

No. 8661

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

Guarantee Agreement—*Fourth Power Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the National Power Corporation). Signed at Washington, on 5 April 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 23 June 1967.

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

Contrat de garantie — *Quatrième projet relatif à l'énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la National Power Corporation). Signé à Washington, le 5 avril 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 juin 1967.

No. 8661. GUARANTEE AGREEMENT¹ (*FOURTH POWER PROJECT*) BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 5 APRIL 1967

AGREEMENT, dated April 5, 1967, 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 twelve million dollars (\$12,000,000) 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, 1961 as amended February 9, 1967³ (said Loan Regulations No 4 as so amended being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

¹ Came into force on 12 June 1967, upon notification by the Bank to the Government of the Philippines

² See p. 318 of this volume

³ See p. 270 of this volume

Article II

Section 2.01 Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, 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 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, 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 agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the 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 grant or cause to be granted to the Borrower rates at such levels as shall be sufficient to meet the requirements of Section 5.09 of the Loan Agreement.

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

MODIFICATION OF SECOND AND THIRD GUARANTEE AGREEMENTS

Section 5.01. The Second and Third Guarantee Agreements are each amended by the deletion of Section 3.07 thereof and the substitution therefor of the following Section :

“*Section 3.07.* The Guarantor covenants that it will grant or cause to be granted to the Borrower rates at such levels as shall provide revenues at least sufficient, after covering all operating expenses of the Borrower, to produce a reasonable annual rate of return on its net revalued fixed assets in operation for each fiscal year in accordance with Section 5 08 of the Loan Agreement.”

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Secretary of Finance
Department of Finance
Manila, Philippines

Alternative address for cables and radiograms

Secfinance
Manila

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 cables and radiograms :

Intbafrad
Washington, D.C.

Section 6.02. The Secretary 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 the Philippines :

By Benjamin ROMUALDEZ

Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP

Vice President

LOAN REGULATIONS No 4 DATED FEBRUARY 15, 1961,
AS AMENDED FEBRUARY 9, 1967

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

Article I

PURPOSE ; APPLICATION TO LOAN AND GUARANTEE AGREEMENTS

SECTION 1.01. *Purpose.* The purpose of these Regulations is to set forth certain terms and conditions generally applicable to loans made by the Bank to borrowers other than its members.

SECTION 1.02. *Application of Regulations.* Any loan agreement between the Bank and a borrower other than a member and any guarantee agreement between the Bank and a member may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided in any such agreement, these Regulations shall apply thereto and shall govern the rights and obligations thereunder of the parties thereto with the same force and effect as if they were fully set forth therein. No revocation or amendment of these Regulations shall be effective in respect of any such agreement unless the parties thereto shall so agree.

SECTION 1.03. *Inconsistency with Loan and Guarantee Agreements.* If any provision of a loan agreement or guarantee agreement is inconsistent with a provision of these Regulations, the provision of the loan agreement or guarantee agreement, as the case may be, shall govern.

Article II

LOAN ACCOUNT ; INTEREST AND OTHER CHARGES ; REPAYMENT , PLACE OF PAYMENT

SECTION 2.01. *Loan Account.* The amount of the Loan shall be credited to a Loan Account which the Bank shall open on its books in the name of the Borrower. The amount of the Loan may be withdrawn from the Loan Account as provided in the Loan Agreement and in these Regulations.

SECTION 2.02. *Commitment Charge.* A commitment charge at the rate specified in the Loan Agreement shall be payable on the unwithdrawn amount of the Loan. Such commitment charge shall accrue from a date 60 days after the date of the Loan Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account or shall be cancelled.

SECTION 2.03. *Interest.* Interest at the rate specified in the Loan Agreement shall be payable on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

SECTION 2.04. *Computation of Interest and Other Charges.* Interest and all other charges shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2.05. *Repayment.* (a) The principal amount of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule to the Loan Agreement

(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premium specified in said amortization schedule, and upon not less than 45 days' notice to the Bank, to repay in advance of maturity (1) all of the principal amount of the Loan at the time outstanding or (11) all of the principal amount of any one or more maturities, provided that on the date of such prepayment there shall not be outstanding any portion 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 the Loan to be prepaid, the terms and conditions of prepayment of that portion of the Loan shall be those set forth in Section 6.16 and in such Bonds.

(c) It is the policy of the Bank to encourage the repayment prior to maturity of portions of its loans retained by the Bank for its own account. Accordingly, the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower that the Bank waive the payment of any premium payable under paragraph (b) of this Section or under Section 6.16 on repayment of any portions of the Loan or Bonds which the Bank has not sold or agreed to sell.

