

No. 4678

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

Guarantee Agreement—*Sui Gas Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Sui Gas Transmission Company Limited). Signed at Washington, on 2 June 1954

Official text: English.

Registered by the International Bank for Reconstruction and Development on 17 February 1959.

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

Contrat de garantie — *Projet relatif au Gaz de Sui* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Société de transport du gaz de Sui). Signé à Washington, le 2 juin 1954

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 17 février 1959.

No. 4678. GUARANTEE AGREEMENT¹ (*SUI GAS PROJECT*)
BETWEEN THE DOMINION OF PAKISTAN AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON
2 JUNE 1954

AGREEMENT, dated June 2, 1954, between DOMINION OF PAKISTAN, acting by its Governor-General, (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 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 an amount in various currencies equivalent to five million pounds sterling (£5,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees 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 to guarantee the payment of the principal, interest and other charges on such loan;

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 October 15, 1952³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to said 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 Section 1.02 of said Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

¹ Came into force on 17 November 1954, upon notification by the Bank to the Government of Pakistan.

² See p. 68 of this volume.

³ See p. 66 of this volume.

⁴ See p. 88 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 in 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; (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.

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 or 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 or 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 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 industrial and commercial practices, or with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement, Trust Deed or Gas Purchase Agreement contained.

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

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

For the Bank :

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

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.

Dominion of Pakistan :

By S. Amjad ALI
Ambassador of Pakistan to the United States of America

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

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

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 124.*]

LOAN AGREEMENT (*SUI GAS PROJECT*)

AGREEMENT, dated June 2, 1954, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SUI GAS TRANSMISSION COMPANY LIMITED, a company duly incorporated in Pakistan under the Companies Act 1913 (hereinafter called the Borrower).

WHEREAS (A) The Borrower was incorporated on 13th February, 1954, as a public limited company with the objects set out in its Memorandum of Association and for the immediate purpose of undertaking the Project as herein defined;

(B) The Borrower has entered into arrangements for the conditional subscription in cash at par of 378,000 Ordinary Shares of Rs. 100 each of its share capital; as to 96,390 such Ordinary Shares by the Pakistan Industrial Development Corporation (hereinafter called PIDC) as to 92,610 such Ordinary Shares by the Commonwealth Development Finance Company Limited (hereinafter called CDFC) as to 92,610 such Ordinary Shares by the Burmah Oil Company Limited (hereinafter called Burmah) and as to 96,390 Ordinary Shares by the public in Pakistan on the terms of a Prospectus dated 22nd March, 1954 and published by the Borrower in Pakistan;

(C) The Borrower has entered into an agreement dated June 1, 1954, with Pakistan Petroleum Limited (hereinafter called PPL), whereby PPL has undertaken to sell to the Borrower natural gas from the Sui Gas field situated near Sui in Baluchistan for the period and upon the terms and conditions therein appearing, including a provision to the effect that PPL should finance the construction by the Borrower of a purification plant in accordance with plans and specifications to be agreed between PPL and the Borrower and that PPL should lease such plant to the Borrower for the period and upon the terms (including an option to purchase) therein specified;

(D) The Borrower has entered into an agreement dated 6th March, 1954, with Burmah Oil Company (Pakistan Trading) Limited, whereby the latter were appointed managing agents of the Borrower;

(E) The Bank has been requested to grant a Loan to the Borrower;

(F) The said Loan is to be guaranteed as to payment of principal, interest and other charges by the Dominion of Pakistan upon the terms of a Guarantee Agreement of even date herewith¹ and is to be secured by a First Fixed Mortgage upon the Borrower's present and future immovable properties (and interests therein), a First Floating Charge upon the remainder of the Borrower's undertaking and assets (including uncalled capital) and by an Assignment by way of Mortgage of the benefit of the Gas Purchase Agreement (as hereinafter defined) which Mortgage, Charge and Assignment are to be constituted by the Trust Deed (as hereinafter defined);

(G) The Bank has, on the basis of the foregoing, agreed to make a Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows :

¹ See p. 60 of this volume.

