



AGREEMENT

Between the Government of the United
Kingdom of Great Britain and Northern
Ireland and Reconstruction Finance
Corporation dated July 21, 1941

*Presented to Parliament by the Financial Secretary to
the Treasury by Command of His Majesty
July, 1941*

LONDON

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Between the Government of the United Kingdom of Great Britain and Northern Ireland and Reconstruction Finance Corporation dated July 21, 1941

Witnessed to the Honorable Members of the House of Commons by the Secretary of the House of Commons

PRINTED AND PUBLISHED BY THE STATIONERY OFFICE
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The Stationery Office, London

LOAN AGREEMENT

The Government of the United Kingdom of Great Britain
and Northern Ireland and
Reconstruction Finance Corporation

AGREEMENT, dated July 21, 1941, between THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter termed "Obligor"), party of the first part, and RECONSTRUCTION FINANCE CORPORATION (hereinafter termed "Payee"), party of the second part,

WITNESSETH:

WHEREAS, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of the Obligor to be pledged hereunder, the Obligor desires to obtain a loan from the Payee on the terms and conditions hereinafter set forth; and

WHEREAS, it is the opinion of the Payee that such loan, made pursuant to request of the Federal Loan Administrator, with the approval of the President of the United States of America, upon the terms and conditions hereinafter set forth will be for the purpose of achieving the maximum dollar exchange value of the aforesaid securities or property; and

WHEREAS, it is deemed advisable to set forth and define the terms and conditions of such loan and the rights and obligations of the parties between themselves and in and to the securities pledged and to be pledged hereunder (hereinafter termed the "Collateral");

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter contained, it is agreed as follows:

FIRST. The Payee agrees to loan to the Obligor the sum of four hundred twenty-five million dollars (\$425,000,000) against (a) the execution and delivery to the Payee of the collateral note (hereinafter termed the "Note") of the Obligor substantially in the form annexed hereto as Schedule A, and (b) the delivery to the Federal Reserve Bank of New York as Fiscal Agent and Custodian for the Payee (hereinafter termed the "Custodian"), 33, Liberty Street, New York City, New York, of the Collateral hereinafter described, all as hereinafter provided. The disbursement of said loan and the delivery of said Collateral may be made in installments and the Payee shall pay each installment to the Obligor at the office of the Custodian in the City of New York upon request of the Obligor,

but only when in the opinion of the Payee good delivery has been made of an adequate portion of the Collateral to and is then held by the Custodian under this Agreement; the first installment to be made against delivery of the Note of the Obligor for the full amount of the loan, but bearing a notation showing the amount of the installment then disbursed and the date of such disbursement. When each subsequent installment is disbursed a similar notation shall be made on the Note to show the amount of each such advance.

A notation of all payments received by the Payee on account of the reduction of the principal of the Note shall likewise be made on the Note. The fact that the Obligor shall not have borrowed the full amount of the loan or shall not have deposited all of the Collateral listed on Schedule B-1 to 3, inclusive, hereto annexed, shall not of itself constitute an event of default hereunder.

SECOND. The Note shall be dated as of the date of the first installment is disbursed to the Obligor at the office of the Custodian, shall mature on July 1, 1956 (unless sooner matured as provided herein), and shall bear interest at the rate of three per cent. (3%) per annum on each installment thereof, commencing from the date on which such installment is disbursed to the Obligor, payable semi-annually on the first day of January and the first day of July in each year until the principal sum shall be paid. In the event that two-thirds of the principal amount of the loan disbursed has been repaid at or prior to maturity, the Payee shall extend the then unpaid balance of principal for a period of five years from July 1, 1956, with provision for the payment on account of principal of at least fifteen million dollars (\$15,000,000) in each year of such extension. The principal sum and the interest aforesaid shall be paid at the aforesaid office of the Custodian in the City of New York, New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts, without deduction for any British taxes, present or future.

THIRD. 1. The loan shall be secured by the pledge of the Collateral, consisting of securities of corporations incorporated under the laws of the United States of America or one or more of the States thereof, as follows:

- (1) British owned shares (other than directors' qualifying shares and shares deposited with any insurance department of any State of the United States of America) of subsidiary companies, operating in the United States of America, of British insurance companies, which subsidiary companies are set forth in Schedule B-1 annexed hereto.

- (2) (a) Securities of corporations (other than directors' qualifying shares) in which corporations the shares in British ownership are controlling, as set forth in Schedule B-2(a) annexed hereto, and (b) securities of corporations (other than directors' qualifying shares) in which corporations the shares in British ownership are substantial, as set forth in Schedule B-2(b) annexed hereto.
- (3) Securities of other corporations, as set forth in Schedule B-3 annexed hereto.

2. It is agreed that due to difficulties of communication and the magnitude of the computation, actual deliveries of Collateral may vary in minor respects from the face amounts or number of shares set forth on the attached Schedules. In the event that the actual face amount or number of shares delivered to the Custodian is in any case less than the face amount or number of shares set forth in the appropriate schedule, the Obligor agrees to make such adjustment as may be mutually agreed upon between the Payee and the Obligor.

