provided and in the safekeeping of any part of the Pledged Property in its actual custody, and will require each such sub-depository or

agent which shall have any of the Pledged Property in its custody to agree in writing to use reasonable care in the safekeeping thereof.

(b) The Depositary may employ, as subdepositories and other agents, banks or other recognized financial institutions approved by the High Authority which shall, at the direction and for the account of the Depositary, receive and hold Enterprise Obligations and other instruments and moneys constituting part of the Pledged Property, receive and collect payments made upon such Enterprise Obligations and make payments when due upon [Related] Notes, and shall, upon the authority of and on behalf of the Depositary, perform such of its other duties hereunder as the Depositary shall from time to time direct. The Depositary may authorize any agent (including an individual) selected by the Depositary for the purpose to authenticate, upon the authority of and on behalf of the Depositary, the Notes of any series issued hereunder as hereinbefore provided. The Depositary shall not be responsible for any action taken by any sub-depositary or agent selected by it in accordance with subparagraph (a) above. The Depositary may, and at the request of the High Authority [prior to an Event of Default] (at any time when there shall not be a Representative in office) or of [the] any Representative [after an Event of Default] at the time in office shall, revoke the power and authority of any such sub-depositary or agent and/or require it to transmit to or upon the order of the Depositary any of the Pledged Property held by such sub-depositary or agent.

(c) The Depositary may act upon any notice, request, instruction, opinion, consent, certificate, appraisal report, letter, telegram, cablegram, radiogram, document or other paper believed by it to be genuine or to have been signed, sent or presented by the proper persons or properly authorized or duly made.

(d) The Depositary shall not be responsible for the performance of any duties under this Indenture except such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Depositary, but the duties and obligations of the Depositary shall be determined solely by the express provisions of this Indenture.

(e) The Depositary may in its discretion require, before recognizing anyone as a holder of Notes, that the Notes claimed to be

held be submitted to the Depository for inspection and title thereto established to its satisfaction.

(f) The Depository shall not be responsible or accountable to anyone, either by reason of its execution of this Indenture or any indenture supplemental hereto or any certificate of authentication on any Note or for any other reason whatsoever, with respect to the validity of this Indenture or of any indenture supplemental hereto or of the Notes, or for the validity or value of any Pledged Property, or for any computation made in accordance with Section 10.09, or for any act done or omitted by it in good faith, or for anything whatever in connection with this Indenture or any indenture supplemental hereto or any Note, except for its own wilful misconduct or failure to exercise reasonable care in the performance of its duties hereunder.

(g) In acting hereunder, the Depository may advise with legal counsel and (subject to the provisions of subparagraph (f) above) shall be fully protected with respect to any action taken or suffered by it in good faith in accordance with the opinion of such counsel.

(h) The High Authority agrees to indemnify the Depository for, and to hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the performance of its services hereunder, as well as the costs and expenses of defending against any claim of liability in the premises.

(i) The Depository shall not be accountable for interest on any funds held by it hereunder, except in accordance with such agreement as it may make with respect thereto with the High Authority. The payment of interest by sub-depositaries and agents on funds held by them hereunder shall be in accordance with agreements entered into by such subdepositaries and agents with the High Authority and approved by the Depository.

SECTION 10.04. The Depository, or any depository hereafter appointed, may resign and be fully discharged from all further responsibility hereunder, upon giving six months' notice in writing to the High Authority, or such shorter notice as the High Authority may accept as sufficient, in which notice there shall be stated a date when such resignation shall take effect; and such resignation shall take effect on the day specified in said notice unless previously a successor depository shall

be appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor depositary.

SECTION 10.05. In case a vacancy shall arise from any cause in the depositaryship under this Indenture, the High Authority shall promptly appoint a new depositary in its place. Such appointment by the High Authority shall be attested by the certificate in writing of its President or other duly authorized representative. Any depositary so appointed hereunder shall be a bank or other financial institution or agency in good standing and shall be approved by the holders of a majority in principal amount of all the Notes at the time outstanding, determined as of the date on which such depositary shall sign and deliver to the High Authority the instrument referred to in Section 10.06.

SECTION 10.06. Any successor depositary appointed by the High Authority pursuant to Section 10.05 and any successor depositary appointed by the Representative of the Noteholders pursuant to Section 7.03 shall sign and deliver to the High Authority an instrument accepting such appointment hereunder, and thereupon such successor depositary, without any further act, deed or conveyance, shall become vested with all the rights and powers and all the obligations of its predecessor hereunder, with like effect as if originally named as Depositary hereunder; but, nevertheless, on the written request of the High Authority or of the successor depositary, the depositary ceasing to act shall enter into a notarial act transferring to such successor depositary all the rights and powers hereunder of the depositary so ceasing to act, and shall deliver (subject to the lien provided for in Section 6.08) to such successor depositary all the Pledged Property and other assets and moneys held by it hereunder. Upon request of any such successor depositary, the High Authority shall enter into such notarial acts constituting indentures supplemental hereto and other instruments in writing as shall be appropriate for vesting in such successor depositary all such rights and powers.

