

2. Notwithstanding the provisions of paragraph 1 of this Article, the present Agreement shall not be applicable to—

(i) the following categories of debts, which require separate treatment:—

- (a) debts of public utilities located in and controlled by the City of Berlin;
- (b) debts owed by a debtor to any person or persons who, directly or indirectly, own such debtor;
- (c) debts in respect of loans the original amount of which, converted at the exchange rate prevailing on 1st July, 1952, was less than U.S. \$40,000;
- (d) debts subject to the Swiss-German Agreements of 6th December, 1920, and 25th March, 1923 (the so-called Schweizer Frankengrundsulden);

(ii) the debts of the jointly owned German-Swiss Boundary power plants on the Rhine. There are outstanding three bonded loans and two non-bonded loans which are owed by German companies to Swiss bondholders and other creditors. Owing to certain special features relating to the operation of jointly-owned power plants along the Rhine, the settlement of these debts is bound up with other issues. Considering these circumstances, the final settlement (upon which it is impossible to agree at this time) is left for direct negotiations between Switzerland and the Federal Republic of Germany. However the creditors agree that, in negotiating such a settlement, they will not ask for payment of an annual amount exceeding 5 million Swiss francs in the first five years after 1st January, 1953.

3. No debt shall be excluded solely because a new debtor becomes or has become liable for it, by operation of law or otherwise, either before or after 8th May, 1945. For example, no debt of an enterprise subject to Allied High Commission Law No. 27, "Reorganisation of the German Coal and Iron and Steel Industries," shall be excluded by virtue of the assumption of such debt by unit or other successor companies.

4. This Agreement shall not apply to individual bonds or coupons which require validation under the German Validation Law of 19th August, 1949 (Wirtschaftsgesetzbl. p. 295), and the German Validation Law for Foreign Bonds of August, 1952, until such bonds or coupons shall have been validated pursuant to the provisions of any such law and of any intergovernmental agreement which may be entered into with the country of issue respecting such law.

5. The problem of the debts of the German Central Bank for Agriculture (Deutsche Rentenbank Kreditanstalt) is complicated by various factors. As a result of the partition of Germany the assets invested in East Germany are presently uncollectable by the Bank, and to that extent the amount of debt covered by this Agreement is reduced by varying amounts as fixed by existing regulations, the percentage being different in each case and ranging from 20 per cent. to 67 per cent. of the outstanding loans. The German representatives stated that the Federal Government do not at present have the power to alter this situation, which results in particular from the relevant regulations under the currency conversion legislation. They do agree that the Federal Government shall do everything in its power to facilitate the settlement of the debts of the Bank and the payment of interest and amortisation as provided under the said Laws and Regulations.

The creditors' representatives reserve the right of the creditors to take such action as may be open to them to rectify what they consider to be a