3. The Collateral shall be delivered to the Custodian, to be held by it as agent for the Payee, subject to the terms and conditions of the Note and this Agreement, it being understood and agreed that the possession of the Collateral by the Custodian shall be deemed to be the possession of the Payee.

4. All securities, at the time of their delivery to the Custodian as a part of the Collateral, shall be duly indorsed in blank for transfer or accompanied by proper instruments of assignment in blank with such signature guaranties as may be deemed necessary by the Payee, but no transfer of record title of any of the Collateral shall be made by either of the parties hereto, except with the mutual consent in writing of the Obligor and the Payee, and no rights of ownership in or to the Collateral shall be exercised by the Payee, unless and until an event of default as hereinafter set forth shall have occurred and shall not have been cured by the Obligor as permitted herein or waived in writing by the Payee. In order that there may be no delay in Payee's right to vote the shares of stock forming part of the Collateral upon the occurrence of an event of default, Obligor agrees to lodge with the Custodian as promptly as possible but in any event within three months after the delivery of such shares as part of the Collateral, proxies or stock powers in form approved by Payee for such shares in favor of the Federal Loan Administrator or his nominees running for the maximum period permitted by law, or until the payment in full of the Note, whichever is earlier, and until payment in full of the Note, such renewal proxies or stock powers from time to time as requested by the Payee and in form

approved by the Payee provided, however, that the Obligor shall not be required to deliver any proxies or renewal proxies for shares of stock of any company listed on Schedule B-3 where the shares of such company pledged as collateral hereunder do not exceed five per cent (5%) of the total outstanding shares of stock of the same class of such company. It is understood and agreed between the parties hereto that none of such proxies shall be exercised unless and until an event of default as hereinafter set forth shall have occurred and shall not have been cured by the Obligor as permitted herein or waived in writing by the Payee.

5. Unless and until such an event of default shall have occurred and shall not have been cured by the Obligor as permitted herein or waived in writing by the Payee, the Obligor (or other holder of record, as the case may be) shall be entitled to exercise full voting rights with respect to any of the Collateral.

6. If at any time the aggregate value (to be determined as hereinafter provided) of all the Collateral is less than the then unpaid principal amount of the Note, the Obligor, upon request in writing from the Payee, agrees to obtain and deliver to the Custodian, to be held as part of the Collateral hereunder, additional collateral of a value (to be similarly determined) at least equal to such deficiency. "Value" as used herein shall mean (1) as to securities listed on a recognized exchange, the last sale price thereof on such exchange on the day prior to the making of the determination, or if no sale occurred on that day then the last quoted bid therefor, and (2) as to all other securities, the fair "going concern" value thereof determined at the time in accordance with standard valuation practice current in the United States of America for the respective type of enterprise represented by such securities.

7. The Obligor agrees to obtain as soon as practicable after each accounting period and to furnish promptly to the Payee, from the companies set forth in Schedule B-2(a) annexed hereto, and, so far as within its power to do so, from the companies set forth in Schedule B-2(b), a copy of the annual balance sheet, income statement and summary of changes in surplus of each of such companies, all such statements to be audited by independent public accountants employed by such companies, as the case may be, and in addition, which need not be so audited, semiannual balance sheets and statements of income and changes in surplus, copies of all financial reports and statements filed by such companies pursuant to the laws of the United States of America or of the States in which such companies operate and such other information concerning the financial status and the operations of such companies all as and when the Payee may request.

8. The Obligor, upon notice from the Payee that independent public accountants then employed by any company listed in Schedule B-2(a) annexed hereto are not satisfactory to Payee, agrees to cause any such company to employ other independent public accountants satisfactory to Payee. The Obligor, upon notice from the Payee that the scope of any audit prepared by independent public accountants pursuant to paragraph 7 hereof for any company listed in Schedule B-2(a) is not satisfactory, agrees to cause any such company to have a new audit made forthwith of such scope as may be described in said notice. In addition, Obligor agrees to use its best efforts to the end that the independent public accountants employed by the companies listed in Schedule B-2(b) and the scope of the audits prepared for such companies shall be satisfactory to the Payee.

9. Inasmuch as the companies listed on Schedule B-1 hereto and the branches of British insurance companies listed on Schedule C hereto are already the subject of audit by insurance departments of the States of the United States of America in which such companies operate, the foregoing undertaking has not been made to apply to such companies and branches but the Obligor agrees to provide the Payee with copies of all financial reports and statements filed by such companies and branches pursuant to the laws of the United States of America or of the States in which such companies and branches operate.

