

No. 8490

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

**Guarantee Agreement—*Fourth Industrial Development Bank Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the *Turkiye Sinai Kalkinma Bankasi A.S.*). Signed at Washington, on 10 August 1966**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 28 December 1966.*

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

**Contrat de garantie — *Quatrième projet de la Banque de développement industriel* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la *Turkiye Sinai Kalkinma Bankasi A.S.*). Signé à Washington, le 10 août 1966**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 28 décembre 1966.*

No. 8490. GUARANTEE AGREEMENT<sup>1</sup> (*FOURTH INDUSTRIAL DEVELOPMENT BANK PROJECT*) BETWEEN THE REPUBLIC OF TURKEY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 10 AUGUST 1966

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AGREEMENT, dated August 10, 1966, between the REPUBLIC OF TURKEY (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 Turkiye Sinai Kalkinma Bankasi A.S. (the Industrial Development Bank of Turkey, hereinafter called the Borrower), which agreement and the Schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to ten million dollars (\$10,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor 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 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, 1961,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 2 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.

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<sup>1</sup> Came into force on 10 November 1966, upon notification by the Bank to the Government of Turkey.

<sup>2</sup> See p. 208 of this volume.

*Section 1.02.* Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations shall have the respective meanings therein set forth.

### *Article II*

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

### *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 or of the T. C. Merkez Bankasi or any other institution performing the functions of a central bank 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.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to ensure 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 shall not assign, amend, abrogate or waive any provision of the Government Loan Agreement nor permit such actions without the approval of the Bank.

*Section 3.07.* The Guarantor shall not take any action or permit any of its agencies or instrumentalities to take any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and enterprise in an efficient and businesslike manner, or with the performance by the Borrower of any of its covenants, agreements and obligations under the Loan Agreement.

#### *Article IV*

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

*Article V*

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

For the Guarantor :

Maliye Bakanligi  
Hazine Genel Mudurlugu  
ve Milletlerarasi Iktisadi  
Isbirligi Teskilati Genel Sekreterligi  
Ankara, Turkey

Alternative address for cablegrams and radiograms :

Maliye  
Hazine  
Ankara

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

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

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

Republic of Turkey :

*By Zeki TOKER*  
Authorized Representative

International Bank for Reconstruction and Development :

*By SIMON ALDEWERELD*  
Vice President

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

(FOURTH INDUSTRIAL DEVELOPMENT BANK PROJECT)

AGREEMENT, dated August 10, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TURKIYE SINAI KALKINMA BANKASI A.S. (the Industrial Development Bank of Turkey, hereinafter called the Borrower), a corporation duly incorporated under the laws of the Republic of Turkey.

*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 February 15, 1961,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations).

*Section 1.02.* Wherever used in the Loan Agreement the following terms shall have the following meanings unless the context otherwise requires :

- (a) The term "Lira" and the letters "TL" mean currency of the Guarantor.
- (b) The term "foreign currency" means any currency other than the currency of the Guarantor.
- (c) The term "sub-loan" means a loan or credit made or proposed to be made out of the proceeds of the Loan to an Investment Enterprise for an Investment Project.
- (d) The term "Investment Enterprise" means an enterprise to which the Borrower proposes to grant or shall have granted a sub-loan in accordance with, and as provided in, Section 3.01 of this Agreement.
- (e) The term "Investment Project" means a specific investment project to be carried out by an Investment Enterprise.
- (f) The term "subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest shall be owned, or which shall be effectively

<sup>1</sup> See above.

controlled, by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.

(g) The term "Statutes" means the statutes of the Borrower adopted on May 12, 1950, as amended from time to time.

(h) The term "Government Loan Agreement" means the agreement between the Ministry of Finance of the Guarantor and the Borrower dated February 18, 1966, under which the Borrower was granted a long-term loan of TL 368,086,259.96.