SECTION 2.06. *Place of Payment.* The principal (including premium, if any) of, and interest and other charges on, the Loan shall be paid at such places as the Bank shall reasonably request. The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid at the places specified in the

- (i) the Bank and the Borrower, with the approval of the Guarantor, may from time to time agree that any such portion of the Loan, or of any other loan made by the Bank to the Borrower, repayable in one currency may be made repayable in one or more other currencies, and from the date specified in such agreement such portion of the Loan or of such other loan shall be repayable in such other currency or currencies ; and
- (ii) the Bank, with the approval of the Guarantor, may from time to time by notice to the Borrower interchange equivalent portions of any loan (including the Loan) outstanding between the Borrower and the Bank and any other such loan or loans repayable in different currencies under the provisions of paragraph (a) of this Section or under similar provisions of loan regulations of the Bank applicable to the loan agreements under which the loans in question were made, provided that after such interchange the aggregate amount to be repaid in any currency in respect of the loans in question, and the amounts of the maturities set forth in the respective amortization schedules applicable to the repayment of such loans, shall not be varied.

SECTION 3.04. *Currency in Which Interest Is Payable.* Interest on any portion of the Loan shall be payable in the currency in which the principal of such portion of the Loan is repayable

SECTION 3.05. *Currency in Which Commitment Charge Is Payable.* The commitment charge and the charge for any special commitment pursuant to Section 4.02 shall be payable in the currency in which the Loan is denominated

SECTION 3 06 *Purchase of Currencies.* The Bank will, at the request of the Borrower and on such terms and conditions as the Bank shall determine, purchase any currency needed by the Borrower for payment of principal, interest and other charges required under the Loan Agreement upon payment by the Borrower of sufficient funds therefor in a currency or currencies to be specified by the Bank from time to time. In purchasing the currencies required the Bank shall be acting as agent of the Borrower and the Borrower shall be deemed to have made any payment required under the Loan Agreement only when and to the extent that the Bank has received such payment in the currency or currencies required.

SECTION 3 07 *Valuation of Currencies* Whenever it shall be necessary for the purposes of the Loan Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

SECTION 3 08 *Exchange Restrictions.* Any payment required under the Loan Agreement to be made to the Bank in the currency of any country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Bank with a depository of the Bank in such country.

Article IV

WITHDRAWAL OF PROCEEDS OF LOANS

SECTION 4 01 *Withdrawal from the Loan Account.* The Borrower shall be entitled to withdraw from the Loan Account (i) such amounts as shall have been paid for the reasonable cost of goods to be financed under the Loan Agreement ; and (ii), if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective Date or (b) expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor or (c) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

SECTION 4 02. *Special Commitments by the Bank.* Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Bank and the Borrower, the Bank may enter into special commitments in writing to pay amounts to the Borrower or others in respect of the cost of goods notwithstanding any subsequent suspension or cancellation.

SECTION 4 03 *Applications for Withdrawal or for Special Commitment.* When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to enter into a special commitment pursuant to Section 4.02, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures for the Project

SECTION 4.04. *Supporting Evidence.* The Borrower shall furnish to the Bank such documents and other evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application

SECTION 4.05. *Sufficiency of Applications and Documents.* Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Bank that the Borrower is entitled to withdraw from the Loan Account the amount applied for and that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in the Loan Agreement.

SECTION 4.06. *Payment by the Bank.* Payment by the Bank of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Borrower.

Article V

CANCELLATION AND SUSPENSION

SECTION 5 01 *Cancellation by the Borrower.* The Borrower may by notice to the Bank cancel any amount of the Loan which the Borrower shall not have withdrawn prior to the giving of such notice, except that the Borrower may not so cancel any amount of the Loan in respect of which the Bank shall have entered into a special commitment pursuant to Section 4 02.

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

- (a) A default shall have occurred in the payment of principal or interest or any other payment required under the Loan Agreement or the Bonds.
- (b) A default shall have occurred in the payment of principal, interest, service charge or any other payment required under any other loan agreement between the Bank and the Borrower, or any loan agreement or guarantee agreement between the Guarantor and the Bank, or under any bond delivered pursuant to any such agreement or under any credit agreement between the Borrower or the Guarantor and the Association
- (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.
- (d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the Loan Agreement or the Guarantee Agreement or the Bonds
- (e) The Borrower shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by the Borrower or by others whereby any of the property of the Borrower shall or may be distributed among its creditors.
- (f) The Guarantor or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of its operations
- (g) The Guarantor shall have been suspended from membership in or ceased to be a member of the Bank.
- (h) The Guarantor shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund¹ or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund

¹ United Nations, *Treaty Series*, Vol. 2, p 40, and Vol. 19, p 280

- (i) After the date of the Loan Agreement and prior to the Effective Date any event shall have occurred which would have entitled the Bank to suspend the Borrower's right to make withdrawals from the Loan Account if the Loan Agreement and the Guarantee Agreement had been effective on the date such event occurred
- (j) Prior to the Effective Date, any material adverse change in the condition of the Borrower, as represented or warranted to the Bank, shall have occurred.
- (k) The Borrower or the Guarantor shall have failed to fulfill an obligation to make payment of principal, interest, service charge or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement between the Borrower and the Bank, loan agreement or guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Borrower or the Guarantor and the Association, notwithstanding the fact that such payment is made by a third party.
- (l) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

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

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 date specified in the Loan Agreement as the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Loan shall be cancelled