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 October 15, 1952,¹ 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. The term "Trust Deed" means the Trust Deed to be executed by the Borrower in accordance with the provisions of Section 5.05 of Article V of this Agreement and shall include any deed supplemental thereto which shall be executed and delivered in accordance with the provisions of the Trust Deed.

The term "Gas Purchase Agreement" means the hereinbefore recited agreement dated June 1, 1954, between PPL and the Borrower relating to the sale of natural gas from the Sui Gas field.

The term "Managing Agency Agreement" means the hereinbefore recited agreement dated 6th March, 1954, between the Borrower and Burmah Oil Company (Pakistan Trading) Limited whereby the latter were appointed managing agents of the Borrower.

The term "Prospectus" means the hereinbefore recited Prospectus dated 22nd March, 1954, published by the Borrower in Pakistan.

The term "subsidiary" means a company which is a subsidiary of the Borrower within the meaning of the Companies Act 1913 (or any amendment thereof).

The term "purification plant" means the purification plant provided for and defined in the Gas Purchase Agreement as hereinbefore recited.

The term "Lease" means the lease of the purification plant provided for in the Gas Purchase Agreement.

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 five million pounds sterling (£5,000,000).

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 (subject to the rights of cancellation and suspension) as provided in this Agreement.

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. The date specified for the purposes of Section 2.02 of the Loan Regulations is the Effective Date or a date being 60 days after the date of this Agreement, whichever shall be the earlier.

¹ See p. 66 of this volume.

² See p. 88 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}\%$) 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 February 1 and August 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 required to carry out the Project described in Schedule 2² to this Agreement. 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.

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 Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and duly deliver Bonds (in registered or bearer form as the Bank shall request) 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. All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 to the Loan Regulations.

Section 4.02. Except as the Bank and the Borrower shall otherwise agree in writing, the Borrower shall, against payment by the Bank of any amount to be withdrawn from the Loan Account pursuant to Article II of this Agreement, execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount so paid, provided that, if Bonds are not so delivered to the Bank, the Borrower shall, at the request of the

¹ See p. 86 of this volume.

² See p. 88 of this volume.

Bank, as soon as practicable and within 60 days after the date of the request or within such other period as may be agreed between the Borrower and the Bank, execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding and unpaid at the date of such request and for which Bonds shall not theretofore have been executed and delivered or requested.

Section 4.03. Any one of the Directors for the time being of the Borrower and such other person or persons (acting jointly or severally as may be specified) as it may appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

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 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. The Borrower shall carry out and complete the Project and operate its undertaking (including the purification plant) with due diligence and efficiency and in conformity with sound engineering, commercial and financial practices.

Section 5.02. (a) The Borrower shall from time to time promptly furnish to the Bank, in such detail as it shall request, the current plans and specifications for the Project and the construction schedule; it shall promptly notify the Bank of any material modifications made therein. The Borrower shall not, without the prior approval of the Bank, for the purposes of the Gas Purchase Agreement, agree to any plans or specifications in respect of the purification plant.

(b) The Borrower shall maintain records adequate to identify the goods purchased 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 any and all goods purchased out of the proceeds of the Loan and the sites, works, construction and operations included in the Project 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 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 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.

(c) The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower under this Agreement 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. The Borrower shall, as soon as practicable, (and in any case within six months from the date of this Agreement) cause the Lease, in form satisfactory to the Bank, to be duly executed and shall cause all such further steps to be taken as may be necessary or requisite in order to ensure that the Lease shall become fully effective under the laws of the Guarantor in accordance with its terms. The Borrower shall, as often as may be necessary, cause the Lease to be supplemented, extended or renewed to the intent that the Borrower's interest thereunder shall continue for the duration of the Gas Purchase Agreement (or until the hereinbefore recited option for purchase shall have been exercised) and extend to all property from time to time included in the purification plant.