10. The Obligor further agrees that, subject to changes required by State regulatory bodies having jurisdiction or changes approved by the Payee, it will cause the companies listed on Schedules B-1 and B-2 (a) and the branches listed on Schedule C, and, in so far as within its powers to do so, the companies listed on Schedule B-2 (b), to continue to maintain and use the systems and methods of accounting and the practices of distributions of income which they now employ to the end that said distributions shall continue to be made on the bases in use at present, and agrees to cause such companies listed on Schedules B-1 and B-2 (a) and branches listed on Schedule C, and, in so far as within its powers to do so, the companies listed on Schedule B-2 (b), upon request of the Payee, to furnish to the Payee copies of such of their accounting records and statements of accounting principles and procedure as may be required in order to establish to the satisfaction of the Payee that such systems and methods and practices, as aforesaid, are being maintained.

11. The Obligor agrees to co-operate with the Payee and to adopt such measures from time to time as may be necessary to the end that the surplus and reserves of all companies set forth on Schedule B-1 hereto and the branches listed on Schedule C

hereto shall be adequately maintained in the opinion of the Payee, having due regard to general economic conditions and to conditions of similar companies in similar industries in the localities in which such companies operate, but nothing herein contained shall require such companies and branches to increase their present reserves or surpluses. The Obligor agrees that if the surplus or reserves of any such company or branch are not in the opinion of the Payee being so adequately maintained the Obligor will cause any deficiency therein to be made good upon request in writing from the Payee so to do.

12. The Obligor agrees that it will not permit any corporation a majority of the stock of which having power to vote for directors is pledged hereunder to issue any additional shares of capital stock unless either (1) the consent of the payee is obtained, or (2) sufficient of such additional shares are pledged hereunder as to maintain the existing proportion and priority of such company's stock pledged hereunder to such company's outstanding stock, or (3) additional collateral of a value satisfactory to the Payee is delivered by the Obligor to the Custodian to be held as part of the Collateral hereunder.

13. In the event that Obligor is unable to cause any of the companies set forth in Schedules B-2 (a) and B-2 (b) to furnish any of the data or carry out the undertakings set forth in paragraphs 7, 8 and 10, inclusive, of this Article Third by reason of failure of the management of said companies to comply with the Obligor's requests, Obligor will promptly notify Payee of that fact together with a statement of the reason therefor and thereupon the Obligor shall have a period of one year to make changes in the management of any of such companies so in default and to cause the furnishing of such data or the carrying out of such undertakings, provided further that if at the end of said one year period such data shall not have been furnished or such undertakings shall not have been carried out, Obligor shall deliver to Custodian to be held as part of the Collateral hereunder additional collateral of a value (satisfactory to the Payee) at least equal to the value of the securities (hypothecated as collateral) of the company or companies so in default, as aforesaid.

FOURTH: The Obligor agrees to pay, or cause to be paid, to the Payee at the aforesaid office of the Custodian, to be applied to the service of the loan: (1) all interest, dividends (except dividends payable in shares of stock of the issuing company and dividends in the nature of liquidating dividends, which, upon receipt, the Obligor hereby pledges as part of the Collateral) and other distributions of whatever nature out of earnings, income or surplus (whether earned, paid-in or capital surplus) and other income of the Collateral as and when received by the

Obligor or other record owner thereof (after deduction of any taxes payable thereon or by reason thereof in the United States of America); and (2) until payment in full of the Note, the aggregate net income as may be available pursuant to the laws or regulations issued thereunder of any State of the United States of America exercising regulatory power over the branches hereinafter mentioned (after deduction of any taxes payable thereon or by reason thereof in the United States of America) as and when received by the Obligor or other record owner thereof from branches of British insurance companies operating in the United States of America (such branches being as set forth in Schedule C attached hereto). The Obligor agrees to deliver or cause to be delivered to the Custodian as soon as practicable but in any event within three months after the delivery of any such securities as part of the Collateral suitable orders in favor of the Payee, or its nominee, for the payment directly to it of interest, dividends on, and other income from or distributions on account of, the Collateral, and shall pay over to the Custodian any such interest, dividends or other distributions collected or received by the Obligor.

The Obligor further agrees to obtain and lodge with the Custodian as soon as practicable but in any event prior to January 1, 1942, assignments from British insurance companies whose branches are listed on Schedule C hereto of all the net income (after taxes as aforesaid) which such companies may receive from such branches as hereinbefore set forth, such assignments to run so long as any part of the loan remains unpaid, together with reassignments thereof to the Payee, or its nominee.

FIFTH. All moneys paid to or received by the Payee or the Custodian in its behalf pursuant to the provisions of Article Fourth hereof shall be applied to the service of the loan pursuant to this Agreement as follows: The Payee shall establish three separate accounts as follows: (a) current interest account; (b) minimum sinking fund account; and (c) reserve account. The Payee shall first allocate to the current interest account sufficient moneys to pay the interest falling due on the next succeeding semi-annual interest payment date on the Note. The moneys over and above the aforesaid requirement of the current interest account shall be allocated by the Payee to the minimum sinking fund account until there shall be accumulated therein during each twelve months' period ending on each October 1 commencing with the period ending on October 1, 1942, the sum of \$7,500,000. For the purpose of calculating the amounts due for interest on the Note, the Obligor shall receive credit on the principal of the Note to the extent of, and as and when, any moneys are credited to the minimum sinking fund account. The balance remaining of such moneys shall be allocated by the

