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LOAN NUMBER 224 IT

# Loan Agreement

(Southern Italy Development Projects—1959)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

AND

CASSA PER OPERE STRAORDINARIE DI PUBBLICO  
INTERESSE NELL'ITALIA MERIDIONALE  
(CASSA PER IL MEZZOGIORNO)

DATED APRIL 21, 1959

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DATED APRIL 21, 1959

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## **Loan Agreement**

**AGREEMENT**, dated April 21, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), and CASSA PER OPERE STRAORDINARIE DI PUBBLICO INTERESSE NELL'ITALIA MERIDIONALE (CASSA PER IL MEZZOGIORNO) (hereinafter called the Borrower).

WHEREAS the Borrower has requested the Bank to grant a loan to it in an aggregate principal amount equivalent to \$20,000,000;

WHEREAS the Borrower, concurrently with such loan, intends to contract a loan, guaranteed by the Guarantor, from the European Investment Bank (hereinafter called EIB) in an aggregate principal amount equivalent to \$20,000,000, and to sell an issue of its bonds, guaranteed by the Guarantor, in the aggregate principal amount of \$30,000,000 in the markets of the United States of America; and

WHEREAS the Bank has, on the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows:

### **ARTICLE I**

#### **Loan Regulations; Special Definitions**

SECTION 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956, subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

- (1) The term "Cassa" means Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno) established by Law No. 646 of the Republic of Italy, dated the 10th of August 1950, as amended and supplemented.
- (2) The term "Borrower" means the Cassa and also includes any department or agency of the Guarantor which may be charged by the Guarantor, upon dissolution of the Cassa or otherwise, with the carrying out of the obligations of the Borrower hereunder.
- (3) The term "Agency" means any political subdivision of the Guarantor or any instrumentality of the Guarantor or of a political subdivision of the Guarantor and shall include any institution or organization a majority interest in which at the time referred to is owned directly or indirectly by the Guarantor or a political subdivision of the Guarantor, or all or substantially all of whose obligations are guaranteed by the Guarantor or a political subdivision of the Guarantor, or the operations of which are conducted primarily in the interest of or for account of the Guarantor or a political subdivision of the Guarantor, as the case may be.
- (4) The term "beneficiary enterprise" means any company, società per azioni, individual or group of individuals, or other entity or association, other than the Borrower, to which any part of the Loan shall be made available for the construction or operation of a Project. It shall also include Società Finanziaria Elettrica Nazionale per Azioni (hereinafter called Finelettrica) and Società Italiana per le Strade Ferrate Meridionali (hereinafter called Bastogi).

- (5) The term "Project Agreement" means the agreement of even date herewith between the Bank of the one part and Società Meridionale di Eletticità, Finelétrica and Bastogi of the other part, as the same shall be amended from time to time by agreement between the Bank and the other parties thereto.
- (6) The term "EIB Agreement" means the Loan Agreement of even date herewith between EIB and the Borrower as the same shall be amended from time to time.

## **ARTICLE II**

### **The Loan**

SECTION 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

SECTION 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and, as this Agreement becomes effective in respect of any Project, shall credit to such Account the amount of the Loan set forth opposite such Project in Schedule 4 to this Agreement. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date 60 days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

SECTION 2.04. The Borrower shall pay interest at the rate of five and three-fourths percent (5¾%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.05. Interest and commitment charge shall be payable semi-annually on January 1 and July 1 in each year.

SECTION 2.06. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### **ARTICLE III**

#### **Use of Proceeds of Loan**

SECTION 3.01. (a) The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Agreement to expenditures on the Projects described in Schedule 2 to this Agreement in the amounts specified in Schedule 4 to this Agreement.

(b) The Bank and the Borrower may from time to time agree to changes in Schedule 2 and Schedule 4 to this Agreement.

### **ARTICLE IV**

#### **Special Provisions Relating to Projects**

SECTION 4.01. The Borrower shall make arrangements, and enter into loan agreements, adequate to protect the interests of the Borrower and the Bank and satisfactory to the Bank, with the respective beneficiary enterprises concerning the financing, construction and operation of the Projects and the rights of the Borrower and the Bank with respect thereto. Such agreements and arrangements shall not be amended without the consent of the Bank.

SECTION 4.02. The Borrower shall cause each of the beneficiary enterprises concerned punctually to perform all the

covenants and agreements on its part to be performed as set forth in the Project Agreement.