Section 5.05. The Borrower shall, as soon as practicable, execute, deliver and take all proper steps to perfect a Trust Deed in favor of such Trustees and in such form as the Bank may reasonably require to constitute by way of security for the Loan a First Fixed Mortgage upon all the immovable properties (and interests therein) to which the Borrower is now or may hereafter become beneficially entitled, a First Floating Charge upon the remainder of the Borrower's undertaking and assets (including uncalled capital) and an Assignment by way of Mortgage of the benefit of the Gas Purchase Agreement, such Mortgage, Charge and Assignment to rank in priority to any other mortgage, charge or lien upon any of the Borrower's properties or assets. The Trust Deed shall provide (*inter alia*) that 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 and that all mortgages, charges or securities created by any subsidiary in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it and that it will 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 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, 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 5.07. 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 5.08. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods purchased with the proceeds of the Loan. Such insurance shall be consistent with sound commercial practice. Each contract of insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in dollars.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not: (a) assign, amend or abrogate the Gas Purchase Agreement, the Lease or the Managing Agency Agreement; (b) consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the Trust Deed which would or might change the terms of the Bonds or adversely affect the holders thereof; or (c) undertake or execute any project or development (other than the Project), or make any investment other than in the ordinary course of business, the cost of which is estimated to exceed £250,000 (sterling), or the equivalent.

Section 5.10. 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 would exceed the consolidated capital and surplus of the Borrower and all its subsidiaries in a ratio higher than 55:45.

For the purposes of this Section:

- (a) Whenever in connection with this Section it shall be necessary to value in terms of Pakistan currency debt 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 debt.
- (b) A debt maturing not more than one year after its date shall not be taken into account.
- (c) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries 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 as established at the date hereof.
- (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 5.11. (a) The Borrower shall at all times take all requisite steps for the acquisition and retention by it of all such lands and properties and rights, powers and privileges as may be necessary or proper for the construction and operation of the Project and the carrying on of its business.

(b) The Borrower will at all times maintain its corporate existence and right to carry on operations and will, except as the Bank may otherwise agree in writing, maintain and renew all rights, powers, privileges and franchises owned or operated by it and necessary or useful in the conduct of its business.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or if the security constituted by the Trust Deed shall become enforceable, or 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 Loan Agreement, the Trust Deed or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

- (a) PPL shall have acquired a valid mining lease (or leases) in terms satisfactory to the Bank covering the Sui Gas field, or such part thereof as shall be necessary to enable PPL to implement its obligations to the Borrower under the Gas Purchase Agreement.
- (b) Arrangements satisfactory to the Bank shall have been made for the construction of the purification plant.
- (c) PIDC, CDFC and Burmah shall respectively have subscribed and paid in cash at par for 96,390, 92,610 and 92,610 Ordinary Shares of Rs. 100 each of the Borrower; and further 96,390 Ordinary Shares of Rs. 100 each of the Borrower shall have been subscribed and paid in cash at par by the public or by underwriters upon the terms of the Prospectus.
- (d) The Borrower shall, to the satisfaction of the Bank, validly have acquired all such lands and properties and all such rights of way, easements, licenses, consents, or other rights or privileges as may be necessary or requisite to enable it to construct and operate the Project and to carry on its business, or shall (to the like satisfaction) have made effective arrangements for the acquisition thereof; and the Borrower shall have supplied to the Bank a certificate, satisfactory to the Bank, setting forth particulars of the foregoing.
- (e) The Borrower shall have entered into valid and binding contracts for the sale to customers of a minimum average quantity of 37,000 MCF per day of gas for periods, at prices and otherwise upon terms satisfactory to the Bank.

- (f) The Trust Deed shall have been duly executed and delivered and have become fully effective in accordance with its terms and (except as the Bank may otherwise agree) all documents required to be registered under laws in effect in the territories of the Guarantor shall have been duly registered.
- (g) 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 the condition of the Borrower since the date of this Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

- (a) That the Borrower has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith and that all acts, franchises, concessions, consents and approvals necessary therefor have been duly and validly performed or given.
- (b) That the Borrower has full power and authority to raise monies by such issuances of shares as are referred to in Section 7.01 (c) and by the issuance of Bonds as herein provided, and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.
- (c) That the Gas Purchase Agreement has become validly effective and binding upon the parties thereto in accordance with its terms.
- (d) That the mining lease (or leases) referred to in Section 7.01 (a) has (or have) become valid and binding upon the parties thereto in accordance with its (or their respective) terms.
- (e) That, as to such lands and interests in land specified in the certificate referred to in Section 7.01 (d) as 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) That the Trust Deed has been duly authorized and executed and delivered on behalf of the Borrower and constitutes a valid and effective Mortgage, Charge and Assignment enjoying priorities in accordance with its terms and that no prior or *pari passu* charge or encumbrance then exists on any part of the properties or assets of the Borrower.

