

No. 9373

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

Guarantee Agreement—*Fourth Development Finance Corporation Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Industrial and Mining Development Bank of Iran). Signed at Washington on 5 June 1968

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 4 January 1969.

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

Contrat de garantie — *Quatrième projet de société financière de développement* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque iranienne de développement industriel et minier). Signé à Washington le 5 juin 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 4 janvier 1969.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 5, 1968 between IRAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith the Bank and the Industrial and Mining Development Bank of Iran (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-five million dollars (\$25,000,000), on the terms and conditions set forth in the Loan Agreement², but only on condition that the Guarantor guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967,³ subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and

¹ Came into force on 26 August 1968, upon notification by the Bank to the Government of Iran.

² See p. 12 of this volume.

³ See p. 10 of this volume.

punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Bank Markazi Iran and any other institution performing the functions of a central bank .

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, 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 Guarantor shall not amend or abrogate the Government Advance Agreement, the Agency Agreements or the Plan Organization Loan Agreements, nor permit such actions, without the approval of the Bank.

Section 3.06. The Guarantor shall not take any action or permit any of its political subdivisions or any of its agencies or instrumentalities or any agency or instrumentality of any political subdivision to take any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and enterprise in an efficient and businesslike manner, or with the performance by the Borrower of any of its covenants, agreements and obligations in the Loan Agreement contained, and shall take or cause to be taken all reasonable action which shall be required on its part in order to enable the Borrower to perform such covenants, agreements and obligations.

Article IV

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

Article V

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

For the Guarantor :

Ministry of Finance
Government of Iran
Teheran, Iran

Alternative address for cables :

Ministry Finance
Teheran

For the Bank :

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

Alternative address for cables :

Intbafrad
Washington, D.C.

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

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

Iran :

By Jahangir AMUZEGAR
Authorized Representative

International Bank for Reconstruction and Development

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

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

[*Not published herein. See United Nations, Treaty Series,
Vol. 598, p. 270.*]

LOAN AGREEMENT

AGREEMENT, dated June 5, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN (hereinafter called the Borrower), a corporation duly incorporated under the laws of Iran.

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

WHEREAS by loan agreements dated November 23, 1959,¹ July 12, 1965² and July 26, 1966³ between the Bank and the Borrower (hereinafter called the prior loan agreements) the Bank made loans to the Borrower in amounts in various currencies equivalent to \$ 5,200,000, \$ 10,000,000 and \$ 25,000,000, respectively, for the purpose of assisting the Borrower in providing financing for such enterprises;

WHEREAS such loans are guaranteed as to payments of principal, interest and other charges by Iran (hereinafter called the Guarantor) under guarantee agreements dated November 23, 1959, July 12, 1965 and July 26, 1966; and

WHEREAS the Bank is willing at this time to make a fourth loan to the Borrower upon the terms and conditions hereinafter set forth but only on condition that the Guarantor guarantee such loan upon the terms and conditions of a guarantee agreement of even date herewith⁴ between the Guarantor and the Bank;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967,⁵ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations).

Section 1.02. Unless the context otherwise requires, the following terms wherever used in the Loan Agreement have the following meanings :

¹ United Nations, *Treaty Series*, Vol. 380, p. 245.

² United Nations, *Treaty Series*, Vol. 554, p. 3.

³ United Nations, *Treaty Series*, Vol. 582, p. 107.

⁴ See p. 4 of this volume.

⁵ See p. 10 of this volume.

(a) The term “ sub-loan ” means a loan or credit made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project.

(b) The term “ investment ” means an investment, other than a sub-loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project.

(c) The term “ Investment Enterprise ” means an enterprise to which the Borrower proposes to make or has made a sub-loan or in which it proposes to make or has made an investment, in accordance with and as provided in Section 3.01 of this Agreement.

(d) The term “ Investment Project ” means a specific investment project to be carried out by an Investment Enterprise, as approved by the Bank pursuant to Section 2.02 (b) of this Agreement, or in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 (c) of this Agreement.