## 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 ten million dollars (\$10,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as follows :

(a) When any Investment Project shall be approved by the Bank as in Section 3.02 of this Agreement provided, there shall be credited to the Loan Account in respect of estimated costs in foreign currency of such Investment Project, such Part of the Loan as the Bank shall have approved.

(b) There shall also be so credited, in respect of estimated costs in foreign currency of any Investment Project for which the Borrower is to make or has made a sub-loan and for which, unless the Bank otherwise agrees, no application has been submitted pursuant to Section 3.03 (a), such Part of the Loan as the Borrower shall from time to time request, but not exceeding with respect to any Investment Project such limit as shall from time to time be agreed by the Bank. Each request by the Borrower for a credit to the Loan Account pursuant to this paragraph (b) shall describe in form satisfactory to the Bank the Investment Project for which the Part of the Loan to be credited is requested and the terms and conditions of the sub-loan for such Investment Project, including the schedule of amortization therefor.

(c) Except as the Bank and the Borrower shall otherwise agree, no credit shall be made pursuant to paragraph (b) above for any proposed Investment Project in respect of which a credit has theretofore been made to a loan or credit account under this Agreement or any other agreement between the Borrower and the Bank or the Guarantor and the International Development Association.

(d) Any amount credited to the Loan Account pursuant to this Section may, by agreement between the Bank and the Borrower, be reduced by any amount which will not be required for the Investment Project in respect of which it was so credited. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

*Section 2.03.* Amounts credited to the Loan Account in respect of Investment Projects may be withdrawn from the Loan Account as provided in, and subject to the

rights of cancellation and suspension set forth in, the Loan Agreement, and each such amount shall be applied exclusively for the sub-loan for the Investment Project in respect of which such amount was credited to the Loan Account.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  of 1%) per annum on the amount of each Part of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which (i) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations, or (ii) the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (d) hereof.

*Section 2.05.* The Borrower shall pay interest on the principal amount of each Part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time such Part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity to similar borrowers. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

*Section 2.06.* 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 commitment outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

*Section 2.08.* The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such schedule shall be amended from time to time as determined by the Bank and as reasonably required (i) to conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and (ii) to take into account any cancellations pursuant to Article V of the Loan Regulations, any reductions under Section 2.02 (d) of this Agreement and any payments made by the Borrower under Section 2.09, except that payments due hereunder shall be made on January 15 and July 15 in each year. Such amendments of Schedule 1 shall include amendments of the premiums on prepayment and redemption if this is required. The amortization schedules of the sub-loans shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal plus interest, or payments of principal.



*Section 2.09.* Unless the Bank and the Borrower shall otherwise agree :

(a) (i) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity, or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a sub-loan or any part thereof, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount credited to the Loan Account in respect of such sub-loan, or to the said part thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement. The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply.

(b) Any amount repaid by the Borrower under this Section shall be applied by the Bank to payment of the maturity or maturities of the principal amount of the Loan corresponding to the maturity or maturities of the sub-loan so repaid or disposed of.

(c) The first sentence of Section 2.05 (b) of the Loan Regulations shall not apply to any repayment by the Borrower in accordance with paragraph (a) of this Section.

### Article III

#### DESCRIPTION OF PROJECT ; USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Project for which the Loan is granted is a program to contribute to the economic development of Turkey by providing loans for productive purposes to private enterprises in Turkey for specific investment projects, all in accordance with the Statutes of the Borrower, and in furtherance of the corporate purposes of the Borrower as therein set forth.

*Section 3.02.* The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such Investment Projects as shall from time to time be approved by the Bank or in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, and except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any such Investment Project, more than ninety days prior to the date on which the Bank shall have received in respect of such Project the application required under Section 3.03 or, in the case of any other Investment Project more than ninety days prior to the request for a credit to the Loan Account under Section 2.02 (b) of this Agreement.