SECTION 4.03. All arrangements and agreements entered into pursuant to Section 4.01 shall include provisions which will enable the Borrower and the Guarantor to carry out their respective obligations under this Agreement and the Guarantee Agreement and shall include, without limitation: (i) the right to require that the proceeds of the Loan shall be used exclusively as provided in this Agreement in the carrying out of the Projects; (ii) the right to require that the Projects be constructed and operated with due diligence and efficiency and in accordance with sound engineering, financial and business standards, including the maintenance of adequate records; (iii) the right to inspect the sites, works and construction included in the Projects and the operation thereof; (iv) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to any of the foregoing and to the operation and financial condition of the Projects and of the beneficiary enterprises. Such arrangements and agreements shall also include appropriate provisions whereby further access by a beneficiary enterprise to the proceeds of the Loan may be suspended or cancelled by the Borrower, upon failure by such enterprise to carry out the terms of arrangements or agreements entered into pursuant to this Article IV.

SECTION 4.04. The Borrower shall exercise its rights in relation to each Project in such manner as to protect the interests of the Borrower and the Bank.

SECTION 4.05. The Borrower shall, immediately upon the preparation thereof, cause the plans, specifications, construction schedules and cost estimates for each Project to be furnished to the Bank in such form and detail as the Bank shall reasonably request and shall promptly cause any material modifications therein to be furnished to the Bank.

**ARTICLE V****Bonds**

SECTION 5.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

SECTION 5.02. The President, any Vice President or the Director General of the Borrower, and such person or persons as any of them shall appoint in writing to act in his stead, are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

**ARTICLE VI****Particular Covenants**

SECTION 6.01. (a) The Borrower shall exercise every right and recourse available to it to cause the Projects to be constructed and operated with due diligence and efficiency and in accordance with sound engineering, financial and business standards and practices.

(b) The Borrower shall maintain, or cause to be maintained, books, accounts and records adequate to show the expenditure of the proceeds of the Loan; the current total expenditures on each Project; the progress of each Project; the operation and financial condition of each Project; and, in respect of the Industrial Projects, the operations and financial condition of each beneficiary enterprise. The Borrower shall at the request of the Bank enable, or take such steps as shall be necessary to enable, the Bank's accredited representatives to examine the sites, works and construction included in each Project, the operation thereof, and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, each Project and the operation thereof, and the operations and financial condition of each beneficiary enterprise.



(c) The operations and transactions of the Borrower in connection with the Projects shall be accounted for by the Borrower separately from its other activities.

SECTION 6.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower such information shall include information with respect to its operations and financial condition.

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

SECTION 6.03. It is the mutual intention of the Borrower and the Bank that no other debt shall enjoy any priority over the Loan by way of a lien on assets of the Borrower. To that end, the Borrower specifically undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

SECTION 6.04. The Borrower shall pay or cause to be paid any and all taxes, duties, charges or fees that shall be imposed on or in connection with the execution, issue, deliv-

ery or registration of this Agreement, the Bonds, the Project Agreement or the Guarantee Agreement, or that shall be imposed by the Guarantor or by any Agency or by any taxing authority thereof or therein upon this Agreement, the Bonds, the Project Agreement or the Guarantee Agreement, or the registration thereof with any Agency or official, or the payment of principal, interest or other charges thereunder. Such principal, interest and other charges shall be paid without deduction for and free of any and all such taxes, duties, charges and fees. This Section shall not apply to taxation of any Bond, or payments made under the provisions of any Bond, when the beneficial holder thereof, other than the Bank, shall be an individual or corporate resident of the Guarantor.

SECTION 6.05. Unless otherwise agreed between the Borrower and the Bank, (i) if any beneficiary enterprise shall repay to the Borrower, or to any other beneficiary enterprise, in advance of maturity, a part, or all, of any indebtedness resulting from the relending of the proceeds of the Loan, the Borrower shall repay, in advance of maturity, an equivalent amount of the Loan and (ii) if the Borrower shall repay, in advance of maturity, part, or all, of its indebtedness under the EIB Agreement, the Borrower shall repay, in advance of maturity, an equivalent part, or all, of the Loan. To any repayment by the Borrower in accordance with this Section, all the provisions of the Loan Regulations relating to repayment in advance of maturity shall be applicable.