SECTION 5.04. *Amounts Subject to Special Commitment Not Affected by Cancellation or Suspension by the Bank* No cancellation or suspension by the Bank shall apply to amounts subject to any special commitment entered into by the Bank pursuant to Section 4 02 except as expressly provided in such commitment

SECTION 5 05 *Application of Cancellation to Maturities of the Loan.* Except as otherwise agreed between the Bank and the Borrower, any cancellation shall be applied *pro rata* to the several maturities of the principal amount of the Loan as set forth in the amortization schedule to the Loan Agreement, 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 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

SECTION 5.06 *Effectiveness of Provisions after Suspension or Cancellation.* Notwithstanding any cancellation or suspension, all the provisions of these Regulations, the Loan Agreement and the Guarantee Agreement shall continue in full force and effect except as in this Article specifically provided

Article VI

BONDS

SECTION 6.01 *Delivery of Bonds* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan and having the guarantee of the Guarantor endorsed thereon, all as hereinafter in this Article provided

SECTION 6.02 *Payments on Bonds* The payment of the principal of any Bonds shall *pro tanto* discharge the obligation of the Borrower to repay the principal of the Loan, and the payment of interest on any Bonds and of the service charge, if any, provided for in Section 6.04, shall *pro tanto* discharge the obligation of the Borrower to pay interest on the Loan

SECTION 6.03 *Time of Delivery of Bonds.* If and as the Bank shall from time to time request, the Borrower shall, as soon as practicable and within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such request, execute and deliver to or on the order of the Bank Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding at the time of such request and for which Bonds shall not theretofore have been so delivered or requested

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

SECTION 6.05 *Currency in Which Bonds Are Payable* The Bonds shall be payable as to principal and interest in the several currencies in which the Loan 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 payable in any currency shall at no time exceed the outstanding amount of the Loan repayable in such currency

SECTION 6 06 *Maturities of Bonds* The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in the amortization schedule to the Loan Agreement. 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 instalment of the principal amount of the Loan.

SECTION 6 07 *Form of Bonds and of Guarantee* The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds as the Bank shall request. Registered Bonds payable in dollars shall be substantially in the form set forth in Schedule 1 to these Regulations. Coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms set forth in Schedule 2 to these Regulations. The form of guarantee to be endorsed by the Guarantor upon the Bonds shall be substantially as set forth in Schedule 3 to these Regulations. Bonds payable in any currency other than dollars and the guarantee endorsed thereon shall be substantially in the forms set forth in Schedules 1 and 3 or 2 and 3 to these Regulations, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

SECTION 6 08. *Printing or Engraving of Bonds.* Except as the Bank and the Borrower shall otherwise agree and subject to the provisions of Section 6 11 (b), the Bonds shall be either (a) printed or lithographed on an engraved base having an engraved border or (b) fully engraved in conformity with the requirements of the leading securities exchange in the country in whose currency such Bonds are payable.

SECTION 6 09. *Date of Bonds* Each registered Bond shall be dated the semi-annual interest payment date on which or next preceding the date on which it shall be executed and delivered. Each coupon Bond shall be dated six months prior to the first semi-annual interest payment date after the Effective Date except as the Bank and the Borrower shall otherwise agree, and shall be delivered with all unmatured coupons attached. Upon any delivery of Bonds appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrower in respect of commitment charge or interest and service charge, if any, on the principal amount of the Loan represented by such Bonds.

SECTION 6.10. *Denominations of Bonds* The Borrower shall authorize the issuance of Bonds in such denominations as the Bank shall reasonably request. The Bonds delivered pursuant to any request under Section 6 03 or under Section 6.11 shall be in such authorized denominations as the Bank shall specify in such request.

SECTION 6.11 *Exchange of Bonds* The Borrower shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Bonds theretofore executed and delivered to it, new Bonds in accordance with the following provisions :

- (a) Bonds 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 the Loan.
- (b) Bonds initially issued which are not fully engraved in accordance with the provisions of Section 6.08 (b) may be exchanged for such fully engraved Bonds.
- (c) Bonds payable in one currency may, subject to the provisions of Sections 6.05 and 6.06, be exchanged for a like aggregate principal amount of Bonds payable in the same or any other currency in which the Loan is repayable.
- (d) The Bank shall reimburse the Borrower for the reasonable cost of any exchange made pursuant to paragraphs (a) or (c) above. Any exchange made pursuant to paragraph (b) above or any exchange by the Bank of registered Bonds in large denominations for registered or coupon Bonds in smaller authorized denominations for purposes of sale by the Bank shall be without charge to the Bank.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Bonds. Except as in this Section expressly provided, exchanges of Bonds pursuant to this Section shall be subject to all provisions of the Bonds relating to exchanges.

SECTION 6.12. *Execution of Bonds and Guarantee* (a) The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative or representatives designated in the Loan Agreement for the purposes of this Section. The signature of any such representative may be a facsimile signature if the Bonds are also manually countersigned by an authorized representative of the Borrower. Coupons attached to coupon Bonds shall be authenticated by the facsimile signature of an authorized representative of the Borrower. If any authorized representative of the Borrower whose manual or facsimile signature shall be affixed to any Bond or coupon shall cease to be such authorized representative, such Bond or coupon may nevertheless be delivered, and shall be valid and binding on the Borrower, as though the person whose manual or facsimile signature shall have been affixed to such Bond or coupon had not ceased to be such authorized representative.