*Section 3.03.* (a) When submitting an Investment Project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description and appraisal of such Investment Project, the terms and conditions of the Borrower's sub-loan to the Investment Enterprise, including the amortization schedule proposed therefor, and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, all requests for crediting the Loan Account shall be submitted on or before September 30, 1968.

#### 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 Borrower shall from time to time, as required, notify the Bank in writing of the person or persons designated by it as its authorized representatives for the purposes of Section 6.12 (a) of the Loan Regulations.

#### Article V

##### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and personnel and in accordance with its Statutes.

*Section 5.02.* (a) 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 Project, the Investment Enterprises, the Investment Projects, the sub-loans, and the financial condition, administration and operations of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

*Section 5.03.* (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

(b) Each sub-loan granted by the Borrower shall be granted on terms whereby the Borrower shall obtain, by written agreement or by other appropriate means, rights adequate to protect the interests of the Borrower and the Bank, including the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in the Investment Project, the operation thereof and any relevant records and documents; the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such

amounts, as shall be consistent with sound practice, and that, except as the Bank shall otherwise agree, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods ; the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise ; and the right of the Borrower to suspend and terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Enterprise to carry out the terms of such sub-loan.

*Section 5.04.* (a) The Bank and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

*Section 5.05.* Except as the Bank shall otherwise agree, the Borrower shall not increase its debt if after such increase the aggregate amount of the debt of the Borrower then outstanding would exceed an amount equal to four times the equity of the Borrower determined in accordance with this Section and with sound accounting practices. For the purposes of this Section :

(a) The term "debt" means any debt incurred by the Borrower, including debt assumed or guaranteed by the Borrower, maturing more than one year after the date on which it is originally incurred ;

(b) Debt shall be deemed to be incurred on the date when

- (i) such debt becomes outstanding and repayable in accordance with the agreement providing therefor, or
- (ii) the Borrower shall have contracted with a third party to relend the proceeds of such debt, or,
- (iii) in the case of guarantees, the Borrower shall have entered into an agreement guaranteeing such debt.

(c) The term "equity" means the sum of unimpaired paid-up share capital, reserves and undistributed earnings, plus the principal amount outstanding and not due for repayment within a year under the Government Loan Agreement and such other long-term advances or loans as the Bank shall determine to be equity for the purposes of this

Section, less such amounts as are required to cover adjustments to the stated value of assets ;

(d) Whenever in connection with this Section it shall be necessary to value in terms of Lira debt repayable in a foreign currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

*Section 5.06.* Except as the Bank shall otherwise agree, the Borrower shall not cause or permit to be created on any of its property or assets any lien except : (i) liens created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property or (ii) liens arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

*Section 5.07.* Subject to such exemption as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement,<sup>1</sup> 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 Agreement or the Bonds, or the payment of principal, interest or other charges thereunder ; provided, however, that the provisions of this Section shall not apply to taxation of 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, 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 Loan Agreement, the Guarantee Agreement or the Bonds.

*Section 5.09.* The Borrower shall duly perform all its obligations under the Government Loan Agreement. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving any provision of such agreement.

*Section 5.10.* Without the prior approval of the Bank, no repayment in advance of maturity shall be made in respect of the Government Loan Agreement.

*Section 5.11.* The Borrower shall furnish to the Bank, as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a report audited and certified by an independent auditor satisfactory to the Bank stating accurately, in accordance with consistently maintained sound accounting standards, the financial condition of the Borrower.

<sup>1</sup> See p. 200 of this volume.

*Section 5.12.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not establish any subsidiary or sell, transfer, lease or otherwise dispose of all or substantially all of its assets. In the event that the Borrower establishes or acquires any subsidiary, the Borrower shall cause such subsidiary to observe and perform the obligations of the Borrower hereunder to the extent to which the same are, or can be applied thereto, as though such obligations were binding upon such subsidiary.