Payee to the reserve account. There shall be accumulated and (to the extent so accumulated) held in the reserve account at all times a sum equal to the interest requirements for one-half year on the Note, and Payee agrees to allow to the Obligor interest at the rate of one per cent. (1%) per annum on the moneys so accumulated and held. The moneys in the current interest account shall be utilized to pay interest on the Note. The moneys in the minimum sinking fund account shall be utilized on October 1 of each year commencing with the year 1942 to the reduction of the principal (without premium) of the Note and the moneys in the reserve account shall be utilized from time to time as required to make good any deficiency which might exist in the current interest account on the next ensuing interest date or in the minimum sinking fund account on the next ensuing sinking fund date and to the extent not required for such purposes or required as a reserve for six months' interest as aforesaid shall be used promptly by the Payee to the reduction of the principal (without premium) of the Note. If in any twelve months' period commencing October 1, 1941, the aggregate of the payments applied to the reduction of the principal of the Note out of the minimum sinking fund account and the reserve account (but excluding payments on account of principal made pursuant to Articles Sixth and Seventh hereof) is in excess of fifteen million dollars (\$15,000,000), the Obligor shall receive credit, to the extent of such excess, against its obligation to make ensuing annual minimum sinking fund payments.

The Obligor agrees to provide for the interest and minimum sinking fund payments of \$7,500,000 (subject to the credits herein provided) per year on the Note, whether or not the moneys paid to or received by the Payee or the Custodian in its behalf under the provisions of Article Fourth hereof are sufficient for such purpose, and agrees that any excess of such moneys over and above interest requirements and fixed minimum sinking fund requirements shall be used as hereinabove provided, but makes no warranty and gives no assurance as to the existence or continuance of any such excess.

The Payee agrees to mail or cause to be mailed to the Bank of England, London, as agent for the Obligor, monthly reports in such detail as may be agreed upon showing the income received by or for the account of the Payee pursuant to the provisions of Article Fourth hereof during the preceding month, and the application thereof pursuant to this Article Fifth.

SIXTH. The Obligor may prepay, out of funds other than those derived from the income from, or sale of, the Collateral, at the aforesaid office of the Custodian in the City of New York, at any time all, or from time to time a part, of the unpaid principal (without premium) of the Note with accrued interest upon at least ten (10) days' written notice to the Payee of its

intention so to do. In the event of any such partial prepayment (and unless an event of default as hereinafter set forth shall have occurred and not have been cured by the Obligor as permitted herein or waived in writing by the Payee), the Payee agrees to release, or cause to be released, from pledge under the Note and this Agreement and delivered to the order of the Obligor such amount of Collateral, satisfactory to the Payee, as shall be selected by the Obligor.

If by reason of payments made in reduction of the principal of the loan, or otherwise, it is agreed that the aggregate amount of Collateral is disproportionately large considering the then unpaid amount of the loan, the Payee agrees to give consideration to releasing, or cause to be released, from pledge under this note and this Agreement and delivered to the order of the Obligor such Collateral, as may be satisfactory to the Payee.

SEVENTH. From time to time, in each case upon obtaining the prior consent in writing of the Payee as to the terms and conditions thereof, the Obligor may sell any of the Collateral. Such sales may be made in such manner and at such place, and whether publicly or privately, and through such agent or agents, as the Obligor may deem advisable. In case of any such sale, the Payee shall cause to be released the part of the Collateral so sold upon receipt by it of the net proceeds of the sale as certified in writing to it by the Obligor, the date of such release and delivery of securities to be the date specified in said writing. The net proceeds of any such sale shall be applied as received by the Payee to the reduction of the principal of the Note.

In the event of any reduction of the principal of the Note pursuant to the provisions of Article Sixth or Seventh hereof, the amount of the minimum annual sinking fund requirement (\$7,500,000) shall thereupon be reduced in the same ratio as the amount of such reduction of the Note bears to Four Hundred and Twenty-five Million Dollars (\$425,000,000).

EIGHTH. If any one or more of the following events of default shall have happened and shall not have been cured by the Obligor as permitted herein or waived in writing by the Payee, viz.: (1) default in the payment of the principal of the Note when due, or (2) default in the payment of any installment of interest on the Note, which default shall have continued for a period of ninety (90) days, or (3) failure to make any minimum sinking fund payment as herein provided, which default shall have continued for a period of ninety (90) days, or (4) failure by the Obligor to perform or observe any other covenant and condition which it has agreed to perform or observe hereunder, and such failure shall have continued for a period of one

hundred eighty (180) days after written notice of such failure shall have been given to the Obligor by the Payee, then the securities constituting the Collateral shall at its option be transferred into the name of the Payee, and the Payee at its option may declare, by notice in writing to the Obligor, the principal of the Note to be due and payable immediately, and upon any such declaration the same shall become and shall be due and payable immediately, anything in the Agreement or in the Note contained to the contrary notwithstanding.