(b) The guarantee on the Bonds shall be signed in the name and on behalf of the Guarantor by its authorized representative or representatives designated in the Guarantee Agreement for the purposes of this Section. The signature of any such representative may be a facsimile signature if such guarantee is also countersigned manually by an authorized representative of the Guarantor. If any authorized representative of the Guarantor whose manual or facsimile signature shall be affixed to any such guarantee shall cease to be such authorized representative, the Bond on which such guarantee is endorsed may nevertheless be delivered under the Loan Agreement and such guarantee

shall be valid and binding on the Guarantor as though the person whose manual or facsimile signature shall have been affixed to such guarantee had not ceased to be such authorized representative

SECTION 6 13 *Registration and Transfer of Registered Bonds.* The Borrower shall maintain, or cause to be maintained, books for the registration and transfer of registered Bonds

SECTION 6 14 *Qualification and Listing of Bonds* The Borrower and the Guarantor shall promptly furnish to the Bank such information and execute such applications and other documents as the Bank shall reasonably request in order to enable the Bank to sell any of the Bonds in any country, or to list any of the Bonds on any securities exchange, in compliance with applicable laws and regulations. To the extent necessary to comply with the requirements of any such exchange, the Borrower and the Guarantor shall, if the Bank shall so request, appoint and maintain an agency for authentication of such Bonds.

SECTION 6 15 *Guarantee by the Bank of Payments on Bonds.* If the Bank shall sell any Bond and shall guarantee any payment thereunder, the Borrower shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrower and the Guarantor to make payment in accordance with the terms of such Bond

SECTION 6.16 *Redemption of Bonds.* (a) The 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 to the Loan Agreement

(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the Loan, 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 to such date on the principal amount of the Loan represented by such Bond.

SECTION 6 17 *Rights of Holders of Bonds* No holder (other than the Bank) of any Bond shall, by virtue of being the holder thereof, be entitled to exercise any rights under the Loan Agreement or the Guarantee Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Bond or of any guarantee endorsed thereon.

SECTION 6 18 *Delivery of Promissory Notes in Lieu of Bonds.* At the request of the Bank the Borrower shall execute and deliver to the Bank promissory notes in lieu of Bonds Each note shall be payable to the order of such payee or payees, and at such place within the country in which the note is payable, as the Bank shall specify, and shall be dated the interest payment date next preceding the date of its delivery. Such note shall be in such customary form as the Bank and the Borrower shall mutually agree upon

in order to conform to the laws or financial usage of the place where it is payable. Except as otherwise expressly provided in this Section or where the context otherwise requires, references in these Regulations and the Loan Agreement and Guarantee Agreement to Bonds shall include any promissory notes executed and delivered under this Section

SECTION 6.19 *Legal Opinions* Upon the execution and delivery of any Bonds pursuant to this Article, the Borrower shall promptly at the Bank's request furnish to the Bank an opinion or opinions of counsel acceptable to the Bank confirming as of the date of delivery of such Bonds that such Bonds constitute valid and binding obligations of the Borrower in accordance with their terms and that the guarantee endorsed thereon constitutes a valid and binding obligation of the Guarantor in accordance with its terms

Article VII

ENFORCEABILITY OF LOAN AGREEMENT AND GUARANTEE AGREEMENT ; FAILURE TO EXERCISE RIGHTS ; ARBITRATION

SECTION 7.01. *Enforceability* The rights and obligations of the Bank, the Borrower and the Guarantor under the Loan Agreement, the Guarantee Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower nor the Guarantor shall be entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or of the Loan Agreement, the Guarantee Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

SECTION 7.02 *Obligations of the Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower, any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan, any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof, any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.

SECTION 7.03 *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under the Loan Agreement or Guarantee Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect

or impair any right, power or remedy of such party in respect of any other or subsequent default

SECTION 7.04 *Arbitration* (a) Any controversy between the parties to the Loan Agreement or the parties to the Guarantee Agreement and any claim by any such party against any other such party arising under the Loan Agreement, the Guarantee Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided

(b) The parties to such arbitration shall be the Bank on the one side and the Borrower and the Guarantor on the other side

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank, a second arbitrator shall be appointed by the Borrower and the Guarantor or, if they shall not agree, by the Guarantor; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration and the nature of the relief sought. Within 30 days after the giving of such notice, each side shall notify the other side of the arbitrator appointed by it

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

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

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

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

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

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder or under the Bonds.

(k) If within 30 days after counterparts of the award shall be delivered to the parties the award shall not be complied with, any party may enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party, may enforce such judgment by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award, the provisions of the Loan Agreement or the Bonds. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Guarantor except as such procedure may be available against the Guarantor otherwise than by reason of the provisions of this Section.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made upon the Bank, upon the Borrower and (to the extent that such proceeding is available against the Guarantor) upon the Guarantor in the manner provided in Section 8.01. The parties to the Loan Agreement and the Guarantee Agreement waive any and all other requirements for the service of any such notice or process.

