

No. 8095

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

Guarantee Agreement—*Second IMDBI Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Industrial and Mining Development Bank of Iran). Signed at Washington, on 12 July 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 9 February 1966.

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

Contrat de garantie — *Deuxième projet de la Banque iranienne de développement industriel et minier* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Banque iranienne de développement industriel et minier). Signé à Washington, le 12 juillet 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 9 février 1966.

No. 8095. GUARANTEE AGREEMENT¹ (*SECOND IMDBI PROJECT*) BETWEEN IRAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 JULY 1965

AGREEMENT, dated July 12, 1965 between IRAN (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 Industrial and Mining Development Bank of Iran (hereinafter called the Borrower), which agreement and the Schedule 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 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 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, 1961,² subject, however, to the modifications thereof set forth in the Schedule 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.

¹ Came into force on 14 September 1965, upon notification by the Bank of the Government of Iran.

² See p. 12 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 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 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 Bank Markazi Iran, or any other institution performing the functions of a central bank.

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 amend or abrogate the Government Advance Agreement, the Agency Agreement or the Plan Organization 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 in 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:

Ministry of Finance
Government of Iran
Teheran, Iran

Alternative address for cablegrams and radiograms :

Ministry Finance
Teheran

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.

Iran :

By KHOSROW KHOSROVANI
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 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

(SECOND IMDBI PROJECT)

AGREEMENT, dated July 12, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN (hereinafter called the Borrower), a corporation duly incorporated under the laws of Iran.

WHEREAS the Borrower has been incorporated to assist in the creation, expansion and modernization of private enterprises in Iran ; to encourage, sponsor and facilitate the participation of private capital both internal and external in such enterprises ; to provide capital for such enterprises in the form of loans or share participations ; and to promote technical, financial, managerial and administrative knowledge in Iran ;

WHEREAS by a loan agreement dated November 23, 1959¹ between the Bank and the Borrower (hereinafter called the First Loan Agreement) the Bank granted a loan to the Borrower in an amount in various currencies equivalent to 5,200,000 dollars for the purpose of assisting the Borrower in providing credits to such enterprises ;

WHEREAS such loan was guaranteed as to payments of principal, interest and other charges by Iran (hereinafter called the Guarantor) under a guarantee agreement dated November 23, 1959² ; and

WHEREAS the Bank has agreed to make a second loan to the Borrower upon the terms and conditions hereinafter set forth and on condition that such loan be guaranteed as to payment of principal, interest and other charges by the Guarantor upon the terms and conditions of a guarantee agreement of even date herewith³ between the Guarantor and the Bank ;

NOW THEREFORE, the parties hereto hereby agree as follows :

¹ United Nations, *Treaty Series*, Vol. 380, p. 252.

² United Nations, *Treaty Series*, Vol. 380, p. 246.

³ See p. 4 of this volume.

Article 1

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, 1961,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in the Schedule 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 "Government Advance Agreement" shall mean the agreement dated November 8, 1959, between the Government of Iran and the Borrower, under which the Government of Iran advanced to the Borrower, Rls. 600,000,000, and shall include such changes in said agreement as may from time to time be agreed by the parties thereto and the Bank.
- (b) The term "Agency Agreement" shall mean the agreement dated November 8, 1959, between the Government of Iran and the Borrower, under which the management of loans made by the Industrial Credit Bank of the Plan Organization and by the Bank Melli Iran out of the Revaluation Fund, in an aggregate principal amount of approximately Rls. 1,400,000,000 was transferred to the Borrower, and shall include such changes in said agreement as may from time to time be agreed by the parties thereto and the Bank.
- (c) The term "Rials" and the letters "Rls." shall mean currency of the Guarantor.
- (d) The term "Plan Organization Loan Agreement" shall mean the Agreement dated January 12, 1964 between the Plan Organization of the Guarantor and the Borrower providing for the lending of additional Rials to the Borrower in a minimum principal amount of Rls. 400,000,000, and shall include all supplemental agreements executed pursuant thereto and such changes in said Agreement and in any such supplemental agreement as may from time to time be agreed by the parties thereto and the Bank.
- (e) The term "foreign currency" shall mean any currency other than the currency of the Guarantor.
- (f) The term "Investment Enterprise" shall mean an enterprise to which the Borrower shall propose to grant or shall have granted a credit from the proceeds of the Loan, in accordance with and as provided in Section 3.01 of this Agreement.
- (g) The term "Investment Project" shall mean a specific investment project to be carried out by an Investment Enterprise, as approved in writing by the Bank pursuant to the provisions of Section 2.02 (a) (i) of this Agreement, or in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement.

¹ See p. 12 of this volume.