SECTION 10.07. Immediately upon the appointment of a successor depositary by the High Authority or by the Representative, the High Authority shall give notice thereof by publication in the Official Gazette of the Community.

SECTION 10.08. The Depositary shall give to each person who is named as a payee in an outstanding Note and whose address is known to the Depositary and to each holder of an outstanding Note whose name and address have been filed with the Depositary for that purpose, (i) a copy of any notice given as provided in Section 10.04, (ii) a copy of any notice published as provided in Section 10.07 and (iii) written notice of the happening of any Event of Default known to the Depositary, within 10 days after the happening thereof; provided, however, that the Depositary shall not be required to give any notice of any default which has been cured.

SECTION 10.09. For the purpose of determining whether the holders of a specified amount of Notes shall have taken any action provided for in this Indenture, the principal amount (determined as provided in this Indenture) of all outstanding Notes shall be computed in United States dollars and the principal amount of any Note expressed to be payable in a different currency or currencies shall be deemed to be the equivalent principal amount in such dollars

(a) at the ratio on the appropriate date between the then existing par values of the United States dollar and of the other currency concerned as at that time agreed with the International Monetary Fund; or

(b) if in the case of any currency involved there is no such par value or the generally applicable exchange rate deviates significantly from such par value, then at the ratio between the United States dollar and the other currency concerned as determined by the middle rate of exchange generally applicable for cable transfers in United States dollars in the principal exchange market of the other country at the close of business on that date, or on the last previous date when such a rate was available; or

(c) in the event that there is more than one such rate, then at the ratio between the United States dollar and the other currency concerned based on that rate of exchange between the two currencies applicable on the appropriate date, to the category or categories of commercial imports into the country having more than one such rate which, during the previous calendar year, constituted a greater amount by value than any other category or categories of such imports subject on such appropriate date to any single different rate

of exchange between the two currencies, as may be determined by the Depositary.

The provisions of this Section 10.09 shall be equally applicable for the purpose of any other provision of this Indenture that may require the computation of amounts in various currencies. For the purposes of a computation as of any date pursuant to this Section 10.09, the appropriate date referred to above as of which par values, exchange rates and similar matters shall be taken shall be the close of business in New York City on the third business day preceding the date as of which the computation is being made, and any such computation by the Depositary shall be final and binding upon all parties.

Any Notes which to the knowledge of the Depositary are at the time held by or for the account of the High Authority shall not be deemed to be outstanding for any purpose in connection with any computation pursuant to this Section.

SECTION 10.10. Any notice, demand or request or other instrument required by this Indenture to be signed by Noteholders may be in any number of concurrent writings of similar tenor and may be signed by such Noteholders in person or by agent appointed in writing. The due [execution] signature of any such notice, demand, request or other instrument [shall be conclusively] may be proved by a duly executed certificate of a notary or other government official authorized to take oaths, or of any bank or banker or other financial institution or any member of any stock exchange (wherever situated) satisfactory to the Depositary, before whom such [certificate] instrument shall have been [executed] signed. The fact of the holding by any person of Notes which are not registered as to principal and are transferable by delivery or endorsement, and the amounts and numbers of such Notes and the date of holding the same, may be proved by a certificate executed by any bank or banker or other institution, wherever situated, if such certificate shall be deemed by the Depositary to be satisfactory, showing that at the date therein mentioned such person had on deposit with or exhibited to such bank, banker or other institution a Note or Notes bearing a specified serial number or numbers described in such certificate. The holding by any person named in such certificate of any Note specified therein shall be presumed to continue until written notice to the contrary is served on the Depositary. The ownership of registered Notes

shall be proved by the registration books kept as provided in any indenture supplemental hereto authorizing the issuance of such Notes.

SECTION 10.11. Any action by the holder of any Note shall bind all future holders of the same Note in respect of anything done or permitted by the High Authority or by the Depositary in pursuance thereof.

SECTION 10.12. All notices, requests and instructions shall be deemed to have been duly given if sent by registered letter, or sent by cable and confirmed by registered letter, addressed to the following addresses respectively, or to such other addresses as may from time to time be designated in writing by the party who is to receive such notice, request or instruction: (a) if to the High Authority—to the High Authority of the European Coal and Steel Community, Luxembourg; (b) if to the Depositary—to Bank for International Settlements, Basle, Switzerland.

SECTION 10.13. In case any one or more of the provisions contained in this Indenture or in the Notes should be invalid or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Notes shall not in any way be affected or impaired thereby.

SECTION 10.14. The holder of each Note in accepting such Note shall thereby consent to all the provisions of this Indenture and agree to be bound by all such provisions.

This Act and the annexes thereto have been read by me the Notary to the Appearers, who, having been questioned by me, have declared that it is in conformity with their wills and who, together with me the Notary, have signed this Act at the foot hereof and in the margin of the intervening sheets.

Signed Jean MONNET

Signed R. AUBOIN

[Notarial seal]

Signed G. FABER,

Notary