Article VIII

MISCELLANEOUS PROVISIONS

SECTION 8.01. *Notices and Requests*. Any notice or request required or permitted to be given or made under the Loan Agreement or Guarantee Agreement and any agreement between any of the parties contemplated by the Loan Agreement or the Guarantee Agreement shall be in writing. Except as otherwise provided in Section 9.03, such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Loan Agreement or Guarantee Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 8.02. *Evidence of Authority*. The Borrower and the Guarantor shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV and the Bonds or who will, on behalf of the

Borrower or the Guarantor, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under the Loan Agreement or by the Guarantor under the Guarantee Agreement, and the authenticated specimen signature of each such person.

SECTION 8 03. *Action on Behalf of the Guarantor.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Guarantee Agreement on behalf of the Guarantor may be taken or executed by the representative of the Guarantor designated in the Guarantee Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Guarantee Agreement may be agreed to on behalf of the Guarantor by written instrument executed on behalf of the Guarantor by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Guarantor under the Guarantee Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Guarantee Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Guarantor thereunder.

SECTION 8 04 *Execution in Counterparts.* The Loan Agreement and the Guarantee Agreement may each be executed in several counterparts, each of which shall be an original. All such counterparts of either Agreement shall collectively be but one instrument.

Article IX

EFFECTIVE DATE ; TERMINATION

SECTION 9.01. *Conditions Precedent to Effectiveness of Loan Agreement and Guarantee Agreement* The Loan Agreement and Guarantee Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank :

- (a) that the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary corporate and governmental action ;
- (b) that the execution and delivery of the Guarantee Agreement on behalf of the Guarantor have been duly authorized or ratified by all necessary governmental action ;
- (c) if the Bank shall so request, that the condition of the Borrower, as represented or warranted to the Bank at the date of the Loan Agreement, has undergone no material adverse change between such date and the date agreed upon between the Borrower and the Bank for the purposes of this Section ; and
- (d) that all other events specified in the Loan Agreement as conditions to effectiveness have occurred

SECTION 9 02 *Legal Opinions* As part of the evidence to be furnished pursuant to Section 9.01, there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing

(a) on behalf of the Borrower

- (i) that the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms ,
- (ii) that the Bonds when executed and delivered in accordance with the Loan Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms and that, except as stated in such opinion, no signatures or formalities other than those provided for in the Loan Agreement are required for that purpose ,

(b) on behalf of the Guarantor

- (i) that the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor and constitutes a valid and binding obligation of the Guarantor in accordance with its terms ,
- (ii) that the guarantee on the Bonds when executed and delivered in accordance with the Guarantee Agreement will constitute a valid and binding obligation of the Guarantor in accordance with its terms and that, except as stated in such opinion, no signatures or formalities other than those provided for in the Guarantee Agreement are required for that purpose , and

(c) such other matters as shall be specified in the Loan Agreement.

SECTION 9 03 *Effective Date* Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9 01.

SECTION 9 04 *Termination of Loan Agreement and Guarantee Agreement for Failure to Become Effective.* If the Loan Agreement shall not have come into force and effect by the date specified in the Loan Agreement for the purposes of this Section, the Loan Agreement and the Guarantee Agreement and all obligations of the parties thereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

SECTION 9.05. *Termination of Loan Agreement and Guarantee Agreement on Full Payment* If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, the Loan Agreement and the Guarantee Agreement and all obligations of the parties thereunder shall forthwith terminate

Article X

DEFINITIONS ; HEADINGS

SECTION 10 01. *Definitions* Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or any Schedule hereto or in a loan agreement or guarantee agreement to which these Regulations have been made applicable

1. The term "Bank" means International Bank for Reconstruction and Development, and the term "Association" means International Development Association
2. The term "member" means a member of the Bank.
3. The term "Loan Agreement" means the particular loan agreement to which these Regulations shall have been made applicable, as amended from time to time ; and such term includes these Regulations as thus made applicable, all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement
4. The term "Loan" means the loan provided for in the Loan Agreement
5. The term "Guarantee Agreement" means the agreement between a member and the Bank providing for the guarantee of the Loan, as amended from time to time , and such term includes these Regulations as thus made applicable, all agreements supplemental to the Guarantee Agreement and all schedules to the Guarantee Agreement
6. The term "Borrower" means the party to the Loan Agreement to which the Loan is made ; and the term "Guarantor" means the member of the Bank which is a party to the Guarantee Agreement.
- 7 The term "currency" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to, whether or not such government is a member Whenever reference is made to the currency of the Guarantor, the term "currency" includes the currencies of all colonies and territories on whose behalf at the time referred to the Guarantor has accepted membership in the Bank.
8. The term "dollars" and the sign "\$" mean dollars in currency of the United States of America
9. The term "Bonds" means bonds executed and delivered by the Borrower pursuant to the Loan Agreement ; and such term includes any such bonds issued in exchange for, or on transfer of, Bonds as herein defined
10. The term "Loan Account" means the account on the books of the Bank to which the amount of the Loan is to be credited as provided in Section 2 01
11. The term "Project" means the project or projects or program or programs for which the Loan is granted, as described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower
12. The term "goods" means equipment, supplies and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be

deemed to include the cost of importing such goods into the territories of the Guarantor.