## **ARTICLE VII**

### **Remedies of the Bank**

SECTION 7.01. (i) If any event specified in paragraphs (a), (b) or (j) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of sixty days after notice thereof shall have

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

## **ARTICLE VIII**

### **Effective Dates**

SECTION 8.01. This Agreement and the Guarantee Agreement shall not in any event become effective in respect of any Project or any part of the Loan until the Bank shall have dispatched to the Borrower and to the Guarantor notice of its acceptance of the evidence provided for in Sections 9.01 and 9.02 of the Loan Regulations.

SECTION 8.02. This Agreement and the Guarantee Agreement shall become effective in respect of each Project and in respect of the amount of the Loan set forth opposite such Project in Schedule 4 to this Agreement when:

(a) the Bank shall have received evidence (including the opinion provided for in Section 8.03 hereof) satisfactory to it that the requirements set forth in Sections 4.01 and 4.03 of this Agreement have been satisfied in respect thereof (and, in the case of the Power Project, that the Project Agreement has been duly authorized or ratified by all necessary corporate and governmental action and is valid and binding on the beneficiary enterprises which are parties thereto and that Società Meridionale di Elettricità has a valid and exclusive concession for the exploitation of the lignite of the Mercure mines), and

(b) the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of such evidence.

SECTION 8.03. As part of the evidence to be furnished pursuant to Section 8.02 hereof, there shall be furnished to

the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing (i) that the arrangements and agreements to which such evidence relates are valid, binding and enforceable in accordance with their terms and (in the case of agreements and arrangements made pursuant to Section 4.01 of this Agreement) contain valid provisions satisfying the requirements of Section 4.03 of this Agreement and (ii) in addition, in the case of the Power Project, that the concession referred to in Section 8.02(a) of this Agreement is valid and effective.

## **ARTICLE IX**

### **Miscellaneous**

SECTION 9.01. The date specified for the purposes of Section 9.04 of the Loan Regulations is 90 days after the date of this Agreement.

SECTION 9.02. The Closing Date for each Project shall be December 31, 1962.

SECTION 9.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

**For the Bank:**

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

**Alternative address for cablegrams and radiograms:**

Intbafrad,  
Washington, D. C.

For the Borrower:

Cassa per il Mezzogiorno  
Piazza dei Congressi N. 20 (EUR)  
Rome, Italy

Alternative address for cablegrams and radiograms:

Casmez,  
Rome

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By W. A. B. ILIFF

*Vice President*

CASSA PER OPERE STRAORDINARIE DI PUBBLICO INTERESSE NELL'ITALIA MERIDIONALE (CASSA PER IL MEZZOGIORNO)

By GABRIELE PESCATORE

*President*

**SCHEDULE I**  
**Amortization Schedule**

Date Payment Due	Payment of Principal (expressed in dollars)*
July 1, 1963	\$ 726,000
January 1, 1964	747,000
July 1, 1964	768,000
January 1, 1965	791,000
July 1, 1965	813,000
January 1, 1966	837,000
July 1, 1966	861,000
January 1, 1967	886,000
July 1, 1967	911,000
January 1, 1968	937,000
July 1, 1968	965,000
January 1, 1969	992,000
July 1, 1969	1,021,000
January 1, 1970	1,050,000
July 1, 1970	1,080,000
January 1, 1971	1,111,000
July 1, 1971	276,000
January 1, 1972	284,000
July 1, 1972	292,000
January 1, 1973	300,000
July 1, 1973	309,000
January 1, 1974	318,000
July 1, 1974	327,000
January 1, 1975	336,000
July 1, 1975	346,000
January 1, 1976	356,000
July 1, 1976	366,000
January 1, 1977	377,000
July 1, 1977	387,000
January 1, 1978	398,000
July 1, 1978	410,000
January 1, 1979	422,000

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

### Premiums on Prepayment and Redemption

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity . . . .	1/2%
More than 3 years but not more than 6 years before maturity . . . . .	1 1/2%
More than 6 years but not more than 11 years before maturity . . . . .	2 1/2%
More than 11 years but not more than 16 years before maturity . . . . .	3 1/2%
More than 16 years but not more than 18 years before maturity . . . . .	4 3/4%
More than 18 years before maturity . . . . .	5 3/4%