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. (a) The Bank shall open a Loan Account on its books in the name of the Borrower. Subject to the provisions of this Section, the amount of the Loan shall be credited to the Loan Account in installments as follows :

- (i) Following approval by the Bank of any Investment Project as in Section 3.02 provided, there shall be credited to the Loan Account, in respect of the estimated foreign currency cost of such Investment Project, such part of the Loan as the Bank shall have approved. The Loan Account shall be so credited upon request of the Borrower; provided, however, that at the time of such request there shall have been no substantial change in the Investment Project as so approved.
- (ii) There shall also be so credited, in respect of the estimated foreign currency cost of any Investment Project, 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 credit to the Loan Account pursuant to this paragraph (ii) shall describe the Investment Project for which the part of the Loan to be credited is requested, in such detail as the Bank shall reasonably request, and shall include a proposed amortization schedule for consideration by the Bank pursuant to Section 2.08 of this Agreement.
 - (b) Except as the Bank and the Borrower shall otherwise agree,
 - (i) no credit shall be made pursuant to paragraph (b) of section 2.02 of the First Loan Agreement or paragraph (i) of Section 2.02 (a) above for any Investment Project in respect of which a credit has been made pursuant to paragraph (ii) of Section 2.02 (a) above, and
 - (ii) no credit shall be made pursuant to said paragraph (ii) of Section 2.02 (a) above for an Investment Project in respect of which a credit has been made pursuant to paragraph (b) of Section 2.02 of the First Loan Agreement or paragraph (i) of Section 2.02 (a) above.
 - (c) Any amount credited to the Loan Account pursuant to paragraph (a) (i) or paragraph (a) (ii) of 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 an Investment Project 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, and shall be applied exclusively for credits for the Investment Project in respect of which such amounts were 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 amounts 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 (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) they are reduced pursuant to Section 2.02 (c) of this Agreement, in respect of the amounts by which they are reduced.

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 when 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 of each part of the Loan in accordance with the amortization schedule, including provisions for premiums on prepayment of principal in advance of maturity, to be agreed upon between the Bank and the Borrower following the crediting of the Loan Account with such part of the Loan, as the same may be amended from time to time by agreement between the Bank and the Borrower. Except as the Bank and the Borrower may otherwise agree, such amortization schedule shall not extend beyond fifteen years from the time when the Loan Account is credited and shall conform substantially to the amortization schedule applicable to the Investment Project for which such part of the Loan is to be used; provided, however, that payments due hereunder shall be made on the dates specified in Section 2.07 hereof.

Article III

DESCRIPTION OF THE 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 Iran by providing credits for productive purposes to private enterprises in Iran for specific development projects, all in accordance with the Memorandum and Articles of Association of the Borrower, as amended from time to time, 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 in writing by the Bank or in respect of which amounts have been credited to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such Investment Project more than ninety days prior to the submission of the Investment Project to the Bank for approval or, in the case of credits to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement, more than ninety days prior to the request for credit to the Loan Account.

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 of such Investment Project and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Projects pursuant to the provisions of Section 2.02 (a) (i) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement shall be submitted on or before September 30, 1967.

Section 3.04. Any credit granted by the Borrower to an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan, shall be granted on terms whereby the Borrower shall obtain, by the written agreement of such Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Borrower and of the Bank, including the right to require such 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 such Investment Project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Investment Project, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, indemnity under insurance covering marine and transit risks on the goods financed out of the proceeds of the Loan shall be payable in the currency in which the cost of such goods shall be payable or in a currency freely convertible to such currency; and 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 such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such Investment Enterprise to the use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such credit.

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 in accordance with its Memorandum and Articles of Association, as amended from time to time.

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 and the administration, operations and financial condition 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. 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.

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, 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, the maintenance of the service thereof and the administration, operations and financial condition of the Borrower. 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 5.05. Except as the Bank shall otherwise agree, the Borrower shall not increase its outstanding debt if after such increase the aggregate amount of outstanding debt of the Borrower would exceed an amount equal to three 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 of the Borrower, other than the debt described in paragraph (c) (ii) below, maturing more than one year after the date on which it is originally incurred and shall include such debt assumed or guaranteed by the Borrower;
- (b) debt shall be deemed to become outstanding when (i) such debt becomes a repayable obligation of the Borrower in accordance with the agreement providing therefor, or, (ii) in the case of debt assumed or guaranteed by the Borrower, the Borrower enters into an agreement assuming or guaranteeing such debt;
- (c) the term "equity" means the sum of (i) unimpaired paid-up share capital plus surplus and free reserves of the Borrower and (ii) the total amount outstanding of advances from the Guarantor pursuant to the Government Advance Agreement;
- (d) the term "free reserves" shall not include any reserve or provision of the Borrower for bad or doubtful debts ; and
- (e) the equivalent in currency of the Guarantor of amounts in any other currency shall be determined on the basis of the lawful rate of exchange at which such other currency may be obtained by the Borrower on the date proposed for an increase in outstanding debt.

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any subsidiary 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 ; 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.

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, 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. (a) The Borrower shall not propose to its shareholders any amendment to its Memorandum or Articles of Association without the approval of the Bank.

(b) The Borrower shall duly perform all its obligations under the Government Advance Agreement, the Agency Agreement and the Plan Organization 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, or of amending, abrogating or waiving any provision of, any 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 Advance Agreement or the Plan Organization Loan Agreement.

