

No. 3859

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

Guarantee Agreement—*Agricultural Projects* (with related letter and annexed Loan Regulations No. 4 and Loan Agreement—*Agricultural Projects*—between the Bank and Nochi Kaihatsu Kikai Kodan (Agricultural Land Development Machinery Public Corporation)). Signed at Washington, on 19 December 1956

Official text: English.

Registered by the International Bank for Reconstruction and Development on 27 May 1957.

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

Contrat de garantie — *Projets agricoles* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projets agricoles* — entre la Banque et la Nochi Kaihatsu Kikai Kodan [Société nationale de machines pour la mise en valeur des terres]). Signé à Washington, le 19 décembre 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 mai 1957.

No. 3859. GUARANTEE AGREEMENT¹ (*AGRICULTURAL PROJECTS*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 DECEMBER 1956

AGREEMENT, dated December 19, 1956, between JAPAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS Japan is engaged in a program of reclamation and settlement of lands for agricultural purposes, and it is desirable to accelerate this program through the technique of rapid large-scale reclamation by mechanical means; and

WHEREAS as a measure auxiliary to the reclamation program it is desirable to increase the number of dairy cattle in Japan through increased importation; and

WHEREAS the Bank has expressed its willingness to assist in the reclamation program; and

WHEREAS by an agreement of even date herewith between the Bank and Nochi Kaihatsu Kikai Kodan (Agricultural Land Development Machinery Public Corporation) (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to four million three hundred thousand dollars (\$4,300,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor undertake obligations as herein provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake such obligations;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,² subject,

¹ Came into force on 19 March 1957 in regard to the Kamikita, Konsen and Cattle Importation Projects and on 15 May 1957 in regard to the Shinotsu Project, upon notification by the Bank to the Government of Japan.

² See p. 218 of this volume.

however, to the modifications thereof set forth in Schedule 3¹ to the Loan 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. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

Article II

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

Section 2.02. The Guarantor undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Kamikita Program and the Konsen Program, to make arrangements promptly to provide the Borrower or cause the Borrower to be provided on reasonable terms with such funds as are needed to meet such expenditures.

Article III

Section 3.01. The Guarantor shall cause to be performed, in accordance with the provisions of the Loan Agreement, all the covenants and agreements of the Borrower in respect of the Kamikita Program and the Konsen Program.

Section 3.02. (a) The Guarantor shall cause Hokkaido to enter into the Lease and duly to perform all the covenants and agreements therein expressed to be performed and observed by Hokkaido.

(b) The Guarantor shall cause Hokkaido to use the Shinotsu goods exclusively in the Shinotsu Program, shall cause the Shinotsu Program to be carried out with due diligence and efficiency and in conformity with sound financial and engineering practices and shall cause Hokkaido to use the Shinotsu goods and conduct its affairs in accordance with sound engineering, financial and business practices.

¹ See p. 236 of this volume.

Section 3.03. The Guarantor shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Shinotsu Program and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

Section 3.04. The Guarantor shall cause Hokkaido to operate and maintain the Shinotsu goods and from time to time as needed make all necessary renewals and repairs thereof, all in accordance with sound engineering standards.

Section 3.05. The Guarantor shall, as soon as practicable after appropriate preparation of the land, cause the land comprised in the Kamikita Project, the Konsen Project and the Shinotsu Project to be settled by farmers in conformity with sound agricultural practices and administrative arrangements and shall provide, or cause to be provided on reasonable terms to such settlers such funds as may reasonably be required for establishing farms, purchasing cattle and bringing such land into proper cultivation. The Guarantor shall take or cause to be taken such steps as shall be necessary to assure subsequent productive and economic cultivation and use of land comprised in the Kamikita Project, Konsen Project and Shinotsu Project.

Section 3.06. The Guarantor shall cause the Cattle Importation Project to be carried out with due diligence and efficiency and in conformity with sound technical, administrative and financial practices.

Section 3.07. The Guarantor shall maintain or cause to be maintained records adequate to identify the Shinotsu goods and the Cattle, to disclose the use thereof in the Shinotsu Program and the Cattle Importation Project, respectively, to record the progress of the Shinotsu Program and the Cattle Importation Project (including the cost thereof) and to show the progress of settlement of farmers on the land comprised in the Kamikita Project, the Konsen Project and the Shinotsu Project; shall enable the Bank's representatives to inspect the Shinotsu Program and the Cattle Importation Project, the land comprised in the Shinotsu Program, the Shinotsu goods, the Cattle and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the Shinotsu Program, the Cattle Importation Project, the land comprised in the Shinotsu Program, the Shinotsu goods and the Cattle.

