

No. 4672

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

Guarantee Agreement—*Second Karachi Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Karachi Electric Supply Corporation Limited). Signed at Washington, on 23 April 1958

Official text: English.

Registered by the International Bank for Reconstruction and Development on 11 February 1959.

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

Contrat de garantie — *Deuxième projet de Karachi relatif à la production d'énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Société de distribution d'électricité à Karachi). Signé à Washington, le 23 avril 1958

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 11 février 1959.

No. 4672. GUARANTEE AGREEMENT¹ (*SECOND KARACHI POWER PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 23 APRIL 1958

AGREEMENT, dated April 23, 1958, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and The Karachi Electric Supply Corporation Limited (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 fourteen million dollars (\$14,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan; and

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

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, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ 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. The terms defined in said Loan Agreement shall have the same meaning as if such definitions were fully set forth herein.

¹ Came into force on 26 September 1958, upon notification by the Bank to the Government of Pakistan.

² See p. 262 of this volume.

³ See p. 260 of this volume.

⁴ See p. 290 of this volume.

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, the Trust Deed and the Bonds.

Article III

Section 3.01. 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the State Bank of Pakistan.

Section 3.02. (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 3.03. 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 (including duties, fees and impositions) 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 duties, fees or impositions levied 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 3.04. This Agreement, the Loan Agreement, the Trust Deed and the Bonds shall be free from any taxes (including duties, fees and impositions) 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 3.05. 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 3.06. The Guarantor shall not take any action (including any action in respect of the rates to be charged by the Borrower for the sale of electricity) which would prevent or materially interfere with the successful operation of the Project, or with the carrying on by the Borrower of its operations and enterprise in an efficient and businesslike manner and in accordance with sound engineering, financial and electric utility practices, or with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement or the Trust Deed.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary to the Government of Pakistan, Ministry of Finance, is designated as the authorized representative 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 :

The Secretary to the Government of Pakistan
Ministry of Finance
Karachi
Pakistan

Alternative address for cablegrams and radiograms :

Finpak
Karachi

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 Secretary to the Government of Pakistan, Ministry of Finance, 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.

Islamic Republic of Pakistan :

By Md. ALI
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

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 (*SECOND KARACHI POWER PROJECT*)

AGREEMENT, dated April 23, 1958, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE KARACHI ELECTRIC SUPPLY CORPORATION LIMITED, a Pakistan incorporated company (hereinafter called the Borrower).

WHEREAS

(A) By a loan agreement dated June 20, 1955,¹ between the Bank and the Borrower, the Bank made a loan (hereinafter called the first loan) to the Borrower in an amount in various currencies equivalent to \$13,800,000 for the purpose of financing the construction, improvement and extension of certain power generating, transmission and distribution facilities as more particularly described therein;

(B) The first loan was guaranteed as to payment of principal, interest and other charges by the Guarantor;

(C) By the 1956 Trust Deed (as hereinafter defined) the Borrower created, as security for the first loan, a specific mortgage and floating charge in respect of its properties and undertaking and an assignment by way of mortgage of the Karachi License (as hereinafter defined), which mortgage, charge and assignment rank, subject only to the mortgage and charge created by or pursuant to the Debenture Trust Deed in recital (F) referred to, prior to any other security, including the security in each of the recitals (G), (I) and (J) referred to;

(D) The Bank has been requested to grant a second loan to the Borrower to be similarly guaranteed by the Guarantor upon the terms of a Guarantee Agreement of even date herewith;²

(E) The security constituted by the 1956 Trust Deed is to be appropriately modified, as hereinafter in Section 5.04 provided, so that the first loan and the second loan shall rank *pari passu* in respect of such security as so modified;

(F) The Borrower by a Debenture Trust Deed dated 31st May 1946 created a first specific mortgage and a first floating charge in respect of all its property and undertaking securing its 4% First Mortgage Debentures maturing by their terms on 1st August 1963 and presently outstanding in the aggregate principal amount of Rs.3,173,000;

(G) The Borrower on 3rd December 1951, to secure a loan from the Pakistan Industrial Finance Corporation (hereinafter called the Corporation), presently outstanding in the amount of Rs. 500,000, deposited with the Corporation title deeds of certain of its immovable properties and by a letter of that date hypothecated certain of its movable properties;

¹ United Nations, *Treaty Series*, Vol. 230, p. 41.

