

No. 5989

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

Guarantee Agreement—*Angat Project* (with related letters, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and National Power Corporation). Signed at Washington, on 13 October 1961

Official text: English.

Registered by the International Bank for Reconstruction and Development on 6 December 1961.

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

Contrat de garantie — *Projet de l'Angat* (avec lettres connexes et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la National Power Corporation). Signé à Washington, le 13 octobre 1961

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 6 décembre 1961.

No. 5989. GUARANTEE AGREEMENT¹ (*ANGAT PROJECT*)
BETWEEN THE REPUBLIC OF THE PHILIPPINES AND
THE INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT. SIGNED AT WASHINGTON, ON
13 OCTOBER 1961

AGREEMENT, dated October 13, 1961, between REPUBLIC OF THE PHILIPPINES (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 National Power Corporation (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty four million dollars (\$34,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; 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 February 15, 1961² (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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 pay-

¹ Came into force on 24 November 1961, upon notification by the Bank to the Government of the Philippines.

² See p. 282 of this volume.

ment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower in the territories of the Guarantor, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

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 Central Bank of the Philippines or any other institution performing the functions of a central bank.

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 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 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 and the Bonds shall be free from any taxes 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 covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower rates which will provide revenues sufficient : (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest ; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

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 of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

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

For the Guarantor :

Central Bank of the Philippines
Manila
Philippines

Alternative address for cablegrams and radiograms :

Philcenbank
Manila
Philippines

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 Governor of the Central Bank of the Philippines 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 the Philippines :

By Andres V. CASTILLO
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

RELATED LETTERS

I

EMBASSY OF THE PHILIPPINES

WASHINGTON, D. C.

October 13, 1961

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

Loan No. 297 PH (Angat Project)

Re: Section 3.07 of Guarantee Agreement and Section 5.08 of Loan Agreement

Dear Sirs :

We refer to Section 3.07 of the Guarantee Agreement¹ (Angat Project) and to Section 5.08 of the Loan Agreement² (Angat Project), both of even date herewith, which set forth the obligation of the Guarantor and the Borrower respectively to take all action necessary to have the rates of the Borrower set at such levels as will provide revenues sufficient, *inter alia*, "to leave a surplus for financing a reasonable portion of future expansion" of the power facilities of the Borrower. We agreed the quoted clause to mean, that electric power rates should be set at the level which, on the basis of present estimates, would permit at least 25% of new investments in power facilities during fiscal years 1962-63 to 1964-65 to be financed from cash generated internally, i.e., from revenue from all sources less all operating administrative and overhead expenses, including taxes, amounts payable in respect of interest, sinking funds and amortization of all long-term indebtedness but without any deduction for provision for depreciation.

This is to confirm our intention to take, prior to the end of the current fiscal year, all action necessary or desirable to achieve the abovementioned objective. Within the first three months of the fiscal year 1962-63 we will meet with you to review the steps taken by us and to establish what other action, if any, would be required, in the light of the Borrower's financial situation, to achieve the purpose of abovementioned covenants.

The percentage of new expansion to be financed in later years from cash generated internally is expected to be higher and will be established from time to time in agreement

¹ See p. 270 of this volume.

² See p. 282 of this volume.

with you on the basis of future reviews of the expansion program and earnings level of the Borrower.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Yours truly,

Republic of the Philippines :
By Andres V. CASTILLO
Authorized Representative

National Power Corporation :
By F. M. ZABIAN
Authorized Representative

Confirmed:

International Bank
for reconstruction and Development
By I. P. M. CARGILL

II

EMBASSY OF THE PHILIPPINES
WASHINGTON, D. C.

October 13, 1961

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

Loan No. 297 PH (Angat Project)
Re: Section 2.02 of Guarantee Agreement

Dear Sirs :

We refer to Section 2.02 of the Guarantee Agreement (Angat Project) of even date herewith between us wherein the Guarantor undertakes to provide the Borrower, or cause the Borrower to be provided, with such funds as will be needed to meet expenditures required for carrying out the Project.

During negotiations we informed you that the National Waterworks and Sewerage Authority, between now and the end of the fiscal year 1964-65, will contribute an amount of 21.5 million pesos towards the cost of the Project.

This is to confirm our intention that we will provide the National Waterworks and Sewerage Authority, or cause said Authority to be provided, with the funds for said contribution should the funds available to the National Waterworks and Sewerage Authority from other sources be insufficient to make said contribution to the cost of the Project.

Yours truly,

Republic of the Philippines :

By Andres V. CASTILLO
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212*]

LOAN AGREEMENT

(ANGAT PROJECT)

AGREEMENT, dated October 13, 1961, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NATIONAL POWER CORPORATION (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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 thirty four million dollars (\$34,000,000).

¹ See above.

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.

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 or shall be cancelled pursuant to the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) 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 June 1 and December 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 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 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.

¹ See p. 294 of this volume.

² See p. 296 of this volume.

Article IV

BONDS

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

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

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) To assist it in the carrying out of the Project, the Borrower shall employ suitably qualified and competent engineering consultants satisfactory to the Bank.

(c) The general design of the Project, including major changes in the design, shall be satisfactory to the Bank and the Borrower.