*Section 5.13.* 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 and the Borrower shall otherwise agree, take all steps possible and necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

#### Article VI

##### MODIFICATION OF PRIOR LOAN AGREEMENT

*Section 6.01.* For the purposes of the loan agreement between the Bank and the Borrower dated September 10, 1953,<sup>1</sup> paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank dated October 15, 1952, is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of (i) any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement between the Borrower and the Bank or any guarantee agreement between the Guarantor and the Bank guaranteeing a loan granted under any such loan agreement, or under any bond issued pursuant to any such agreement or (ii) any covenant or agreement on the part of the Guarantor or the Borrower under any Development Credit Agreement or Project Agreement with the International Development Association.”

and the term “Loan Regulations” as used for the purposes of such 1953 loan agreement shall mean said Loan Regulations No. 4 as modified by such 1953 loan agreement and as further amended by this Article VI.

#### Article VII

##### REMEDIES OF THE BANK

*Section 7.01.* (i) If any event specified in paragraph (a), paragraph (b), or paragraph (f) of Section 5.02 of the Loan Regulations or in paragraph (c) of Section 7.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (d) of Section 7.02 of this Agreement or in paragraph (e) 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 or paragraph (b) of Section 7.02 of this Agreement 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

<sup>1</sup> United Nations, *Treaty Series*, Vol. 187, p. 71.

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 or in the Bonds to the contrary notwithstanding.

*Section 7.02.* The following additional events are specified for the purposes of Section 5.02 (*j*) of the Loan Regulations :

(*a*) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Loan Agreement or any other loan agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though such payment has been made by other persons ;

(*b*) The Statutes of the Borrower shall have been amended without the prior approval of the Bank ;

(*c*) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Guarantor and the International Development Association ;

(*d*) Any other creditor of the Borrower shall have demanded payment from the Borrower of monies lent to the Borrower, prior to the agreed maturity of any loan having an original maturity of one year or more, in accordance with the terms of such loan.

(*e*) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under any project agreement between the Borrower and the International Development Association.

#### *Article VIII*

##### EFFECTIVE DATE ; TERMINATION ; MISCELLANEOUS

*Section 8.01.* The following is specified as an additional event as a condition to the effectiveness of this Loan Agreement pursuant to paragraph (*c*) of Article 9.01 of Loan Regulations, namely : that all conditions to the effectiveness of the Development Credit Agreement of even date herewith between the Guarantor and the International Development Association shall have been fulfilled.

*Section 8.02.* If this Loan Agreement shall not have come into force and effect by December 31, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

*Section 8.03.* The Closing Date shall be December 31, 1969, or such other date as shall be agreed upon between the Bank and the Borrower.

*Section 8.04.* 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, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

For the Borrower :

Turkiye Sinai Kalkinma Bankasi A.S.  
(Industrial Development Bank of Turkey)  
Necatibey Caddesi 247, Tophane  
Istanbul, Turkey

Alternative address for cablegrams and radiograms :

Kalkinmabank  
Istanbul

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* SIMON ALDEWERELD  
Vice President

Turkiye Sinai Kalkinma Bankasi A.S. :

*By* Zeki TOKER  
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>
July 15, 1968 . . . . .	\$75,000	January 15, 1976 . . . . .	\$540,000
January 15, 1969 . . . . .	170,000	July 15, 1976 . . . . .	560,000
July 15, 1969 . . . . .	270,000	January 15, 1977 . . . . .	580,000
January 15, 1970 . . . . .	370,000	July 15, 1977 . . . . .	595,000
July 15, 1970 . . . . .	395,000	January 15, 1978 . . . . .	615,000
January 15, 1971 . . . . .	405,000	July 15, 1978 . . . . .	500,000
July 15, 1971 . . . . .	415,000	January 15, 1979 . . . . .	345,000
January 15, 1972 . . . . .	425,000	July 15, 1979 . . . . .	185,000
July 15, 1972 . . . . .	440,000	January 15, 1980 . . . . .	25,000
January 15, 1973 . . . . .	455,000	July 15, 1980 . . . . .	25,000
July 15, 1973 . . . . .	470,000	January 15, 1981 . . . . .	25,000
January 15, 1974 . . . . .	485,000	July 15, 1981 . . . . .	25,000
July 15, 1974 . . . . .	495,000	January 15, 1982 . . . . .	25,000
January 15, 1975 . . . . .	510,000	July 15, 1982 . . . . .	25,000
July 15, 1975 . . . . .	525,000	January 15, 1983 . . . . .	25,000