Section 3.08. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any

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

The term “ assets of the Guarantor ” as used in this Section includes assets of the Guarantor or of any agency of the Guarantor.

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

Section 3.09. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

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

Section 3.10. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.11. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.12. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.13. So long as any part of the Loan shall be outstanding and unpaid, the Guarantor will not take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all action necessary or appropriate to enable the Borrower to perform such covenants, agreements and obligations.

Article IV

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

Article V

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

For the Guarantor :

Minister of Finance
Ministry of Finance
3-2, Kasumigaseki, Chiyoda-ku
Tokyo, Japan

Alternative address for cablegrams and radiograms :

Minister of Finance
Okurasho
Tokyo

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.

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

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

Japan :

By Masayuki TANI
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

LETTER DATED 19 DECEMBER 1956 FROM THE GOVERNMENT
OF JAPAN TO THE INTERNATIONAL BANK FOR RECON-
STRUCTION AND DEVELOPMENT

EMBASSY OF JAPAN
WASHINGTON, D. C.

December 19, 1956

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

Subject: Loan No. 158 JA

Gentlemen :

With reference to the Guarantee Agreement¹ of even date between the Government of Japan and your Bank, we have pleasure in confirming the following matters of agreed understanding between us :

1. As regards Article III, Section 3.08, that
 - (a) there is existing legislation consistent with the Japanese Constitution which enables the Government of Japan to control the external borrowings of its agencies, its political subdivisions and their agencies, and of the Bank of Japan so as to oblige them to obtain the consent of the Government of Japan to any external borrowing and to the terms thereof whether as to security or otherwise;
 - (b) the Government of Japan will make the undertaking contained in Section 3.08 effective with respect to liens on the assets of the Bank of Japan.

2. As regards Section 3.13, that the Government of Japan will not permit any political subdivision of Japan or any agency of the Government of Japan or of any such political subdivision to take any such action as is therein referred to.

Very truly yours,

Government of Japan :
By Masayuki TANI

¹ See p. 204 of this volume.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4 DATED 15 JUNE 1956

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

[Not published herein. See *United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT (*AGRICULTURAL PROJECTS*)

AGREEMENT, dated December 19, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NOCHI KAIHATSU KIKAI KODAN (AGRICULTURAL LAND DEVELOPMENT MACHINERY PUBLIC CORPORATION) (hereinafter called the Borrower).

WHEREAS Japan is engaged in a program of reclamation and settlement of lands for agricultural purposes, and it is desirable to accelerate this program through the technique of rapid large-scale reclamation by mechanical means; and

WHEREAS as a measure auxiliary to the reclamation program it is desirable to increase the number of dairy cattle in Japan through increased importation; and

WHEREAS the Bank has expressed its willingness to assist in the reclamation program;

NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term "Kamikita Project" means the Project described in paragraph 1 (a) of Schedule 2³ to this Agreement, as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.

¹ See above.

² See p. 236 of this volume.

³ See p. 234 of this volume.

(b) The term “Konsen Project” means the Project described in paragraph 1 (b) of Schedule 2 to this Agreement, as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.

(c) The term “Machinery” means the goods agreed between the Borrower and the Bank, pursuant to the provisions of Section 3.01 of this Agreement, to be purchased for the Kamikita Project and the Konsen Project.

(d) The term “Kamikita Program” means the Kamikita Project and any additional projects or programs proposed by the Borrower and which are to be carried out pursuant to agreement between the Bank and the Borrower with Machinery.

(e) The term “Konsen Program” means the Konsen Project and any additional projects or programs proposed by the Borrower and which are to be carried out pursuant to agreement between the Bank and the Borrower with Machinery.

(f) The term “Shinotsu Project” means the Project described in paragraph 2 of Schedule 2 to this Agreement, as the description thereof shall be amended from time to time by agreement between the Guarantor and the Bank.

(g) The term “Shinotsu goods” means the goods agreed between the Borrower and the Bank, pursuant to the provisions of Section 3.01 of this Agreement, to be purchased for the Shinotsu Project.

(h) The term “Shinotsu Program” means the Shinotsu Project and any additional projects or programs proposed by the Guarantor and which are to be carried out pursuant to agreement between the Guarantor and the Bank with the Shinotsu goods.

(i) The term “Hokkaido” means the Hokkaido Development Bureau, an agency of the Government of Japan established under the Hokkaido Development Law (Law No. 126 of 1950) or any successor organization performing all or any part of the functions of the Hokkaido Development Bureau relating to the Lease.

(j) The term “Lease” means the agreement to be entered into between the Borrower and Hokkaido, in accordance with the provisions of Section 5.02 of this Agreement, and shall include any document supplemental thereto or in substitution therefor.