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 December 31, 1955.

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

For the Borrower :

Sui Gas Transmission Company Limited
Variawa Building
McLeod Road
Karachi
Pakistan

For the Bank :

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

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

Sui Gas Transmission Company Limited :

By G. FARUQUE
Chairman

SCHEDULE 1

AMORTIZATION SCHEDULE
(Expressed in pounds sterling*)

<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>	<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>
February 1, 1956 . . .	—	£5,000,000	August 1, 1965 . . .	£131,000	£2,970,000
August 1, 1956 . . .	£ 86,000	4,914,000	February 1, 1966 . . .	134,000	2,836,000
February 1, 1957 . . .	88,000	4,826,000	August 1, 1966 . . .	137,000	2,699,000
August 1, 1957 . . .	90,000	4,736,000	February 1, 1967 . . .	141,000	2,558,000
February 1, 1958 . . .	92,000	4,644,000	August 1, 1967 . . .	144,000	2,414,000
August 1, 1958 . . .	94,000	4,550,000	February 1, 1968 . . .	147,000	2,267,000
February 1, 1959 . . .	96,000	4,454,000	August 1, 1968 . . .	151,000	2,116,000
August 1, 1959 . . .	99,000	4,355,000	February 1, 1969 . . .	154,000	1,962,000
February 1, 1960 . . .	101,000	4,254,000	August 1, 1969 . . .	158,000	1,804,000
August 1, 1960 . . .	104,000	4,150,000	February 1, 1970 . . .	162,000	1,642,000
February 1, 1961 . . .	106,000	4,044,000	August 1, 1970 . . .	166,000	1,476,000
August 1, 1961 . . .	108,000	3,936,000	February 1, 1971 . . .	170,000	1,306,000
February 1, 1962 . . .	111,000	3,825,000	August 1, 1971 . . .	174,000	1,132,000
August 1, 1962 . . .	114,000	3,711,000	February 1, 1972 . . .	178,000	954,000
February 1, 1963 . . .	116,000	3,595,000	August 1, 1972 . . .	182,000	772,000
August 1, 1963 . . .	119,000	3,476,000	February 1, 1973 . . .	186,000	586,000
February 1, 1964 . . .	122,000	3,354,000	August 1, 1973 . . .	191,000	395,000
August 1, 1964 . . .	125,000	3,229,000	February 1, 1974 . . .	195,000	200,000
February 1, 1965 . . .	128,000	3,101,000	August 1, 1974 . . .	200,000	—

* To the extent that any part of the Loan is repayable in a currency other than pounds sterling (see Loan Regulations, Section 3.02), the figures in these columns represent pounds sterling 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 5 years before maturity	½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1¾%
More than 15 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project comprises the construction and operation by the Borrower of a natural gas transmission line with distribution extensions, and the construction and operation by the Borrower of a purification plant.

The transmission line will be a 16" pipe line about 346 miles in length, running from the Sui Gas field to Karachi via Sukkur and Hyderabad. All joints in the pipe will be welded and the pipe will be adequately anchored and suitably protected by coating and wrapping. The line will have an initial capacity of about 70 million cubic feet per day but will be designed for the later installation of two compressor stations to increase its capacity to about 110 million cubic feet per day. It will be designed for an entrance pressure of 1,070 lbs/sq. inch. The right of way for the line will be 60 feet in width. Necessary roadways, markers and communication equipment will be provided.

The distribution extensions will be planned initially for the supply of gas to about eight large consumers along the route of the line and in the Karachi area. As a separate distribution company or companies is or are formed the extensions will be leased or sold to it or them.

The purification plant will be financed by PPL, constructed by the Borrower and leased to and operated by the Borrower. It will have an initial capacity of approximately 70 million cubic feet of gas per day, capable of expansion to 110 million cubic feet per day. The plant will be designed for the removal of carbon dioxide, hydrogen sulfide, organic sulfur compounds and moisture in amounts up to 12% of the gas received from the wells.