Upon the non-payment of the principal of the Note when due (by declaration or otherwise), the Payee, directly or acting through the Custodian, is empowered to sell, assign, collect and convert into money, and deliver the whole or any part of the Collateral, at public or private sale, without demand, advertisement or notice of the time or place of sale or of any adjournment thereof, which are hereby expressly waived. After deducting all expenses of such sale or sales, the Payee may apply the residue of the proceeds thereof to the payment of the Note and unpaid interest thereon at the rate specified in the Note, returning the excess, if any, to the Obligor. The Obligor waives to the full extent permitted by law all right of redemption or appraisal whether before or after sale. At any such sale the Payee may become the purchaser of the whole or any part of the Collateral free from any right or redemption so far as permitted by law.

NINTH. No delay on the part of the Payee in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or power hereunder preclude other or further exercise thereof or the exercise of any other power or right. The Payee may waive in writing the observance by the Obligor of any of the terms and provisions of the Note and the Agreement, but no such waiver or any failure on the part of the Payee to insist on any such terms and provisions shall operate as a waiver thereof in respect to any subsequent act or transaction hereunder or of any other terms or provisions hereof.

TENTH. Upon payment in full of the principal of and interest on the Note and the expenses and advances incurred or made pursuant to Article Eleventh hereof the Payee shall deliver or cause the Custodian thereupon to deliver to or upon the order of the Obligor the then remaining Collateral, the Note, and all proxies, stock powers, orders for payment of interest and dividends and assignments of income previously delivered and then held hereunder, and thereupon this Agreement shall terminate.

ELEVENTH. The Obligor agrees to pay all transfer taxes and expenses of any nature in connection with or arising out of this Agreement or any transaction contemplated thereby,

including the expenses of the Payee and the reasonable fees and expenses of the Custodian incurred under this Agreement, including reasonable attorneys' fees which the Payee may deem necessary or proper in connection with the administration of this Agreement, and including expenses in connection with the administration, supervision, preservation, protection of, or realization upon the Collateral. The Payee is authorized to pay at any time any or all of such expenses on behalf of the Obligor and add the amount of such payment to the amount of the indebtedness.

TWELFTH. All questions with respect to the execution or interpretation of this Agreement and the Note or with respect to performance or non-performance hereunder or thereunder shall be interpreted according to New York law.

THIRTEENTH. The Payee represents that the Custodian is empowered by law to act in the capacities herein set forth, and agrees to cause the Custodian, as its agent, to fulfill its duties as herein set forth.

FOURTEENTH. The Obligor agrees that upon notice to it from the President of the United States that impairment of the Collateral requires such action, the Payee, by direction of the President, shall have all rights with respect to the Collateral to the same extent as if an event of default should have happened and have continued for one hundred and eighty days after written notice thereof to the Obligor.

FIFTEENTH. Any notice, consent, or demand hereunder may be given by being deposited postage prepaid in a post office letter box addressed as the case may be: Reconstruction Finance Corporation, Washington, D. C., The British Embassy, Washington, D.C., or the Federal Reserve Bank of New York, as fiscal agent and Custodian for the Payee, 33 Liberty Street, New York, N. Y. Either party may take such action as may be required or permitted under this Agreement through its duly authorized agents or representatives.

SIXTEENTH. This Agreement shall come into full force and effect upon the passage not later than January 1, 1942, of enabling legislation in Great Britain and the delivery to the Payee of the favorable opinion of Messrs. Davis Polk Wardwell Gardiner & Reed, Counsel to the Obligor, in form and substance satisfactory to the Payee, as to the due authorization or ratification and execution of the Agreement and Note to be issued thereunder and the effectiveness of the pledge of the Collateral and the form of the assignments of income to be delivered thereunder, and until such passage of enabling legislation and delivery of

opinion this Agreement shall not become effective. Said Counsel in delivering such opinion shall be entitled to rely, as to matters of British law, on the opinion of the Solicitor to the British Treasury.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

FOR THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND

NEVILLE M. BUTLER.

RECONSTRUCTION FINANCE CORPORATION

By JESSE H. JONES,

Chairman.

SCHEDULE A.

[FORM OF NOTE]

COLLATERAL NOTE.

\$425,000,000

New York, July , 1941.

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter termed "Obligor"), for value received, promises to pay to the order of Reconstruction Finance Corporation (hereinafter termed "Payee"), the sum of \$425,000,000, or such lesser sum as shall be advanced hereunder as indicated by the aggregate of the amounts indorsed or to be indorsed hereon (the aggregate of such advances being hereinafter collectively referred to as the "principal sum"), on July 1, 1956, and to pay interest on such principal sum at the rate of three per cent. (3%) per annum semi-annually on the first day of January and the first day of July in each year until such principal sum shall be paid. This note may be extended for a period of five years on the conditions set forth in Article Second of the Agreement. Advances of said principal sum may be made by the Payee in instalments and interest shall commence to run on each instalment only from the date of receipt thereof by the Obligor at the office of the Federal Reserve Bank of New York, 33 Liberty Street, New York City, New York, all as provided in the loan agreement hereinafter referred to. The amount and date of each instalment shall be noted hereon. Such principal sum and the interest thereon will be paid at the aforesaid office of the Federal Reserve Bank of New York, 33 Liberty Street, New York City, New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts, without deduction for any British taxes, present or future.