² See p. 254 of this volume.

(H) The security referred to in recital (G) was subordinated to the mortgage, charge and assignment constituted by the 1956 Trust Deed, and the Borrower has agreed to cause the Corporation to consent to a further variation of such security so as to permit the security referred to in recital (E) to rank in priority thereto;

(I) The Borrower to secure a loan of Rs.5,000,000 from the Guarantor by an indenture dated 25th September 1953 created certain mortgages and charges in respect of its property and undertaking, which mortgages and charges were subordinated to the security constituted by the 1956 Trust Deed;

(J) The Borrower to secure a further loan of Rs.5,000,000 from the Guarantor by an indenture dated 6th September 1955, created certain mortgages and charges in respect of its property and undertaking, which mortgages and charges were also subordinated to the security constituted by the 1956 Trust Deed; and

(K) The Borrower intends to fully pay off before maturity the loans in recitals (I) and (J) referred to;

WHEREAS the Bank has agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this 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. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any schedule thereto :

(a) The term " first Loan Agreement " means the Loan Agreement, dated June 20, 1955, between the Bank and the Borrower, as modified by Article VII hereof.

(b) The term " first loan " means the loan provided for in the first Loan Agreement.

(c) The term " 1956 Trust Deed " means the Trust Deed dated 4th January 1956, made between the Borrower and Baring Brothers & Co., Limited, as trustees, and the Bank securing the first loan and the bonds issuable under the first Loan Agreement in a principal amount in various currencies equivalent to \$13,800,000 and (except where the context otherwise requires) shall include any deeds or instruments supplemental thereto.

¹ See p. 260 of this volume.

² See p. 290 of this volume.

(d) The term "Supplemental Indenture" means the deed or deeds and other instruments which shall be executed by the Borrower in accordance with the provisions of Section 5.04 of this Agreement in order to modify the security of the 1956 Trust Deed as in said Section provided.

(e) The term "Trust Deed" means the 1956 Trust Deed as modified by the Supplemental Indenture and shall except where the context otherwise requires include each deed and other instrument included in the Supplemental Indenture and any deed or deeds supplemental to the 1956 Trust Deed as so modified which shall be executed and delivered in accordance with the provisions thereof.

(f) The term "Debenture Trust Deed" means the trust deed dated 31st May 1946 hereinbefore in recital (F) referred to and shall include any deeds or instruments supplemental thereto.

(g) The term "Second Mortgage and Hypothecation" means the deposit of title deeds and letter of hypothecation hereinbefore in recital (G) referred to and shall include any instrument or instruments incidental or supplemental thereto or in variation thereof.

(h) The term "First Government Loan" means the loan hereinbefore in recital (I) referred to.

(i) The term "First Government Indenture" means the indenture dated 25th September 1953 hereinbefore in recital (I) referred to and shall include any deed or deeds supplemental thereto.

(j) The term "Second Government Loan" means the loan hereinbefore in recital (J) referred to.

(k) The term "Second Government Indenture" means the indenture dated 6th September 1955 hereinbefore in recital (J) referred to and shall include any deed or deeds supplemental thereto.

(l) The term "Managing Agency Agreement" shall mean the agreement, dated 31st March 1951, between the Borrower and The Pakistan Electric Agencies Limited (the Managing Agents) and shall include all amendments thereto made before the date of this Agreement and all amendments thereto made after the date of this Agreement with the approval of the Bank.

(m) The term "Karachi License" means The Karachi Electric License, 1913 granted on 27th August 1913 by the Government of Bombay under which the Borrower is the present licensee and shall include any modifications and extensions thereof.

(n) The term "rupees" and the letters "Rs." mean currency of the Guarantor.

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 fourteen million dollars (\$14,000,000).