Construction of the Project will start about June, 1954 and is expected to be completed in 1955.

SCHEDULE 3

MODIFICATION OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, Loan Regulations No. 4 of the Bank dated October 15, 1952, shall be deemed to be modified as follows :

(a) by the deletion of subparagraphs (e) and (i) of Section 5.02 and the substitution thereof of the following subparagraphs, namely :

“ (e) If the security constituted by the Trust Deed shall become enforceable ”;

“ (i) After the date of the Loan Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in the Guarantee Agreement relating to the creation of liens as security for debt if the Guarantee Agreement had been effective on the date such action was taken. ”;

(b) by the deletion of Section 6.03;

(c) by the deletion in Sections 6.05 and 6.06 of the words “ delivered pursuant to any request under Section 6.03 ” and of the words “ in such request ”, where those words severally occur;

(d) by the deletion of Section 6.07 and the substitution therefor of the following section, namely :

“ SECTION 6.07. *Form of Bonds.* 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 sterling 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 sterling 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 the financial usage of the place where they are payable. ”;

(e) by the deletion of Sections 6.08, 6.13 and 6.18 and Schedules 1 and 2;

(f) by the addition in Section 6.11 of the following new subparagraph, namely :

“ (d) Subject to the provisions of Sections 6.05 and 6.06 of these Regulations, 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. ”;

(g) by the addition in Section 7.01, after the words “ Guarantee Agreement ” where those words occur, of the words “ the Trust Deed ”;

(h) by the deletion of subparagraphs (a) to (j) inclusive of Section 7.04 and the substitution therefor of the following new subparagraphs, namely :

“ (a) Any controversy between the parties to the Loan Agreement or the parties to the Guarantee Agreement and any claim by any such party against any other such party arising under the Loan Agreement, the Guarantee Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

“ (b) The parties to such arbitration shall be the Bank, the Borrower and the Guarantor.

“ (c) The Arbitral Tribunal shall consist of three arbitrators, each to be agreed upon by the parties or, if and to the extent to which they shall not agree, to be appointed by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. In case any ar-

bitrator shall resign, die or become unable to act, a successor arbitrator shall be selected or appointed in the same manner as herein prescribed for the selection or appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

“(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration and the nature of the relief sought.

“(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon the three arbitrators, any party may request such appointment as is provided for in paragraph (c) of this Section.

“(f) The Arbitral Tribunal shall determine where and when it shall convene and sit.

“(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

“(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Loan Agreement and the Guarantee Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

“(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceeding. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. The Bank, the Borrower and the Guarantor shall each defray its own expenses in the arbitration proceedings. The cost of the Arbitral Tribunal shall be divided and borne equally by the Bank and the Borrower and the Guarantor. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

“(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.”

(i) by the deletion of Section 9.01 and the substitution therefor of the following new section, namely :

“SECTION 9.01. *Conditions Precedent to Effectiveness of Loan Agreement and Guarantee Agreement.* The Loan Agreement and Guarantee Agreement shall not become effective until :

“(a) The Borrower has notified the Bank that (i) the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary corporate and governmental action, and (ii) all other events specified in the Loan Agreement as conditions to its effectiveness have occurred;

“(b) The Guarantor has notified the Bank that (i) the execution and delivery of the Guarantee Agreement on behalf of the Guarantor have been duly authorized or ratified by all necessary governmental action, and (ii) all other events relating to the Guarantor and specified in the Loan Agreement as conditions to its effectiveness have occurred;

“(c) the Borrower and the Guarantor have furnished to the Bank evidence thereof satisfactory to the Bank; and

“(d) the Bank has given the notifications provided for in Section 9.03 of these Regulations.”

(j) by the deletion of Section 10.01, paragraph 10, and the substitution therefor of the following new paragraph, namely :

“The term ‘Bonds’ means bonds issued and authenticated pursuant to the Trust Deed, with the guarantee of the Guarantor endorsed thereon as provided in the Guarantee Agreement.”