(k) The term “Cattle Importation Project” means the Project described in paragraph 3 of Schedule 2 to this Agreement, as the description thereof shall be amended from time to time by agreement between the Bank, the Borrower and the Guarantor.

(l) The term “Livestock Bureau” means the Livestock Bureau of the Ministry of Agriculture and Forestry, an agency of the Government of Japan, or any successor organization performing all or any part of the functions of the Livestock Bureau relating to the Cattle Importation Project.

(m) The term “Cattle” means the goods agreed between the Borrower and the Bank pursuant to the provisions of Section 3.01 of this Agreement to be purchased for the Cattle Importation Project.

(n) The term “Programs” means the Kamikita Program, the Konsen Program, and Shinotsu Program and the Cattle Importation Project.

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 four million three hundred thousand dollars (\$4,300,000).

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

Sections 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 (except that if this Agreement shall become effective before that date in respect of any portion of the Loan, then the commitment charge in respect of that portion shall accrue from such Effective Date) to the respective dates on which amounts shall be withdrawn by the Borrower as provided in Article IV of the Loan Regulations or shall be canceled pursuant to Article V of the Loan Regulations.

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

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

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

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

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Programs. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

¹ See p. 234 of this volume.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Programs.

Article IV

BONDS

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

Section 4.02. The Chief Director of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Kamikita Program and the Kosen Program with due diligence and efficiency and in conformity with sound financial, engineering and agricultural practices. In respect of the Shinotsu Program the Borrower shall enter into the Lease with Hokkaido as provided in Section 5.02 of this Agreement. In respect of the Cattle Importation Project the Borrower shall make appropriate arrangements with the Livestock Bureau and with prefectural governments in Japan for importation and sale of Cattle purchased out of the proceeds of the portion of the Loan relating to the Cattle Importation Project.

(b) The Borrower shall furnish or cause to be furnished to the Bank promptly upon their preparation the plans and specifications for the Kamikita Program and the Kosen Program and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the portion of the Loan relating to the Kamikita Project and the Kosen Project, to disclose the use thereof in the Kamikita Program and the Kosen Program, to record the progress of the Kamikita Program and the Kosen Program (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect the Kamikita Program and the Kosen Program, the land comprised in the Kamikita Program and the Kosen Program, the Machinery and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Kamikita Program and the Kosen Program, the land comprised in the Kamikita Program and the Kosen Program, the Machinery and the financial condition and operations of the Borrower.

Section 5.02. (a) The Borrower shall grant to Hokkaido a Lease, satisfactory to the Bank, of the Shinotsu goods. Except as may be otherwise agreed between the Bank and the Borrower, none of the terms of the Lease shall be amended or abrogated nor shall their performance be waived.

(b) Such Lease shall in any case include provisions to the following effect :

- (i) that the original term of the Lease be the period from the date of signature of the Lease to March 31, 1957, but the Lease shall afford the option to Hokkaido, by notice given to the Borrower and the Bank not less than 60 days before the end of any such term, to renew on the same terms for successive terms of one year thereafter so long as any of the portion of the Loan relating to the Shinotsu Project shall be outstanding and unpaid;
- (ii) that the minimum net annual compensation be
- (a) a capital sum equivalent to the aggregate of the principal amounts payable pursuant to the provisions of this Agreement by the Borrower to the Bank in the relative year in respect of the portion of the Loan relating to the Shinotsu Project; plus
- (b) sums equivalent to the amounts payable pursuant to the provisions of this Agreement by the Borrower to the Bank in the relative year by way of interest and other charges including premiums, if any, in respect of the portion of the Loan relating to the Shinotsu Project;

such sums to be payable by Hokkaido to the Borrower in such manner and at such times as shall afford to the Borrower sufficient time to pay to the Bank amounts payable by the Borrower to the Bank under this Agreement in respect of the portion of the Loan relating to the Shinotsu Project; and the said minimum amount shall continue to be payable regardless of loss, destruction or condition of the Shinotsu goods;

- (iii) that if for any reason the Lease be not renewed or be terminated or if Hokkaido shall fail to pay with reasonable promptness the compensation provided in the Lease, Hokkaido shall forthwith purchase the Shinotsu goods for cash at a net price which shall not be less than the equivalent of the principal amount of the portion of the Loan relating to the Shinotsu Project then outstanding and unpaid (whether or not then due by the Borrower to the Bank), together with interest and other charges accrued and unpaid on the portion of the Loan relating to the Shinotsu Project to the date of payment by Hokkaido less a sum which shall be promptly computed by the Borrower in such manner as shall be set forth in the Lease but which shall in no case be greater than the amount by which the equivalent in foreign exchange of 60% (or such other percentage as the Bank and the Borrower shall mutually agree) of the aggregate amounts of rental there to fore paid by Hokkaido to the Borrower exceeds the total principal, interest and other charges on the portion of the Loan relating to the Shinotsu Project paid by the Borrower to the Bank prior to such date of purchase.