**SCHEDULE 2****Description of Projects****A. POWER PROJECT**

This Project, to be constructed by Società Meridionale di Elettricità (SME), and scheduled to be completed by June 30, 1964, includes a thermal electric plant and auxiliary works to be constructed on the north bank of the Mercure River in the Province of Lucana in South Italy. Included in the Project is the development of the brown coal deposits located in the vicinity of the plant site. The Project will be owned by SME and the thermal plant will be operated as part of SME's electric power system. It will be equipped with three turbo-generating units with a maximum continuous output capacity of 70,000 kw each and operating at a temperature of 1,000 degrees Fahrenheit and at a pressure of 1,950 lbs. per square inch. Three boilers will produce 0.5 million lbs. of steam per hour each, and will be fired by pulverized brown coal. The cooling water system will be fed from an intake structure on the Mercure River and will include two cooling towers. An outdoor substation with three 3-phase 90,000 kva transformers will be constructed and connected to existing 220 kv and 150 kv transmission lines. The plant will be equipped with all necessary auxiliaries, including a feed water treatment plant, fuel handling and storage facilities, switchgear and control equipment.

The mining development will include the necessary excavation and transport equipment and the construction of auxiliary installations to produce, by open cast methods, about 1.1 million tons of brown coal annually.

**B. INDUSTRIAL PROJECTS****I. SINCAT Petrochemicals and Caustic Potash Project**

This Project consists of the installation of facilities near Augusta (Priolo) to be constructed, owned



and operated by SINCAT (Società Industriale Catanese S.p.A.) for the production of petrochemicals and caustic potash. The major items to be provided under this Project include:

- 1) a steam cracking plant to process annually about 137,000 tons of light oil fractions into 26,000 tons of ethylene and 20,600 tons of propylene and liquid petroleum gas, high-grade gasoline and fuel oil;
- 2) a caustic potash plant with an annual production of about 10,000 tons of caustic potash and 8,000 tons of chlorine; and
- 3) plants for the production of tetramer propylene and chlorinated ethylene derivatives.

## **II. CELENE Polyethylene and Ethylene Oxide Derivatives Project**

This Project consists of a plant at Augusta (Priolo) to be constructed, owned and operated by S.p.A. CELENE to produce annually about 10,000 tons of polyethylene and about 23,500 tons of ethylene oxide derivatives.

**SCHEDULE 3****Modifications of the Loan Regulations**

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows:

- (a) Section 2.02 is deleted.
- (b) The first two sentences of Section 3.01 are deleted.
- (c) The following sentence is added to Section 3.05:  
“If a withdrawal is applied for on account of expenditures in the currency of the Guarantor, the value of the currency of the Guarantor in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank.”
- (d) Section 4.01 is changed to read as follows:  
“*Withdrawal from the Loan Account.* The Borrower shall be entitled, subject to the provisions of these Regulations, to withdraw from the Loan Account, in dollars or such other currencies (other than the currency of the Guarantor) as may be agreed upon between the Bank and the Borrower, the equivalent of such amounts as shall be required by it to finance amounts expended on the Projects, provided that the Bank and the Borrower may make arrangements for advances on account of such withdrawals. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made: (i) on account of a Project in respect of which the Loan Agreement and the EIB Agreement have not become effective; (ii) in amounts exceeding in the aggregate at any time for any Project 50% of the aggregate amounts for which the Borrower has received applications for withdrawal from the beneficiary enterprise concerned pursuant to the arrangements re-

ferred to in Section 4.01 of the Loan Agreement; (iii) unless the Borrower shall certify in respect of each withdrawal that it has applied to EIB for a withdrawal under the EIB Agreement for the same Project in an equivalent amount and that no circumstances exist which would justify the denial by EIB of such application; and (iv) on account of expenditures in the territories of any country, other than Switzerland, which is not a member of the Bank, or for goods produced in (including services supplied from) such territories.”

(e) Section 4.02 is deleted.

(f) Section 4.03 is changed to read as follows:

“*Applications for Withdrawal.* When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Since the rate at which Loan proceeds are withdrawn affects the cost to the Bank of holding funds at the Borrower’s disposal, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures on the Projects.”

(g) Section 5.01 is amended by inserting the words “in respect of any Project” after the word “cancel”.

(h) The first five lines of Section 5.02 are amended to read as follows:

“Section 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account:”

- (i) Subparagraph (j) of Section 5.02 is deleted and the following two new subparagraphs are substituted therefor:

“(j) Demand shall have been made for repayment in advance of maturity of any of the monies due under the EIB Agreement by reason of any default specified therein.