As security for this Note the Obligor has pledged with Federal Reserve Bank of New York as Fiscal Agent and Custodian for the Payee, certain collateral as set forth in the loan agreement (hereinafter termed "Agreement") dated July, 1941, between the Payee and the Obligor and to which Agreement reference is made for a description of the property pledged and of the rights and obligations of the parties in the premises.

As provided in the Agreement, the Obligor shall have the right to prepay (without premium) at any time all, or from time to time a part, of the indebtedness evidenced by the Note with accrued interest and, so long as no event of default shall have happened and not be cured or waived by the Payee, thereon obtain a release of an amount of collateral.

As provided in the Agreement, the Note is entitled to the benefit of a sinking fund to be applied to the reduction of the indebtedness evidenced by the Note.

As provided in the Agreement, the Obligor may sell all, or from time to time a portion of, the collateral, provided the proceeds of any such sale are applied to the payment or deduction of the indebtedness evidenced by the Note.

Upon the happening of an event of default as specified in the Agreement, the principal sum of this Note may become due and payable and the Payee may sell any or all of the collateral and apply the proceeds thereof in payment or in reduction of indebtedness evidenced by this Note, all as provided in the Agreement.

Dated July , 1941.

FOR THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND

NOTATION.

No. 1. The Obligor acknowledges receipt this day of the sum of \$ advanced under this Note.

Dated , 1941.

SCHEDULE B-1.

American & Foreign Insurance Co.
Capital Fire Insurance Co. of California
Eagle Indemnity Co.
Federal Union Insurance Co.
Globe Indemnity Co.
Newark Fire Insurance Co.
Queen Insurance Co. of America
Royal Indemnity Co.
Seaboard Insurance Co.
Star Insurance Co. of America
American Central Insurance Co.
California Insurance Co.
Columbia Casualty Co.
Commercial Union Fire Insurance Co. of New York
Commonwealth Insurance Co. of New York
Homeland Insurance Co. of America
Mercantile Insurance Co.
Pennsylvania Fire Insurance Co.
Columbia Insurance Co. of New York
Imperial Assurance Co.
Phoenix Indemnity Co.
United Firemen's Insurance Co. of Philadelphia
Potomac Insurance Co. of the District of Columbia
London & Lancashire Indemnity Co. of America
Orient Insurance Co.
Safeguard Insurance Co.
Eureka-Security Fire & Marine Insurance Co.
Monarch Fire Insurance Co.
Sun Indemnity Co. of New York
Sun Underwriters Insurance Co.
American Union Insurance Co. of New York
Central Union Insurance Co.
Provident Fire Insurance Co.
Manhattan Fire & Marine Insurance Co.
Seaboard Fire & Marine Insurance Co. of New York

Yorkshire Indemnity Co.
Eagle Fire Co. of New York
Norwich Union Indemnity Co.
Albany Insurance Co.
Prudential Insurance Co. of Great Britain, located in New York
Caledonian-American Insurance Co.

SCHEDULE B-2(a).