Section 5.03. The Borrower shall cause the Machinery to be effectively utilized during its entire useful life in the carrying out of the Kamikita Program and the Konsen Program.

Section 5.04. (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain the property and equipment under its operating control and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times operate such equipment, conduct its affairs and maintain its financial position in accordance with sound business practices.

Section 5.05. (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.

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

Section 5.07. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.08. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.10. If any event shall occur pursuant to which Hokkaido may become liable to pay to the Borrower amounts referred to in Section 5.02 (b) (iii) of this Agreement, the Borrower shall, if the Bank shall so require, repay to the Bank under this Agreement the portion of the Loan relating to the Shinotsu Project. To any prepayment of the Loan by the Borrower pursuant to the provisions of this Section all the provisions of the Loan Regulations relating to repayment in advance of maturity shall be applicable.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan or of any portion of the Loan and of all or any of the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. Within the meaning of Section 9.01 (a) (ii) and Section 9.01 (b) (ii) of the Loan Regulations, the following event is specified as an additional condition to the effectiveness of this Agreement in respect of the portion of the Loan relating to the Shinotsu Project, namely: that the Lease shall have been duly executed and delivered as between the Borrower and Hokkaido and shall have become fully effective in accordance with its terms.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank in respect of the portion of the Loan relating to the Shinotsu Project, namely: that the Lease is a valid and binding obligation of the Borrower and of Hokkaido in accordance with its terms, and contains valid provisions satisfying the requirements of Section 5.02 of this Agreement.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1959.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Agricultural Land Development Machinery Public Corporation
1-7, Yurakucho
Chiyoda-ku
Tokyo, Japan

Alternative address for cablegrams and radiograms :

Agrldmc
Tokyo

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.

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

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

Nochi Kaihatsu Kikai Kodan
(Agricultural Land Development Machinery Public Corporation) :

By Tsutomu NARITA
Authorized Representative

SCHEDULE 1
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
May 1, 1959	—	\$4,300,000	November 1, 1965	\$169,000	\$2,395,000
November 1, 1959	\$126,000	4,174,000	May 1, 1966	174,000	2,221,000
May 1, 1960	129,000	4,045,000	November 1, 1966	178,000	2,043,000
November 1, 1960	132,000	3,913,000	May 1, 1967	182,000	1,861,000
May 1, 1961	136,000	3,777,000	November 1, 1967	187,000	1,674,000
November 1, 1961	139,000	3,638,000	May 1, 1968	192,000	1,482,000
May 1, 1962	142,000	3,496,000	November 1, 1968	196,000	1,286,000
November 1, 1962	146,000	3,350,000	May 1, 1969	201,000	1,085,000
May 1, 1963	150,000	3,200,000	November 1, 1969	206,000	879,000
November 1, 1963	153,000	3,047,000	May 1, 1970	212,000	667,000
May 1, 1964	157,000	2,890,000	November 1, 1970	217,000	450,000
November 1, 1964	161,000	2,729,000	May 1, 1971	222,000	228,000
May 1, 1965	165,000	2,564,000	November 1, 1971	228,000	—

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

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/4 of 1%
More than three years but not more than six years before maturity	1 1/4%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than thirteen years before maturity	3 3/4%
More than thirteen years before maturity	5%

SCHEDULE 2

DESCRIPTION OF PROJECTS AND ALLOCATION OF LOAN

The Projects are parts of a scheme to accelerate the Japanese program for settlement of farmers in areas of Northern Japan through use of mechanical means of land reclamation and through importation of dairy cattle.

PROJECTS

(Amounts expressed in dollars)

1. *Kamikita and Konsen Projects* 1,000,000

(a) Kamikita Project

The Project is the development for farm operations of not less than 5,000 hectares of unused or partially used land located in the Kamikita area of Northern Honshu through the operation of a tractor pool for clearing, levelling, ploughing, harrowing and tree planting, as appropriate.

(b) Konsen Project

The Project is the development for farm operations of not less than 5,000 hectares of unused or partially used land located in the Konsen area of Eastern Hokkaido through the operation of a tractor pool for clearing, levelling, ploughing, harrowing and tree planting, as appropriate.