Section 5.11. The Borrower shall establish and maintain adequate reserves. For this purpose the Borrower shall, before declaring or paying dividends or making any distribution on any shares of its capital stock (other than a dividend payable solely in shares of its capital stock), set aside as a reserve or reserves such sums as shall be appropriate in the light of the operations and financial condition of the Borrower and the nature of its business. The Bank and the Borrower shall consult from time to time about the level of reserves to be established and maintained.

Section 5.12. The Borrower shall cause its accounts to be audited, and its financial statements, including its balance sheet and statement of profit and loss, to be certified, at least once each year by qualified independent auditors satisfactory to the Bank.

Section 5.13. 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 can be applied thereto, as though such obligations were binding upon such subsidiary.

Article VI

MODIFICATION OF FIRST LOAN AGREEMENT

Section 6.01. For the purposes of the loan agreement between the Bank and the Borrower dated November 23, 1959, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank dated June 15, 1956 is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the loan agreement dated July 12, 1965, between the Bank and the Borrower, the Guarantee Agreement of even date therewith or the Bonds therein provided for.”

and the term “Loan Regulations” as used for the purposes of said 1959 loan agreement shall mean said Loan Regulations No. 4 as modified by Schedule 2 to said 1959 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), 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) or pursuant to paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 7.02. The following additional event is specified for the purposes of Section 5.02 (j) of the Loan Regulations, namely, that the Memorandum or Articles of Association of the Borrower, as amended, shall have been further amended without the prior approval of the Bank.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1968, or such other date as shall be agreed upon between the Bank and the Borrower.

Section 8.02. 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, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

Industrial and Mining Development Bank of Iran
284 Boulevard Elizabeth Second
Post Office Box 1801
Teheran, Iran

Alternative address for cablegrams and radiograms :

Inmidel
Teheran

Section 8.03. A date 90 days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

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

Industrial and Mining Development Bank of Iran :

By James S. ADAMS
Authorized Representative

SCHEDULE

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 deletion of paragraphs (a) and (b) of Section 2.05 and the substitution therefor of the following paragraphs :

“(a) The principal of each part of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule agreed upon between the Bank and the Borrower in respect of such part of the Loan pursuant to Section 2.08 of the Loan Agreement.

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premiums specified in the applicable amortization schedule, and upon not less than forty-five days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such payment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(3) 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.”

(4) By the deletion of paragraph (a) of Section 3.03 and the substitution thereof of the following paragraph :

“(a) The principal of each part of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase.”

(5) By the deletion of paragraph (c) of Section 3.03 and the substitution thereof of the following paragraph :

“(c) Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such installments, not inconsistent with the installments set forth in the amortization schedule applicable to the part of the Loan in respect of which the repayment is made, as the Bank shall specify.”

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

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

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds or under the loan agreement between the Borrower and the Bank dated November 23, 1959, the Guarantee Agreement of even date therewith or the bonds therein provided for.”

(8) 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, any cancellation pursuant to this Article or any reduction of the Loan Account pursuant to Section 2.02 (c) of the Loan Agreement in respect of any part of the Loan credited to the Loan Account shall be applied *pro rata* to the several maturities of the principal amount of such part of the Loan as set forth in the amortization schedule applicable thereto, except that the principal amount of any such maturity so cancelled shall not exceed the amount of such maturity remaining after deducting the principal amount of Bonds of such maturity theretofore delivered or requested pur-

suant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank.”

(9) By the insertion of the words “of each part” after the word “amount” in Section 6.01.

(10) By the substitution of the words “the part of the Loan represented by such Bonds” for the words “the Loan”, wherever they occur in Section 6.02.

(11) 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 part 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 part of the Loan represented by such Bond, 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 part of the Loan at a rate equal to the difference between the interest rate on such part 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.”

(12) By the deletion of Section 6.05 and the substitution therefor of the following Section :

“SECTION 6.05. *Currency in Which Bonds Are Payable.* Bonds shall be payable as to principal and interest in the several currencies in which the part of the Loan represented by such Bonds is repayable. Each Bond delivered pursuant to any request under Section 6.03 or under Section 6.11 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds representing a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.”

(13) By the deletion of Section 6.06 and the substitution therefor of the following Section :

“SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of the principal amounts of the several parts of the Loan represented thereby as set forth in the amortization schedules applicable thereto. The Bonds delivered pursuant to any request under Section 6.03 or under Section 6.11 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding installment of the principal amount of the part of the Loan represented by such Bonds.”

(14) By the insertion of the words “of the part” after the word “amount” in the last sentence of Section 6.09.

(15) By the deletion of the first sentence of paragraph (a) of Section 6.11 and the substitution therefor of the following sentence :

“(a) Bonds representing a part 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 part of the Loan.”

(16) By the deletion of paragraphs (a) and (b) of Section 6.16 and the substitution therefor of the following paragraphs :

“(a) Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule applicable to the part of the Loan represented by such Bonds.

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part 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 part of the Loan represented by such Bond.”

(17) 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 portion of the Loan credited to the Loan Account in respect of an Investment Project.”

(18) 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.”

(19) 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.”