United States Potash Co. Inc. ...	Preferred Stock 6%	615 shares
	Common Stock ...	288,750 "
Delta & Pine Land Co. of Mississippi	Capital Stock ...	2,980 "
	1st Mort. Bonds ...	\$3,000,000
	2nd Mort. Bonds ...	\$1,800,000
Delta Planting Co. ...	Capital Stock ...	3,434 shares
Linen Thread Co. Inc. ...	Capital Stock ...	78,722 "
Yardley of London Inc. ...	4 1/2% Preferred ...	30,595 "
	Common ...	87,247 "
Ferguson-Sherman Mfg. Corp. ...	Class A Common ...	6,000 "
	Class B Common ...	1,500 "
R. T. French Co. ...	Capital Stock ...	35,000 "
Atlantis Sales Corp. ...	Capital Stock ...	50 "
Oldbury Electro-Chemical Co. ...	Capital Stock ...	8,400 "
Lea & Perrins Inc. ...	Class A Stock ...	2,107 "
	Class B Stock ...	5 "
Arkwright Finishing Co. ...	Capital Stock ...	7,000 "
Interlaken Mills ...	Capital Stock ...	20,000 "
Distillers Co. Ltd. (Del.) ...	Capital Stock ...	850,250 "
Morganite Brush Co. Inc. ...	Capital Stock ...	7,500 "
B. Priestley & Co. Inc. ...	Capital Stock ...	2,500 "
Firth-Sterling Steel Co. ...	7% Cum. Pref. ...	2,636 "
	Common ...	10,173 "
Keasbey & Mattison Co. ...	Capital Stock ...	20,140 "
Funch, Edye & Co. Inc. ...	Capital Stock ...	12,000 "
Twenty-five Broadway Corp. ...	Capital Stock ...	11,300 "
Baker Perkins Inc. ...	7% Cum. Pref. ...	1,051 "
	Common Stock ...	65,851 "
Pacific Molasses Co. Ltd. ...	Capital Stock ...	3,750 "
A. J. White Ltd. ...	Capital Stock ...	500 "
Menley & James Ltd. ...	Capital Stock ...	1,550 "
Hecht, Levis & Kahn Inc. ...	Capital Stock ...	2,398 "
Crown Mills Inc. ...	7% Cum. Pfd. ...	5,000 "
	Common ...	10,000 "
F. W. Berk & Co. Inc. ...	Capital Stock ...	100 "
American Association Inc. ...	Capital Stock ...	158,325 "
	Income Deben. ...	\$1,486,750
Mica Insulator Co. ...	Capital Stock ...	5,394 shares
C. Tennant Sons & Co. of New York	Capital Stock ...	7,164 "
American Thread Co. ...	5% Cum. Pref. ...	437,375 "
	Common ...	1,197,375 "
Joseph Tetley & Co. Inc. ...	Preferred Stock 8% ...	4,580 "
	Common Stock ...	4,000 "
Dunlop Tire & Rubber Corp. ...	8% Cum. 1st Pfd. ...	610 "
	8% 2nd Preferred ...	31,600 "
	Common ...	197,300 "
J. & P. Coats (R. I.) Inc. ...	Capital Stock ...	145,000 "
Clark Thread Co. ...	Capital Stock ...	180,000 "
Clark Thread Co. of Georgia ...	Capital Stock ...	18,607 "
North Georgia Processing Co. Inc. ...	Capital Stock ...	800 "

Stowell-MacGregor Corporation	...	Capital Stock	...	4,399 shares
Spool Cotton Co.	...	Capital Stock	...	2,500 "
Jonas Brook & Bros. (U.S.A.)	...	Capital Stock	...	100 "

SCHEDULE B-2(b).

Dentists Supply Co. of New York	...	Common	...	100,765 shares
F. W. Cook Co.	...	Capital Stock	...	1,005 "
Norma-Hoffman Bearings Corp.	...	6% Cum. Pfd.	...	7,029 "
		Common	...	90,000 "
Ensign-Bickford Co.	...	Common Stock	...	10,779 "
Okonite-Callender Cable Co. Inc.	...	6% Non Cum. Pfd.	...	1,000 "
		Common	...	7,500 "
		5% 1st Mort. Deben.	\$	275,000
Pembroke Chemical Corp.	...	Capital Stock	...	255 "
Josiah Wedgwood & Sons, Inc. of America.		B. Capital Stock	...	215 "

SCHEDULE B-3.

35,000 Shares	Allied Stores Corp. 5% Cumulative Preferred
19,000 "	Allis-Chalmers Mfg. Co. Common
133,000 "	Amerada Corp. Capital
100,000 "	American & Foreign Power Co. Inc. \$7 1st Cumulative Preferred
4,800 "	American Locomotive Co. 7% Cumulative Preferred
10,000 "	American News Co. Capital
133,000 "	American Rolling Mill Co. Common
56,000 "	American Smelting & Refining Co. Common
4,000 "	American Sugar Refining Co. 7% Cumulative Preferred
70,000 "	American Telephone & Telegraph Co. Capital
34,000 "	American Tobacco Co. "B" Common
6,000 "	Arkansas Power & Light Co. \$7 Cumulative Preferred
50,000 "	Barnsdall Oil Co. Capital
35,000 "	Briggs Manufacturing Co. Capital
36,000 "	Chrysler Corp. Common
19,000 "	Columbia Gas & Electric Corp. 6% Cumulative Preferred "A"
59,000 "	Commercial Investment Trust Corp. Common
50,000 "	Commonwealth & Southern Corp. \$6 Cumulative Preferred
11,000 "	Consolidated Gas Electric Light & Power Co. of Baltimore Common
12,000 "	Continental Baking Co. 8% Cumulative Preferred
57,000 "	Eastman Kodak Co. Common
15,000 "	Electric Power & Light Corp. \$6 Cumulative Preferred
27,000 "	Flintkote Co. Common
1,300 "	First National Bank of the City of New York
10,000 "	General American Transportation Corp. Common
434,000 "	General Motors Corp. Common
30,000 "	Gillette Safety Razor Co. \$5 Cumulative Convertible Preference
11,800 "	W. T. Grant Co. Common
44,000 "	Great Northern Ry. Co. Preferred
54,000 "	Ingersoll-Rand Co. Common
34,000 "	Loew's Inc. Common
12,500 "	P. Lorillard Co. Common
7,000 "	Marlin-Rockwell Corp. Common
22,000 "	McGraw Electric Co. Common