13. The term "external debt" means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium
14. The term "Effective Date" means the date on which the Loan Agreement and Guarantee Agreement shall come into force and effect as provided in Section 9.03.
15. The term "lien" shall include mortgages, pledges, charges, privileges and priorities of any kind.
16. The term "assets" shall include revenues and property of any kind.
17. The terms "tax" and "taxes" shall include imposts, levies, fees and duties of any nature, whether in effect at the date of the Loan Agreement or Guarantee Agreement or thereafter imposed.
18. Wherever reference is made to the incurring of debt such reference shall include the assumption and guarantee of debt

References in these Regulations to Articles or Sections are to Articles or Sections of these Regulations, references in a loan agreement or a guarantee agreement to Articles or Sections are to Articles or Sections of such agreement

SECTION 10 02 *Headings*. The headings of the Articles and Sections and the Table of Contents¹ are inserted for convenience of reference only and are not a part of these Regulations

SCHEDULE 1

FORM OF REGISTERED BOND WITHOUT COUPONS PAYABLE IN DOLLARS

\$ 000	\$ 000
No. 000	No 000

[NAME OF BORROWER]

GUARANTEED SERIAL BOND DUE

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to _____, or registered assigns, on the _____ day of _____, 19 _____, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of _____ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of _____ per centum (%) per annum, payable semi-annually on _____ and _____ until payment of said principal sum has been made or duly provided for

¹ Not published.

This Bond is one of an authorized issue of bonds in various currencies equivalent to an aggregate principal amount of _____, known as the Guaranteed Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated _____ between International Bank for Reconstruction and Development (hereinafter called the Bank) and [the Borrower] and guaranteed by [name of Guarantor] in accordance with the terms of a Guarantee Agreement dated _____ between [name of Guarantor] and the Bank. No reference herein to said Agreements shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

This Bond is transferable by the registered holder hereof, or by his attorney duly authorized in writing, at said office or agency of [the Borrower] in the Borough of Manhattan, upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the transfer and upon surrender of this Bond for cancellation, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer. Upon any such transfer a new fully registered Bond or Bonds, without coupons, of authorized denominations, of the same maturity, payable in the same currency, and in the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity, payable in the same currency, and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity, payable in the same currency, and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond 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 following respective percentages of such principal amount: [insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time,

provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds or any portion of the Loan provided for in said Loan Agreement maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies, fees or duties of any nature now or at any time hereafter imposed under the laws of [name of Guarantor] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [name of Guarantor]*

[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid

This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto]

[Signature, attestation, authentication, as may be appropriate]

Dated

Note : Italicized provisions may be omitted if Borrower desires.

FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED

hereby sell, assign and transfer unto the within Bond issued by [NAME OF BORROWER] and hereby irrevocably authorize said [Borrower] to transfer said Bond on its books.

Dated

Witness :
.....

SCHEDULE 2

FORM OF COUPON BOND PAYABLE IN DOLLARS

\$ 000
No. 000

\$ 000
No. 000

[NAME OF BORROWER]

GUARANTEED SERIAL BOND DUE

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to the bearer hereof, on the _____ day of _____, 19____, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the

sum of _____ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of _____ per centum (_____ %) per annum, payable semi-annually on _____ and _____ until payment of said principal sum has been made or duly provided for, but until the maturity hereof only upon presentation and surrender of the coupons hereto attached as they severally mature

This Bond is one of an authorized issue of bonds in various currencies equivalent to an aggregate principal amount of _____, known as the Guaranteed Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated _____ between International Bank for Reconstruction and Development (hereinafter called the Bank) and [the Borrower] and guaranteed by [name of Guarantor] in accordance with the terms of a Guarantee Agreement dated _____ between [name of Guarantor] and the Bank. No reference herein to said Agreements shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity, payable in the same currency, and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity, payable in the same currency, and in the same aggregate principal amount

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond 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 following respective percentages of such principal amount: [insert percentages set forth in the amortization schedule to the Loan Agreement] All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be

outstanding any Bonds or any portion of the Loan provided for in said Loan Agreement maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies, fees or duties of any nature now or at any time hereafter imposed under the laws of [name of Guarantor] or laws in effect in its territories, *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [name of Guarantor]*

[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.

This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation]

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto] and the coupons for said interest bearing the facsimile signature of its [insert title or name of official] to be attached hereto.

