

No. 5076

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

Guarantee Agreement—*Third 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 13 August 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 8 April 1960.

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

Contrat de garantie — *Troisième projet relatif à la production d'énergie électrique à Karachi* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et The Karachi Electric Supply Corporation Limited). Signé à Washington, le 13 août 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 8 avril 1960.

No. 5076. GUARANTEE AGREEMENT¹ (*THIRD KARACHI POWER PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 13 AUGUST 1959

AGREEMENT, dated August 13, 1959, between 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 two million four hundred thousand dollars (\$2,400,000), 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, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ 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 5 January 1960, upon notification by the Bank to the Government of Pakistan.

² See p. 138 of this volume.

³ See p. 160 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, the Supplemental Indenture 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.

Republic of Pakistan :

By M. S. SHAIKH
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice 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
(THIRD KARACHI POWER PROJECT)

AGREEMENT, dated August 13, 1959, 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) By a loan agreement dated April 23, 1958,² between the Bank and the Borrower, the Bank made a further loan (hereinafter called the second loan) to the Borrower in an amount in various currencies equivalent to \$14,000,000 for similar purposes as more particularly described therein;

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

(D) By the 1956 Trust Deed (as hereinafter defined) the Borrower created, as security for the first loan and the second 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 (G) referred to, prior to any other security;

(E) The Bank has been requested to make a third loan to the Borrower to be similarly guaranteed by the Guarantor upon the terms of a Guarantee Agreement of even date³ herewith;

(F) 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, the second loan and the third loan shall rank *pari passu* in respect of such security as so modified;

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

² United Nations, *Treaty Series*, Vol. 323, p. 253.

³ See p. 130 of this volume.

(G) 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; and

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 of the second Loan Agreement hereinafter defined.

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

(c) The term " second Loan Agreement " means the loan agreement, dated April 23, 1958, between the Bank and the Borrower.

(d) The term " second loan " means the loan provided for in the second Loan Agreement.

(e) The term " 1956 Trust Deed " means the Trust Deed dated 4th January 1956, as supplemented by a Supplemental Trust Deed dated 31st July 1958, and as further modified by a Second Supplemental Trust Deed dated 29th April 1959, made between the Borrower and Baring Brothers & Co., Limited, as trustees, and the Bank, securing the first loan, the bonds issuable under the first Loan Agreement, the second loan and the bonds issuable under the second Loan Agreement, all of which rank *pari passu inter se* in respect of the security so created, and (except where the context otherwise requires) shall include any deeds or instruments supplemental thereto.

(f) 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.

¹ See p. 138 of this volume.

² See p. 160 of this volume.

(g) 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.

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

(i) 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.

(j) 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.

(k) 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 two million four hundred thousand dollars (\$2,400,000).

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.

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 six per cent (6%) 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 January 1 and July 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.

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.

¹ See p. 158 of this volume.

(b) The Borrower shall employ consultants for the carrying out of the Project. 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 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, of the Loan, the Bonds, the first loan, the bonds issuable under the first Loan Agreement, the second loan, and the bonds issuable under the second 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.

(b) 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.

(c) 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.

(d) The Borrower shall, not later than April 30, 1960, 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) and (b) 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 (c) 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.

(e) 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. 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, the Supplemental Indenture 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 5.08. 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, the Supplemental Indenture or the Bonds.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed 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 5.10. 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 5.11. The Borrower shall duly perform all obligations to be performed by it under the 1956 Trust Deed and the Trust Deed.

Section 5.12. 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 5.13. The Borrower shall not amend its Memorandum or Articles of Association or the Managing Agency Agreement without the approval of the Bank.

Section 5.14. 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 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.

Section 5.15. The Borrower shall not, without the approval of the Bank, (i) issue or permit to be issued any debentures provided for in the Debenture Trust Deed in addition to the aggregate principal amount of such debentures presently outstanding, or (ii) renew or reissue any such debentures presently outstanding.

Section 5.16. 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 cost of construction of the Project and to provide adequate working capital during and at completion thereof.

Section 5.17. 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 5.18. 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. 5,000,000.

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*MODIFICATION OF LOAN AGREEMENT DATED JUNE 20, 1955
AND OF LOAN AGREEMENT DATED APRIL 23, 1958

Section 7.01. Section 5.14 of the Loan Agreement, dated June 20, 1955, between the Bank and the Borrower, as amended by Section 7.01 of the Loan Agreement, dated April 23, 1958, between the Bank and the Borrower, is further amended to conform to Section 5.18 hereof.

Section 7.02. Section 5.16 of the Loan Agreement, dated April 23, 1958, between the Bank and the Borrower is amended to conform to Section 5.18 hereof.

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 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 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 60 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 September 30, 1961.

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 J. Burke KNAPP
Vice 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 o Principal (expressed in dollars) *</i>
January 1, 1962	\$62,000	July 1, 1968	\$91,000
July 1, 1962	64,000	January 1, 1969	94,000
January 1, 1963	66,000	July 1, 1969	97,000
July 1, 1963	68,000	January 1, 1970	100,000
January 1, 1964	70,000	July 1, 1970	103,000
July 1, 1964	72,000	January 1, 1971	106,000
January 1, 1965	74,000	July 1, 1971	109,000
July 1, 1965	77,000	January 1, 1972	113,000
January 1, 1966	79,000	July 1, 1972	116,000
July 1, 1966	81,000	January 1, 1973	119,000
January 1, 1967	84,000	July 1, 1973	123,000
July 1, 1967	86,000	January 1, 1974	127,000
January 1, 1968	89,000	July 1, 1974	130,000

* 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	½ of 1%
More than 3 years but not more than 6 years before maturity	2%
More than 6 years but not more than 11 years before maturity	3 ½%
More than 11 years but not more than 13 years before maturity	5%
More than 13 years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of a diesel power station and of a preliminary study for a new steam power station.

A. *Diesel power station*

The diesel power station will have a total generating capacity of about 14,500 kw. It will be equipped with low or medium speed dual-fuel generating units and all necessary auxiliary equipment and accessories. The station will be located at the Sind Industrial Trading Estate in Karachi adjacent to an existing sub-station of the Borrower to which it will be connected.

B. *Preliminary study*

A preliminary study will be made of the economic and engineering aspects of a new steam power station (to be known as " C " Station) designed to meet future increases in demand in the system operated by the Borrower and will include the preparation of a general plan of such a station. The study will be started not later than October 1, 1959.

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

" 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. "

(c) The first five lines of Section 5.02 are amended to read as follows :

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account :”

(d) 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, the second Loan Agreement, the guarantee agreement of even date therewith, or the bonds issuable thereunder.

“(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.”

(e) The last paragraph of Section 5.02 is amended to read as follows :

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

(f) Section 5.03 is changed to read as follows :

“SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

“(b) If the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.”

(g) Section 6.01 is deleted.

(h) 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 subparagraph (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.”

(i) 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.”

(j) 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.”

(k) 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.”

(l) Section 6.18 is deleted.

(m) In Section 7.01, after the words " Guarantee Agreement " where those words occur, the words ", the Trust Deed " are added.

(n) 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 endorse, 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. "

(o) Section 9.03 is amended to read as follows :

" SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01. "

(p) 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 Republic of Pakistan, acting by its President. "

(q) 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. "

(r) Paragraph 14 of Section 10.01 is amended to read as follows :

" The term ' external debt ' means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. "