“(k) The EIB shall have cancelled any part of the loan provided for in the EIB Agreement without a cancellation of a corresponding amount of the Loan or the EIB shall have suspended withdrawals under the EIB Agreement.”

- (j) The last paragraph of Section 5.02 is amended to read as follows:

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

- (k) Section 5.03 is changed to read as follows:

“Section 5.03. *Cancellation by the Bank.*

(a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving

of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

(b) If at the Closing Date for any Project the Borrower shall not have withdrawn from the Loan Account the full amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account on account of such Project. Upon the giving of such notice the unwithdrawn part of the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement shall be cancelled.

(c) If all or any part of the credit given to the Borrower under the EIB Agreement is cancelled, the Bank may by notice to the Borrower cancel all or a proportionate part, as the case may be, of the Loan.”

- (l) Section 5.04 is deleted.
- (m) Section 5.06 is amended by inserting the words “, the Project Agreement” after the words “the Loan Agreement”.
- (n) Section 6.17 is amended by inserting the words “or the Project Agreement” after the words “the Guarantee Agreement”.
- (o) Sections 7.01 and 7.02 are amended to read as follows:

“Section 7.01. *Enforceability.* The rights and obligations of the Bank, the Borrower and the Guarantor under the Loan Agreement, the Project Agreement, the Guarantee Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower nor the Guarantor shall be

entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or of the Loan Agreement, the Guarantee Agreement, the Project Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

“Section 7.02. *Obligations of Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or any beneficiary enterprise or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or any beneficiary enterprise, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower or any beneficiary enterprise; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or any beneficiary enterprise or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or of the Project Agreement contemplated by the terms thereof; any failure of the Borrower or any beneficiary enterprise to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or Agency of the Guarantor.”

(p) Section 7.03 is amended by inserting the words “or the Project Agreement” after the words “Guarantee Agreement”.

(q) The second sentence of Section 8.01 is amended to read as follows:

“Subject to the provisions of Sections 8.01 and 8.02 of the Loan Agreement, any written communication

shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Loan Agreement or Guarantee Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request."

(r) Section 9.03 is amended to read as follows:

"Section 9.03. *Effective Dates.* Except as shall be otherwise agreed between the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect in respect of each Project and the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement at the times and in the manner provided in Article VIII of the Loan Agreement."

(s) Section 9.04 is amended to read as follows:

"Section 9.04. *Termination of Loan Agreement and Guarantee Agreement for Delay in Becoming Effective.* The Bank may at its option, at any time after the date specified in the Loan Agreement for the purposes of this Section, by notice to the Borrower and the Guarantor, terminate the Loan Agreement and the Guarantee Agreement in respect of any Project and the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement, if the Loan Agreement and the Guarantee Agreement shall not have become effective in respect of such Project prior to such notice. Upon the giving of such notice the Loan Agreement and the Guarantee Agreement, and all obligations of the parties thereunder, in respect of such Project and such amount of the Loan shall forthwith terminate and such amount of the Loan shall be deemed to be cancelled pursuant to Article V of these Regulations."

- (t) Paragraph 6 of Section 10.01 is amended to read:  
“The term ‘Guarantor’ means the Republic of Italy.”
- (u) Paragraph 12 of Section 10.01 is amended to read:  
“The terms ‘Project’ and ‘Projects’ mean the Projects described in Schedule 2 of the Loan Agreement, or any of them, or such groupings of them, as the context may require.”
- (v) Paragraph 15 of Section 10.01 is amended to read as follows:  
“The term ‘Closing Date’ for any Project means the date specified in the Loan Agreement as the Closing Date for such Project, or such other date as shall be agreed upon by the Bank and the Borrower as the Closing Date for such Project.”
- (w) Paragraph 16 of Section 10.01 is amended to read as follows:  
“The term ‘Effective Date’ means the date when the Loan Agreement shall first become effective in respect of any Project.”



**SCHEDULE 4****Allocation of Loan**

The Projects to which the Loan shall be applied, and the amounts to be applied to each, are as follows:

<i>Project</i>	<i>Amount in Dollar Equivalent</i>
<b>A. POWER PROJECT</b>	\$9,000,000
<b>B. INDUSTRIAL PROJECTS</b>	
I. <i>SINCAT Petrochemicals and Caustic         Potash Project</i>	7,000,000
II. <i>CELENE Polyethylene and Ethylene         Oxide Derivatives Project</i>	4,000,000