[Signature, attestation, authentication, as may be appropriate]

Dated

Note : Italicized provisions may be omitted if Borrower desires

FORM OF COUPON

On the day of, 19 .., unless the Bond mentioned below shall have been called for previous redemption and payment duly provided therefor, [NAME OF BORROWER] will pay to bearer, upon surrender of this coupon, at the office or agency of said [Borrower] in the Borough of Manhattan in The City of New York dollars in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, being six months' interest then due on its Serial Bond, No. due

[facsimile signature]

SCHEDULE 3

FORM OF GUARANTEE

[NAME OF GUARANTOR], for value received, as a primary obligor and not as surety merely, hereby absolutely and unconditionally guarantees, and pledges its full faith and credit for, the due and punctual payment of the principal and redemption price of the within Bond and the interest thereon, free from taxes as therein provided and free from all restrictions imposed under the laws of [name of Guarantor] or laws in effect in its territories, prior notice to, demand upon or action against the obligor on said Bond or [name of Guarantor] being waived.

[NAME OF GUARANTOR] hereby agrees that it will affix a similar guarantee on any Bond or Bonds which shall be duly issued in exchange or substitution for or in replacement of the within Bond.

[NAME OF GUARANTOR]
by
Authorized Representative

Dated

LOAN AGREEMENT
(FOURTH POWER PROJECT)

AGREEMENT, dated April 5, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NATIONAL POWER CORPORATION (hereinafter called the Borrower)

WHEREAS by agreements dated November 22, 1957,¹ October 13, 1961² and November 7, 1962³ between the Bank and the Borrower, the Bank made loans to the Borrower to assist the Borrower in the expansion of its power generation and transmission facilities ; and

WHEREAS the Borrower has requested the Bank to make a further loan for the same purpose ;

NOW THEREFORE, the parties hereto hereby agree as follows

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, as amended February 9, 1967,⁴ said Loan Regulations No 4 as so amended being hereinafter called the Loan Regulations.

Section 1.02. Wherever used in this Agreement the following terms shall have the following meanings .

- (a) The terms "First Loan Agreement", "Second Loan Agreement" and "Third Loan Agreement" shall mean respectively the loan agreement dated November 22, 1957, the loan agreement dated October 13, 1961 and the loan agreement dated November 7, 1962, all between the Bank and the Borrower, as amended from time to time by agreement between the Bank and the Borrower
- (b) The terms "First Guarantee Agreement", "Second Guarantee Agreement" and "Third Guarantee Agreement" shall mean respectively the guarantee agreement dated November 22, 1957, the guarantee agreement dated October 13, 1961 and the guarantee agreement dated November 7, 1962, all between the Guarantor and the Bank, as amended from time to time by agreement between the Guarantor and the Bank.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to twelve million dollars (\$12,000,000)

¹ United Nations, *Treaty Series*, Vol. 293, p 83

² United Nations, *Treaty Series*, Vol. 415, p 269

³ United Nations, *Treaty Series*, Vol. 468, p 281

⁴ See p 270 of this volume

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 Agreement; provided, however, that no withdrawals shall be made on account of expenditures incurred prior to the date of this Agreement.

Section 2.03. 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 principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on 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 1 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 2 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 used in the territories of the Guarantor exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan 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, financial and public utility practices

(b) To assist it in carrying out the Project, the Borrower shall, except as the Bank and the Borrower shall otherwise agree, employ engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Bank and the Borrower

(c) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, in carrying out the Project, employ contractors acceptable to, and on terms and conditions satisfactory to, the Bank and the Borrower

(d) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules 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 and shall enable the Bank's representatives to inspect the Project, the goods and all other plants, sites, works, property and equipment of the Borrower and any relevant records and documents.

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, 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 performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan

(b) 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 goods, the Project, and the administration, operations and financial condition of the Borrower.

(c) 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 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 the Loan 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 5.05. 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.06 (a) The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

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 and public utility practices

Section 5.08. (a) The Borrower shall at all times manage its affairs, plan the future expansion of its power system and maintain its financial position all in accordance with sound business, financial and public utility principles and practices with experienced and competent management

(b) The Borrower shall employ management consultants acceptable to, and upon terms and conditions satisfactory to the Bank, to recommend organizational and administrative changes and assist in the implementation thereof. The Borrower undertakes that it will carry out without delay such changes in its organization and administration as may be necessary to ensure the efficient conduct of its business

Section 5.09. The Borrower shall (a) from time to time take all action necessary or desirable to set and maintain its rates for the sale of electricity at such levels as shall provide revenues at least sufficient, after covering all operating expenses of the Borrower, to produce a reasonable annual return on its net revalued fixed assets in operation for each fiscal year, and (b) carry out when necessary, but in any case once a year, in consultation with such agency of the Guarantor, if any, which has responsibilities in the field of rate setting or adjustment, a review of such rates in order to verify that they are adequate to provide the Borrower with such revenues

For the purposes of this Section, in order to reflect a fair current valuation of the Borrower's assets, "net revalued fixed assets in operation" will be determined in accordance with sound accounting and public utility practices uniformly applied

Section 5.10. 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, shall (a) have been at least 1.3 times the maximum annual debt service requirement for any succeeding fiscal year on all debt (including the debt to be incurred), or (b) together with 75% of all estimated increase in net revenues from all power operations for the first full year of operation after completion of the facility for which the proposed debt would be incurred, be at least 1.5 times such maximum annual debt service requirement.