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 and this Agreement; provided, however, that, except as the Bank and the Borrower may otherwise

agree, until the Borrower shall have complied with the provisions of Section 5.04 of this Agreement, the aggregate amount of commitments entered into by the Bank at the request of the Borrower under the Loan Agreement and of withdrawals from the Loan Account shall not exceed the equivalent of three million dollars (\$3,000,000).

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

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) 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 March 1 and September 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 apply the proceeds of the Loan exclusively to financing the cost of goods. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods, other than services, 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 Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan of the form, tenor and purport prescribed in the Trust Deed and as provided thereby and in the Loan Regulations.

¹ See p. 286 of this volume.

Section 4.02. The Borrower shall from time to time designate and notify to the Bank an authorized representative or representatives for the purposes of Section 6.12 (a) of the Loan Regulations.

Section 4.03. The Borrower shall effect original issues of the Bonds only as herein provided.

Section 4.04. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue, authentication and delivery of the Bonds and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out and complete the Project and operate and maintain its undertaking, including the Project, with due diligence and efficiency and in conformity with sound engineering, business, financial and electric utility practices.

(b) The Borrower shall carry out a reorganization, satisfactory to the Bank, of its management, administration, procedures and methods of operation.

(c) The Borrower shall employ consultants for the carrying out of the Project and the reorganization in sub-paragraph (b) of this Section referred to. The selection of the consultants and the scope of their responsibility shall be agreed upon between the Bank and the Borrower.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications and the construction and installation schedules for the Project, and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect the goods financed out of the proceeds of the Loan, the sites, works and construction included in the Project and all other plants, works, properties and equipment of the Borrower, and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and of the reorganization in sub-paragraph (b) of Section 5.01 of this Agreement referred to, and the operations and financial condition of the Borrower.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each party 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.

(c) The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Section 5.04. (a) The Borrower shall execute and deliver, and shall cause all other necessary parties to execute and deliver, all such deeds and other instruments, in such form, as the Bank may reasonably require to cause the security constituted by the 1956 Trust Deed to be so modified and extended that as so modified and extended it will constitute by way of security for the principal of, interest on and premium on prepayment, if any, on the Loan, the Bonds, the first loan and the bonds issuable under the first Loan Agreement, all of which shall rank *pari passu inter se* in respect of such security: (1) a Specific Mortgage upon all the properties now owned or hereafter acquired by the Borrower and expressed in the 1956 Trust Deed to be the specifically mortgaged premises thereunder or intended so to be; (2) an Assignment by way of Mortgage of the Karachi License; and (3) a Floating Charge upon all the property and assets expressed in the 1956 Trust Deed to be charged or intended so to be by the first floating charge created thereby, such Mortgage, Assignment and Charge to rank in point of security, subject only to the mortgage and charge created by or pursuant to the Debenture Trust Deed, prior to any other mortgage, charge, pledge, hypothecation or lien upon any of the properties or assets of the Borrower, now existing or hereafter created, including those created by or pursuant to the Second Mortgage and Hypothecation.

(b) The Borrower shall take all necessary steps and shall procure all other necessary parties to take all necessary steps to ensure that all mortgages, charges, pledges, hypothecations and liens outstanding upon the property and assets to be mortgaged, charged or assigned by the Trust Deed shall be discharged or be varied to the reasonable satisfaction of the Bank so as to provide that the Mortgage, Assignment and Charge constituted by the Trust Deed shall, subject only to the security constituted by the Debenture Trust Deed, rank first in point of security upon such property and assets.

(c) The Borrower shall obtain all necessary consents for the valid execution and delivery of the Supplemental Indenture and shall duly register, or cause to be duly registered, the Supplemental Indenture, together with such other documents as may be necessary or proper in order to render the same fully effective in accordance with its terms.

(d) The Borrower shall hold or acquire, to the reasonable satisfaction of the Bank, all such lands and properties and all such rights of way, easements, licenses, consents, or

other rights or privileges as shall be necessary or requisite to enable it to construct the Project and operate its undertaking, or shall (to the like satisfaction) make effective arrangements therefor; and the Borrower shall supply to the Bank a certificate, satisfactory to the Bank, setting forth particulars of the foregoing.