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

(e) 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 operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods, the plant sites and operations of the Borrower and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

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

Section 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.04. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement¹ 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 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 5.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. 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, importation and delivery to the site of the Project. 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 5.07. (a) The Borrower shall take all action within its power to maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time shall make all necessary renewals and repairs thereof, all in accordance with sound engineering standards ; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

¹ See p. 270 of this volume.

Section 5.08. The Borrower shall from time to time take all steps necessary or desirable to obtain such adjustments in its rates as will provide revenues sufficient: (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

Section 5.09. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur debt unless its net revenues for the fiscal year next preceding such incurrence, or for a later twelve-month period ended prior to such incurrence, together with 75% of the reasonably estimated net revenues from any projects under construction including projects to be constructed with the proceeds of the proposed new debt, would be not less than 1.4 times the maximum annual debt service requirement for any succeeding fiscal year on all debt (including the debt to be incurred). For purposes of this Section:

- (a) The term "debt" shall mean all indebtedness of the Borrower including loans or credits contracted for but not yet drawn down, and including any part of the capital stock of the Borrower which is required to be redeemed pursuant to a fixed redemption schedule.
- (b) Debt shall be deemed to be incurred on the date on which a loan or credit shall be approved by the Board of Directors of the Borrower.
- (c) The term "net revenue" shall mean gross revenue from all sources, adjusted to take account of rates in effect at the time of the calculation even though they were not in effect during such fiscal year, less all operating and administrative expenses, including provision for income and profit taxes, if any, but before provision for depreciation and for interest and other charges on debt.
- (d) The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments), interest and other charges on debt including fixed interest payments on capital stock.
- (e) The equivalent in currency of the Guarantor of amounts of debt payable in any other currency shall be determined on the basis of the rate of exchange which on the date of the calculation is available to the Borrower for the purchase of such other currency for debt service.

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 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 or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following is specified as additional matter within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

That all necessary governmental validations, consents and approvals to authorize execution of the Loan Agreement on behalf of the Borrower and to authorize construction and operation of the Project have been given or obtained.

Section 7.02. A date sixty 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 May 31, 1965, or such other date as may from time to time be agreed between the Borrower and the Bank.

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

For the Borrower

National Power Corporation
161 Bonifacio Drive, Port Area
Manila, Philippines

Alternative address for cablegrams and radiograms :

Napocor
Manila, Philippines

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

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

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

National Power Corporation :

By F. M. ZABLAN
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
June 1, 1965	394,000	June 1, 1976	735,000
December 1, 1965	405,000	December 1, 1976	756,000
June 1, 1966	417,000	June 1, 1977	778,000
December 1, 1966	429,000	December 1, 1977	801,000
June 1, 1967	441,000	June 1, 1978	823,000
December 1, 1967	454,000	December 1, 1978	847,000
June 1, 1968	467,000	June 1, 1979	872,000
December 1, 1968	481,000	December 1, 1979	897,000
June 1, 1969	494,000	June 1, 1980	922,000
December 1, 1969	509,000	December 1, 1980	949,000
June 1, 1970	523,000	June 1, 1981	976,000
December 1, 1970	538,000	December 1, 1981	1,004,000
June 1, 1971	554,000	June 1, 1982	1,033,000
December 1, 1971	570,000	December 1, 1982	1,063,000
June 1, 1972	586,000	June 1, 1983	1,093,000
December 1, 1972	603,000	December 1, 1983	1,125,000
June 1, 1973	620,000	June 1, 1984	1,157,000
December 1, 1973	638,000	December 1, 1984	1,190,000
June 1, 1974	656,000	June 1, 1985	1,225,000
December 1, 1974	675,000	December 1, 1985	1,260,000
June 1, 1975	695,000	June 1, 1986	1,296,000
December 1, 1975	715,000	December 1, 1986	1,333,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 prepayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	½ of 1 %
More than three years but not more than six years before maturity	1 %
More than six years but not more than eleven years before maturity	1 ¾ %
More than eleven years but not more than sixteen years before maturity	2 ½ %
More than sixteen years but not more than twenty-one years before maturity	3 ½ %
More than twenty-one years but not more than twenty-three years before maturity	4 ¾ %
More than twenty-three years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the expansion of the power generation and transmission facilities of the Borrower through the construction of a hydro-electric power station on the Angat River about 7 ½ kilometers upstream of the existing Ipo water supply dam plus transmission facilities to Manila. It will consist of the following :

1. An earth and rockfill dam constructed to a crest elevation of about 220 meters above sea level to provide a reservoir with useable storage capacity of about 580 million cubic meters with drawdown of 37 meters ;
2. A concrete spillway with crest elevation about 202 meters above sea level equipped with four tainter gates approximately 12.5 meters wide by 15 meters high ;
3. Power generating facilities consisting of four turbine-generator units of about 50,000 kw rating each in a main powerhouse plus one turbine-generator unit of about 6,000 kw rating in an auxiliary powerhouse, which will be constructed to allow for further expansion ;
4. Transmission facilities to Manila consisting of three 115 kv circuits plus terminal equipment in the receiving substations ; and
5. Water conduits, valves, dikes, etc. and all ancillary and control equipment for the completed installation.