For purposes of this Section :

- (a) The term "debt" shall mean all indebtedness of the Borrower including any part of the capital stock of the Borrower which is required to be redeemed pursuant to a fixed redemption schedule, but excluding debt incurred in the ordinary course of business maturing by its terms on demand or less than one year from the date on which it is originally incurred.
- (b) Debt shall be deemed to be incurred on the date of execution and delivery of the agreement or other instrument providing for such debt.

- (c) The term "net revenues" shall mean gross revenues from all sources, adjusted to take into account the reasonably estimated effect of any subsequent rate adjustment, though not in effect during the full base fiscal year or later twelve-month period, less all operating expenses, including provision for income and profit taxes, if any, but before provision for depreciation.
- (d) The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments), interest and other charges on debt (as defined in sub-paragraph (a) of this Section) including fixed interest payments by the Borrower on bonded indebtedness incurred by the Guarantor in order to subscribe any portion of the capital stock of the Borrower
- (e) Whenever for purposes of this Section it shall be necessary to value in terms of Philippine currency debt payable in another currency such valuation shall be made on the basis of the prevailing lawful rate of exchange at the time of such valuation.
- (f) Estimates of effects of any rate increase and/or estimates of future net revenues, used in the calculations, shall be satisfactory to the Bank

Section 5 11. The Borrower shall not, without the prior consent of the Bank, sell or otherwise dispose of any of its assets except in the ordinary course of business.

Article VI

MODIFICATION OF FIRST, SECOND AND THIRD LOAN AGREEMENTS

Section 6 01 The provisions of Section 5 09 of the First Loan Agreement, of Section 5 08 of the Second Loan Agreement and of Section 5.08 of the Third Loan Agreement are deleted, and the provisions of Section 5 09 of this Agreement are substituted therefor.

Section 6 02 The provisions of Section 5 10 of the First Loan Agreement, of Section 5 09 of the Second Loan Agreement and of Section 5 09 of the Third Loan Agreement are deleted, and the provisions of Section 5 10 of this Agreement are substituted therefor.

Section 6 03 Article VI of the Third Loan Agreement is deleted

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) 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 7 02 The Bank and the Borrower hereby agree that for the purposes of the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan regulations of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the loan regulations of the Bank applicable to any other such Agreement.

Article VIII

EFFECTIVE DATE , TERMINATION

Section 8.01. The following is specified as an 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 8 02. Pursuant to Section 9 04 of the Loan Regulations June 15, 1967 is specified for the purposes of the said Section.

Article IX

MISCELLANEOUS

Section 9 01. The Closing Date shall be November 30, 1970 or such other date as may from time to time be agreed between the Bank and the Borrower

Section 9 02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations

For the Bank :

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

Alternative address for cables and radiograms .

Intbafrad
Washington, D. C

For the Borrower :

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

Alternative address for cables and radiograms :

Napocor
Manila, Philippines

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

National Power Corporation

By Benjamin ROMUALDEZ
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>
December 1, 1970	\$210,000	June 1, 1979	\$345,000
June 1, 1971	215,000	December 1, 1979	355,000
December 1, 1971	220,000	June 1, 1980	365,000
June 1, 1972	225,000	December 1, 1980	375,000
December 1, 1972	235,000	June 1, 1981	385,000
June 1, 1973	240,000	December 1, 1981	400,000
December 1, 1973	250,000	June 1, 1982	410,000
June 1, 1974	255,000	December 1, 1982	425,000
December 1, 1974	265,000	June 1, 1983	435,000
June 1, 1975	270,000	December 1, 1983	450,000
December 1, 1975	280,000	June 1, 1984	460,000
June 1, 1976	290,000	December 1, 1984	475,000
December 1, 1976	295,000	June 1, 1985	490,000
June 1, 1977	305,000	December 1, 1985	505,000
December 1, 1977	315,000	June 1, 1986	520,000
June 1, 1978	325,000	December 1, 1986	535,000
December 1, 1978	335,000	June 1, 1987	540,000

* 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	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than sixteen years before maturity	3 1/2%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the expansion of the Borrower's power generation facilities on Luzon and Mindanao Islands, and consists of .

A. Construction of a thermal power station on Bataan Peninsula, to comprise initially the installation of one 75,000 kw semi-outdoor type generating unit with steam conditions of about 1930 psi, 1000° F with reheat, and necessary ancillary equipment, and civil works therefor. Provision will be made for later installation of additional generating units for expansion of the station's facilities. Generated voltage will be stepped up to 230 kv at a plant substation and connected with the Borrower's system through an existing 230 kv transmission line

B. 1. Installation of a 50,000 kw power generating unit and necessary ancillary equipment and civil works to supplement the generating facilities at the Borrower's Maria Cristina Falls Hydro Station on the Agus River in Northern Mindanao. The unit to be installed will increase the rating of the Station to 150,000 kw.

2. Construction of permanent control works at the outlet of Lake Lanao for partial lake regulation.

Part A is scheduled to be completed by mid-1970. Part B is scheduled to be completed by the end of 1968