(e) The Borrower shall, not later than October 31, 1958, furnish evidence, satisfactory to the Bank, that it has duly performed its obligations pursuant to the foregoing subparagraphs of this Section. As part of such evidence there shall be furnished an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that the requirements of sub-paragraphs (a) to (c) inclusive of this Section have been duly complied with and that, as to such property, lands and interests in land specified in the certificate referred to in sub-paragraph (d) as being owned or having been acquired, the Borrower has good and marketable title thereto; that as to such licenses, consents or other rights or privileges specified in said certificate as having been acquired, the Borrower has validly acquired the same and that the same are valid and effective; and that, as to arrangements specified in said certificate for the acquisition of any of the foregoing, such arrangements are valid and effective.

(f) The Bank and the Borrower may from time to time agree upon modifications of the foregoing requirements of this Section.

Section 5.05. (a) The Borrower undertakes that, except for the mortgage and charge created by or pursuant to the Debenture Trust Deed and, except as the Bank shall otherwise agree, no mortgage, hypothecation, pledge, lien or charge shall be created or exist on any of its property, assets or undertaking as security for any debt, or extended to secure any additional debt, ranking in priority to or *pari passu* with the Mortgage, Assignment and Charge constituted by the Trust Deed.

(b) Except as the Bank shall otherwise agree: (i) no subsidiary of the Borrower shall at any time create any mortgage, charge or security on its undertaking, properties or assets (including uncalled capital) or any part thereof otherwise than in favor of the Borrower; (ii) all mortgages, charges or securities created by any subsidiary of the Borrower in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it; and (iii) the Borrower shall not sell, transfer or otherwise dispose of any shares for the time being held by it in any subsidiary.

Section 5.06. The Borrower shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall, except as the Bank may otherwise agree, take all steps necessary for the acquisition and retention by it of all such lands, interests in land and properties and for the acquisition, maintenance and renewal of such rights, powers, privileges and franchises, as may be necessary or useful for the construction and operation of the Project and the conduct of its business.

Section 5.07. No debentures or other obligations of the Borrower secured by any existing trust deed, mortgage, charge, hypothecation, lien or pledge shall, after the respective dates provided for their final payment, be reissued or renewed without the approval of the Bank.

Section 5.08. Without prejudice to the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes (including duties, fees and impositions), if any, 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 of the Loan Agreement, the Guarantee Agreement, the Trust Deed 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 (including duties levied in respect of, or fees or impositions 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 5.09. The Borrower shall pay or cause to be paid all taxes (including duties, fees and impositions), if any, imposed under the laws of the United Kingdom or the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of the United Kingdom or such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Trust Deed or the Bonds.

Section 5.10. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of 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 5.11. The Borrower shall not consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the 1956 Trust Deed or the Trust Deed which would change the terms of the Bonds or adversely affect the holders thereof unless the Bank shall have expressed in writing its approval of such action or such consent.

Section 5.12. The Borrower shall duly perform all obligations to be performed by it under the 1956 Trust Deed and the Trust Deed.

Section 5.13. The Borrower shall not, except as the Bank and the Borrower shall otherwise agree, take or concur in any action which would have the effect of amending, abrogating, or assigning the Karachi License.

Section 5.14. The Borrower shall not amend its Memorandum or Articles of Association or the Managing Agency Agreement without the approval of the Bank.

Section 5.15. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries, if any, would exceed the consolidated capital and surplus of the Borrower and all its subsidiaries in a ratio higher than 65:35.

For the purposes of this Section :

(a) Whenever in connection with this Section it shall be necessary to value in terms of Pakistan currency indebtedness payable in another currency, such valuation shall be

- made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such indebtedness.
- (b) The term "indebtedness" shall not include any debt maturing not more than one year after its date.
 - (c) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries (if any) excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or by any subsidiary to any other subsidiary.
 - (d) The term "capital and surplus" shall mean capital and surplus determined in accordance with sound accounting procedures.
 - (e) The term "consolidated capital and surplus" shall mean the total capital and surplus of the Borrower and all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary.