\* To the extent that any portion 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 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>Premiums</i>
Not more than three years before maturity . . . . .	½ %
More than three years but not more than six years before maturity . . . . .	2¼ %
More than six years but not more than eleven years before maturity . . . . .	3½ %
More than eleven years but not more than fifteen years before maturity . . . . .	5 %
More than fifteen years before maturity . . . . .	6 %

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 shall be deemed to be modified as follows :

- (1) By the deletion of Sections 2.01, 2.02 and 2.03.
- (2) By the addition to Section 2.05 of the following new paragraph as paragraph (d) :



“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(3) By the substitution in the second sentence of Section 4.03 of the words “Investment Project” for the words “the Project”.

(4) By the deletion of paragraph (c) of Section 5.02 and the substitution thereof of the following :

“(c) A default shall have occurred in the performance of (i) any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement between the Borrower and the Bank or any guarantee agreement between the Guarantor and the Bank guaranteeing a loan granted under any such loan agreement, or under any bond issued pursuant to any such agreement or (ii) any covenant or agreement on the part of the Guarantor or the Borrower under any Development Credit Agreement or Project Agreement with the International Development Association.”

(5) By the deletion of Section 5.03 and the substitution thereof of the following Section :

“SECTION 5.03. *Cancellation by the Bank.* If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) by the Closing Date any portion of the Loan shall not have been credited to the Loan Account or shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to request credits to the Loan Account and to make withdrawals from the Loan Account, as the case may be, with respect to such amount of the Loan. Upon the giving of such notice such amount of the Loan shall be cancelled.”

(6) By the deletion of Section 5.05 and the substitution thereof of the following Section :

“SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower : (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and any reduction of the Loan Account pursuant to Section 2.02 (d) of the Loan Agreement, in respect of any Part of the Loan credited to the Loan Account, shall be applied *pro rata* to the principal amounts of the several maturities which reflect such Part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank ; and (ii) any cancellation pursuant to this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule

to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any Part or Parts of the Loan reflected in such maturity."

(7) By the deletion of Section 6.04 and the substitution therefor of the following Section :

"SECTION 6.04. *Interest on Bonds ; Service Charge.* Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion of the Loan represented by such Bonds. If the rate of interest on any Bond shall be less than the rate of interest on the portion of the Loan represented by such Bonds, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such portion of the Loan at a rate equal to the difference between the interest rate on such portion of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable."

(8) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following :

"(a) Bonds representing a portion of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such portion of the Loan."

(9) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph :

"(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such portion of the Loan represented by such Bond."

(10) By the deletion of Section 9.04 and the substitution therefor of the following Section :

"SECTION 9.04. *Termination of Guarantee Agreement upon Termination of Loan Agreement.* If, in accordance with the provisions thereof, the Loan Agreement shall terminate for failure to become effective, the Guarantee Agreement and all obligations of the parties thereunder shall also terminate. The Bank shall promptly give notice of such termination to the Guarantor."

(11) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

"The term 'Loan' means the Loan provided for in the Loan Agreement, and the term 'Part of the Loan' means the amount of the Loan credited to the Loan Account in respect of an Investment Project."

(12) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“The term ‘Loan Account’ means the account on the books of the Bank to which the amount of each Part of the Loan is to be credited as provided in the Loan Agreement.”

(13) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“The term ‘goods’ means equipment, supplies and services required by Investment Enterprises to carry out Investment Projects financed out of the proceeds of the Loan.”