2. *Shinotsu Project* 2,415,000

The Project is the preparation for farming (by way of drainage, irrigation and top dressing) through use of modern machinery, of approximately 12,000 hectares of peatland in the Shinotsu area of the Ishikari Valley in Western Hokkaido.

3. *Cattle Importation Project* 885,000

The Project is the importation of dairy cattle to be sold to farmers through arrangements to be made with prefectural governments.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS NO. 4

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

(a) By the deletion of the second sentence of Section 2.02.

(b) By the deletion of Section 2.05 (b) and the substitution therefor of the following :

“(b) The Borrower shall have the right, upon not less than 45 days’ prior notice to the Bank, to repay in advance of maturity all or any part of the principal amount of the Loan for which Bonds have not been delivered pursuant to Article VI upon payment of all accrued charges for interest on such principal amount and payment of the premium specified in said amortization schedule. Except as the Bank and the Borrower shall otherwise agree, any such repayment shall be applied *pro rata* to the several maturities of the principal amount of the Loan as set forth in the amortization schedule to the Loan Agreement.”

(c) By the deletion in Section 3.02 of the word “portion” and the substitution therefor of the word “part.”

(d) By the insertion in Section 5.01, after the word "cancel," of the words "in respect of any Project and any portion of the Loan."

(e) By the deletion of paragraph (j) of Section 5.02 and the substitution thereof of the following :

"(j) If any action which in the Guarantee Agreement is expressed to be performed or caused to be performed by the Guarantor shall not be so performed."

(f) By the deletion of the last sentence of Section 5.03 and the insertion in that Section, after the words "Loan Account" where those words secondly occur, of the following words, namely :

"in respect of all or any of the Projects. Upon the giving of such notice the unwithdrawn amounts of the portions of the Loan relating to such Projects shall be cancelled."

(g) By the deletion, in Section 9.01, of the words "The Loan Agreement and Guarantee Agreement shall not become effective until : " and the substitution thereof of the words "The Loan Agreement and Guarantee Agreement shall not become effective in respect of any Project or any portion of the Loan until :"

(h) By the deletion of Section 9.03 and the substitution thereof of the following new Section, namely :

"SECTION 9.03. *Effective Dates.* Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect in respect of each Project, to the extent of the amount set forth opposite thereto in Schedule 2 to the Loan Agreement, on the date when the Bank notifies the Borrower and the Guarantor of its acceptance of the evidence required by Section 9.01 in respect of such Project."

(i) By the deletion of Section 9.04 and the substitution thereof of the following new Section, namely :

"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 or Projects to the extent of the amount set forth opposite such Project or Projects in Schedule 2 to the Loan Agreement, if the Loan Agreement and the Guarantee Agreement shall not have become effective in respect of such Project or Projects 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 or Projects and the relative portion of the Loan shall forthwith terminate and such portion of the Loan shall be deemed to be cancelled pursuant to Article V of these Regulations."

(j) By the addition of a new sentence in Section 9.05 reading as follows :

"If and when the entire principal amount of any portion of the Loan and the premium, if any, on the prepayment of that portion of the Loan and on the redemption of all Bonds relating to that portion of the Loan called for redemption (as the case may be) and all interest and other charges which shall have accrued on that

portion of the Loan and on the Bonds relating to that portion of the Loan shall have been paid, the provisions of the Loan Agreement and of the Guarantee Agreement relating to that portion of the Loan and all obligations of the parties in respect of that portion of the Loan shall forthwith terminate."

(k) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following new paragraphs, namely :

"The term 'Loan' means the loan provided for in the Loan Agreement, or any portion of the Loan.

"The term 'portion of the Loan' means all or any of the several portions of the Loan in the several amounts set opposite the descriptions of the Projects in Schedule 2 to the Loan Agreement, as such amounts may be changed from time to time by agreement between the Bank and the Borrower."

(l) By the deletion of paragraph 12 of Section 10.01 and the substitution therefor of the following :

"The terms 'Project' and 'Projects' mean the Kamikita Project, the Konsen Project, the Shinotsu Project and the Cattle Importation Project or any of them, as the context may require."

(m) By the insertion, in paragraph 13 of Section 10.01, after the word "equipment" of the word "cattle."

(n) By the deletion of paragraph 16 of Section 10.01 and the substitution therefor of the following new paragraph, namely :

"The term 'Effective Date' means the date when the Loan Agreement and Guarantee Agreement shall first become effective in respect of any Project."

(o) By the amendment of Schedule 1 and Schedule 2 in such respects as may be required to provide for *pro rata* redemption of Bonds in a manner consistent with Section 2.05 (b) of the Loan Regulations.