Section 5.16. The Borrower shall not, without the consent of the Bank, incur any indebtedness (other than ordinary short-term trade and commercial liabilities) maturing one year or less after its date which would cause the total of such indebtedness of the Borrower at any time outstanding to exceed Rs.3,000,000.

Section 5.17. The Borrower shall not, except as otherwise agreed by the Bank, make any payment on account of the debentures secured by the Debenture Trust Deed or any part of the debt secured by the Second Mortgage and Hypothecation, in advance of the respective dates provided therefor at the date of this Agreement, or as they may be extended, except from amounts raised by the issuance of the Borrower's ordinary shares at not less than par. Except as the Bank shall otherwise agree, no such advance payment shall be made on any of the foregoing other than said debentures until said debentures shall have been fully paid.

Section 5.18. The Borrower shall not issue or permit to be issued any debentures provided for in the Debenture Trust Deed in addition to the Rs.3,173,000 aggregate principal amount thereof now outstanding.

Section 5.19. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall promptly as may be required offer for subscription at not less than par such additional ordinary shares as shall be sufficient to provide amounts, not otherwise available, necessary to meet the costs of construction of the Project and to provide adequate working capital during and at completion thereof.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if the events specified in paragraph (j) of Section 5.02 of the Loan Regulations shall occur, or (iii) 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 and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement, the Trust Deed or the Bonds to the contrary notwithstanding.

Article VII

MODIFICATIONS OF LOAN AGREEMENT DATED JUNE 20, 1955

Section 7.01. Section 5.14 of the Loan Agreement, dated June 20, 1955, between the Bank and the Borrower is amended to conform to Section 5.16 hereof.

Section 7.02. For the purposes of the Loan Agreement, dated June 20, 1955, between the Bank and the Borrower, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated February 15, 1955,¹ is hereby amended to read as follows :

“(c) a default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, or the Bonds or under the Loan Agreement dated April 23, 1958, the Guarantee Agreement of even date therewith, or the bonds therein provided for.”;

and the term “Loan Regulations” as used for the purposes of the said Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1955, as modified by said Loan Agreement and as further amended hereby.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

- (a) Without limiting the generality of Section 9.01 (a) (i) of the Loan Regulations, (i) the shareholders of the Borrower shall have taken such action, satisfactory to the Bank, as shall be necessary to authorize the Directors of the Borrower validly to authorize or to ratify and adopt this Agreement on behalf of the Borrower, (ii) the Directors of the Borrower shall have validly authorized or ratified and adopted this Agreement on behalf of the Borrower, and (iii) all necessary consents for the valid execution, ratification and adoption of this Agreement by and on behalf of the Borrower shall have been secured.
- (b) The Pakistan Industrial Finance Corporation shall have agreed (in form satisfactory to the Bank) to subordinate the security constituted by the Second Mortgage and Hypothecation to the security to be constituted by the Trust Deed.

¹ United Nations, *Treaty Series*, Vol. 221, p. 160.

- (c) The First Government Loan shall have been duly paid off and the security therefor constituted by the First Government Indenture shall have been discharged (or arrangements satisfactory to the Bank made therefor).
- (d) The Second Government Loan shall have been duly paid off and the security therefor constituted by the Second Government Indenture shall have been discharged (or arrangements satisfactory to the Bank made therefor).
- (e) The Karachi License shall have been amended to the satisfaction of the Bank so as to provide that the option therein referred to for the purchase of the Borrower's undertaking shall be exercisable for the first time at a date not earlier than April 1, 1978.
- (f) The Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, there has been no material adverse change in its condition since the date of this Agreement.

Section 8.02. The following are specified as additional matters, 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 :

- (a) That the actions provided for in Section 8.01 (a) of this Agreement have been duly and validly taken, and that the Borrower has full power and authority to raise monies by the issuance of Bonds and otherwise as herein provided, and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.
- (b) That the First Government Loan has been fully paid off and the security therefor constituted by the First Government Indenture has been discharged (or due provision made therefor).
- (c) That the Second Government Loan has been fully paid off and the security therefor constituted by the Second Government Indenture has been discharged (or due provision made therefor).
- (d) That the amendment referred to in sub-paragraph (e) of Section 8.01 hereof is valid and effective.
- (e) That the Borrower has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith, that all acts, franchises, concessions, consents and approvals necessary therefor have been duly and validly performed or given, and that, with such exceptions as the Bank may have approved, all easements, rights and privileges necessary therefor have been duly obtained.