53,000 Shares	Monsanto Chemical Co. Common
60,000 "	National Biscuit Co. Common
8,500 "	New York Air Brake Co. Common
25,000 "	Oxford Paper Co. \$5 Cumulative Preference
24,000 "	Public Service Corp. of N. J. Common
177,000 "	Radio Corp. of America Common
8,000 "	do. \$3.50 1st Cumulative Convertible Preferred
10,000 "	St. Joseph Lead Co. Capital
47,000 "	Sears, Roebuck & Co. Capital
30,000 "	Servel Inc. Common
900,000 "	Shell Union Oil Corp. Common
17,500 "	Simmons Co. Capital
130,000 "	Socony-Vacuum Oil Co. Inc. Capital
170,000 "	Standard Brands Inc. Common
315,000 "	Standard Oil Co. (Indiana) Capital
36,000 "	Sterling Products Inc. Capital
19,000 "	Timken Roller Bearing Co. Common
30,000 "	Tri-Continental Corp. \$6 Cumulative Preferred
15,000 "	United Shoe Machinery Corp. Common
21,000 "	U.S. Steel Corp. 7% Cumulative Preferred
10,000 "	Vick Chemical Co. Capital
40,000 "	Westinghouse Air Brake Co. Capital
7,000 "	Wheeling Steel Corp. \$5 Cumulative Convertible Prior Preferred
247,000 "	F. W. Woolworth Co. Capital
75,000 "	Youngstown Sheet & Tube Co. Common
\$2,750,000	American & Foreign Power Co. Inc. 5%, Debentures 1st March, 2030
\$350,000	Cities Service Power & Light Co. 5½%, Debentures 1st November, 1952
50,000 Shares	Celanese Corp. of America 7% Cumulative Prior Preferred
40,000 "	Celanese Corp. of America 7% Cumulative 1st Participating Preferred
230,000 "	Celanese Corp. of America Common
30,000 "	Chicago Pneumatic Tool Co. \$3 Cumulative Convertible Preference
\$1,250,000	Cities Service Co. 5% Convertible Gold Debentures 1st June, 1950
80,000 Shares	Climax Molybdenum Co. Common
300,000 "	Congoleum Nairn Inc. Common
3,800,000 "	Dividend Shares Inc. Capital
4,700 "	W. R. Grace & Co. 8% Cumulative "A" Preferred
4,100 "	do. 8% Non Cumulative "B" Preferred
3,400 "	do. 6% Cumulative Preferred
26,400 "	do. Common
70,000 "	Great Northern Iron Ore Properties Certificates of Beneficial Interest
50,000 "	International Paper & Power 5% Cumulative Convertible Preferred
57,000 "	John Morrell & Co. Common
9,000 "	Pure Oil Co. 5% Cumulative Convertible Preferred
95,000 "	Singer Manufacturing Co. Capital
180,000 "	Standard Oil Co. Inc. (New Jersey) Capital
30,000 "	U.S. & International Securities Corp. \$5 Cumulative 1st Preferred
\$1,974,000	Virginian Corp. 5% Collateral Trust Serial Notes "M" 1st January, 1952

SCHEDULE C.

British & Foreign Marine Insurance Co., Ltd.
 Liverpool & London & Globe Insurance Co., Ltd.
 Royal Insurance Co., Ltd.
 Thames & Mersey Marine Insurance Co., Ltd.
 British General Insurance Co., Ltd.
 Commercial Union Assurance Co., Ltd.
 Ocean Accident & Guarantee Corporation, Ltd.
 Palatine Insurance Co., Ltd.
 Union Assurance Society, Ltd.
 North British & Mercantile Insurance Co., Ltd.
 Ocean Marine Insurance Co., Ltd.
 London Guarantee & Accident Co., Ltd.
 Phoenix Assurance Co., Ltd.
 The Union Marine & General Insurance Co., Ltd.
 General Accident Fire & Life Assurance Corp., Ltd.
 Employers' Liability Assurance Corp., Ltd.
 Law Union & Rock Insurance Co., Ltd.
 London & Lancashire Insurance Co., Ltd.
 Marine Insurance Co., Ltd.
 Standard Marine Insurance Co., Ltd.
 Pearl Assurance Co., Ltd.
 Sun Insurance Office, Ltd.
 Maritime Insurance Co., Ltd.
 Scottish Union & National Insurance Co.
 Car & General Insurance Corp., Ltd.
 Royal Exchange Assurance
 State Assurance Co., Ltd.
 London Assurance
 London & Provincial Marine & General Insurance Co., Ltd.
 Yorkshire Insurance Co., Ltd.
 Indemnity Marine Assurance Co., Ltd.
 London & Scottish Assurance Corp., Ltd.
 Northern Assurance Co., Ltd.
 Norwich Union Fire Insurance Society, Ltd.
 Atlas Assurance Co., Ltd.
 Eagle Star Insurance Co., Ltd.
 Caledonian Insurance Co.
 Century Insurance Co., Ltd.
 Sea Insurance Co., Ltd.
 Alliance Assurance Co., Ltd.
 Reliance Marine Insurance Co., Ltd.