Section 8.03. 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 IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be December 31, 1962.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

For the Borrower :

The Karachi Electric Supply Corporation Limited
Spencer's Building
McLeod Road
Karachi, Pakistan

Alternative address for cablegrams and radiograms :

Utilities
Karachi

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

The Karachi Electric Supply Corporation Limited :

By A. G. KHAN
Authorized Representative

Countersigned:

The Pakistan Electric Agencies Limited :

By A. G. KHAN
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 1, 1963	\$292,000	March 1, 1971	\$451,000
September 1, 1963	300,000	September 1, 1971	463,000
March 1, 1964	308,000	March 1, 1972	476,000
September 1, 1964	317,000	September 1, 1972	489,000
March 1, 1965	325,000	March 1, 1973	502,000
September 1, 1965	334,000	September 1, 1973	516,000
March 1, 1966	344,000	March 1, 1974	530,000
September 1, 1966	353,000	September 1, 1974	545,000
March 1, 1967	363,000	March 1, 1975	560,000
September 1, 1967	373,000	September 1, 1975	575,000
March 1, 1968	383,000	March 1, 1976	591,000
September 1, 1968	393,000	September 1, 1976	607,000
March 1, 1969	404,000	March 1, 1977	624,000
September 1, 1969	416,000	September 1, 1977	641,000
March 1, 1970	427,000	March 1, 1978	659,000
September 1, 1970	439,000		

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

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

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

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of a new thermal station with an installed capacity of 60,000 kw to be located adjacent to the existing " B " thermal station at the Karachi West Wharf; improvements to the existing " B " station; additions to the existing 66 kv transmission system; improvement and extension of the existing distribution system; and acquisition and installation of modern business machines.

A. New thermal station

The new thermal station (to be known as " BX " Station) will include two turbo-generating units of 30,000 kw capacity each, designed to operate with a throttle steam pressure of about 850 pounds per square inch and about 900° F, two steam generating units each capable of carrying one turbo-generator, each having a pressure of about 900 pounds per square inch and a steam temperature of about 910° F, and equipped to burn either gas or oil; condensing equipment; a circulating water system; a feed-water treating system; controls, instrumentation and electrical equipment, including switchgear and transformers; and other necessary appurtenances and accessories. The existing cooling water system, which uses water taken from Karachi Harbour, will be modified to assure an adequate supply of cooling water for the existing " A " and " B " thermal stations as well as the new thermal station. The new thermal station will be located in an extension of the existing " B " station building. The steam generating units and main transformers will be placed outdoors with only the boiler fronts remaining indoors for operational purposes.

B. Improvements to " B " Station

The improvements to " B " Station consist of the installation of protective equipment to prevent corrosion in the circulating water system, of equipment to prevent flashing over at the outdoor switching station, and of the acquisition of spare parts for plant equipment.

C. Additions to the 66 kv transmission system

The single circuit transmission line between West Wharf and Sind Industrial Trading Estate will be duplicated by stringing a second circuit on the double circuit towers; 66 kv underground cables will be laid between the thermal stations at Karachi West Wharf and the first tower, between the thermal stations and the existing diesel station, and between the diesel station and Queens Road tower; additional switchgear and transformers will be installed at the stepdown substations and a new 66 kv substation will be erected at the diesel station.

D. Improvement and extension of the distribution system in Karachi

The distribution system will be improved by the installation of static capacitors, additional transformers, overhead lines and protective equipment and will be extended into areas adjacent to the present service area as reasonable prospects for serving profitable loads appear.

E. *Business machines*

Modern billing and bookkeeping machines will be acquired and installed in the offices of the Borrower.

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, are modified as follows :

(a) Section 2.02 is deleted.

(b) Sub-sections (c), (i) and (j) of Section 5.02 are amended to read as follows :

“ (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the first Loan Agreement, the Guarantee Agreement dated June 20, 1955, or the bonds issuable under the first Loan Agreement.

“ (i) On or after the date of the Loan Agreement and prior to the Effective Date there shall have been any act or omission to act which would have constituted a violation of any covenant contained in the Loan Agreement or the Guarantee Agreement if the Loan Agreement and Guarantee Agreement had been effective on the date of such act or omission.

“ (j) If the security constituted by the 1956 Trust Deed or the Trust Deed shall become enforceable. ”

(c) The following sentence is added at the end of Section 3.05 :

“ Subject to the provisions of paragraph (a) of Section 5.15 of the Loan Agreement, whenever it shall be necessary to value rupees in terms of dollars or another currency, such value shall be as reasonably determined by the Bank. ”

(d) Section 6.01 is deleted.

(e) Section 6.07 is amended to read as follows :

“ SECTION 6.07. *Form of Bonds.* (a) The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds in such temporary or definitive form (authorized by the Trust Deed) as the Bank shall request. Registered Bonds and coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms respectively set forth in the Trust Deed. Bonds payable in any currency other than dollars shall be substantially in the forms respectively set forth in the Trust Deed, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall

reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

“(b) Notwithstanding any other provision of the Loan Agreement or these Regulations, if the Bank shall so require, the Borrower shall execute and deliver bonds pursuant to Section 6.03 before the execution and delivery of the Trust Deed. The provisions of Section 6.07 of Loan Regulations No. 4 of the Bank, dated June 15, 1956, but before modification by sub-paragraph (a) of this Section, shall apply to the form of any such bonds, with appropriate changes therein satisfactory to the Bank, to provide for the exchange thereof, free of cost to the Bank, for Bonds of the same respective amounts, currencies and maturities issued under the Trust Deed, the Loan Agreement and these Regulations. All other provisions of the Loan Agreement, the Guarantee Agreement and these Regulations relating or referring to Bonds shall apply *mutatis mutandis* to such bonds except where such application would be clearly inconsistent with the requirements of this sub-paragraph.

“(c) All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 to these Regulations.”

(f) The following sentence is added at the beginning of Section 6.09, namely :

“Except as the Bank and the Borrower shall otherwise agree, Bonds shall be dated as hereinafter in this Section provided.”

(g) The following new sub-section is added to Section 6.11 :

“(d) Subject to the provisions of Sections 6.05 and 6.06, Bonds payable in any currency may be exchanged without charge to the Bank for Bonds of the same or an equivalent aggregate principal amount payable in the same or any other currency or currencies and having the same or any other maturity or maturities. For the purposes of determining the equivalent of one currency in terms of another the value of each shall be as determined by the Bank.”

(h) The first sentence of Section 6.12 (a) is changed to read as follows :

“The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative designated pursuant to the Loan Agreement for the purposes of this Section.”

(i) Section 6.18 is deleted.

(j) In Section 7.01, after the words “Guarantee Agreement” where those words occur, the words, “the Trust Deed” are added.

(k) Sub-section (j) of Section 7.04 is amended to read as follows :

“(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out

of or pursuant to the Trust Deed or the Bonds, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim. ”

(l) Paragraph 6 of Section 10.01 is amended to read as follows :

“ 6. The term ‘ Borrower ’ means the party to the Loan Agreement to which the Loan is made; and the term ‘ Guarantor ’ means the Islamic Republic of Pakistan, acting by its President. ”

(m) Paragraph 10 of Section 10.01 is deleted and the following new paragraph is substituted therefor :

“ The term ‘ Bonds ’ means Bonds issued and authenticated pursuant to the Trust Deed (except as otherwise provided in Section 6.07 (b)), with the guarantee of the Guarantor endorsed thereon as provided in the Loan Agreement and the Guarantee Agreement. ”

(n) The first sentence of paragraph 13 of Section 10.01 is amended to read as follows :

“ The term ‘ goods ’ means equipment, supplies and services which are required for the Project, and consultants’ and technical services which are required for the reorganization referred to in Section 5.01 (b) of the Loan Agreement. ”