(e) The term “ Government Advance Agreement ” means the agreement dated November 8, 1959, between the Guarantor and the Borrower, under which the Guarantor advanced to the Borrower Rls. 600,000,000, as such agreement may be amended from time to time by the parties thereto.

(f) The term “ Agency Agreements ” means the agreement dated November 8, 1959, whereby the management of loans made by the Industrial Credit Bank of the Plan Organization and by the Bank Melli Iran out of the Revaluation Fund, in an aggregate principal amount of approximately Rls. 1,400,000,000, was transferred to the Borrower and the agreement dated January 3, 1966, whereby approximately Rls. 250,000,000 have been put at the Borrower’s disposal for lending to industries, as such agreements have been or may be amended from time to time by the parties thereto.

(g) The term “ Plan Organization Loan Agreements ” means the agreement dated January 12, 1964 and the agreement dated January 4, 1966, between the Plan Organization of the Guarantor and the Borrower providing in total for the lending of additional Rials to the Borrower in a minimum principal amount of Rls. 900,000,000, as such agreements may be amended from time to time by the parties thereto. Such term includes other agreements, if any, providing for borrowings by the Borrower from the Guarantor or its agencies.

(h) The term “ Rials ” and the letters “ Rls. ” means currency of the Guarantor.

(i) The term “ foreign currency ” means any currency other than the currency of the Guarantor.

(j) The term “ subsidiary ” means any company of which a majority of the outstanding voting stock or other proprietary interest is owned by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.

Words importing the singular number include the plural number and *vice versa*.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-five million dollars (\$ 25,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as provided in paragraphs (b) and (c) of this Section.

(b) Upon approval by the Bank of any Investment Project submitted to it for approval as in Section 3.03 (a) of this Agreement provided, there shall be credited to the Loan Account, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of the estimated foreign currency cost of such Investment Project, such amount of the Loan as the Bank shall have approved; provided, however, that no such amount shall be credited to the Loan Account in respect of an investment unless the Bank and the Borrower shall have agreed upon the terms and conditions thereof, including an amortization schedule therefor as required by Section 3.03 (a) of this Agreement.

(c) (i) There shall also be so credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of the estimated foreign currency cost of any Investment Project for which the Borrower is to make or has made a sub-loan and no application has been made pursuant to Section 3.03 (a) of this Agreement and for which no credit has been made to the Loan Account pursuant to paragraph (b) of this Section such amount of the Loan as the Borrower shall from time to time request pursuant to Section 3.03 (b) of this Agreement.

(ii) The amount to be credited to the Loan Account for each Investment Project pursuant to paragraph (c) (i) of this Section, together with any amount or amounts previously credited for such Investment Project under this Agreement or any of the prior loan agreements and not repaid, shall not exceed such limit and shall be subject to such other terms and conditions as shall from time to time be determined by the Bank.

(d) The Loan Account may, by agreement between the Bank and the Borrower, be reduced, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, by any amount credited thereto pursuant to paragraphs (b) or (c) of this Section. No such reduction before the Closing Date shall be deemed *ipso facto* to be a cancellation of any amount of the Loan.

Section 2.03. Each amount credited to the Loan Account in respect of an Investment Project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement, and each such amount shall be applied exclusively to the Investment Project in respect of which such amount was credited to the Loan Account.

Section 2.04. Three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum is specified for the purpose of Section 2.02 of the Loan Regulations as the commitment charge payable on the unwithdrawn amount of the Loan.

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

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

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

Section 2.08. (a) The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time as determined by the Bank and as reasonably required to : (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 of this Agreement and (ii) take into account any cancellation pursuant to Article V of the Loan Regulations, any reductions under Section 2.02 (d) and any repayments made by the Borrower under Section 2.09, except that payments due hereunder shall be made on January 15 and July 15 in each year. Such amendments of said Schedule 1 shall include amendments of the premiums on prepayments and redemption if required.

(b) The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal aggregate semi-annual, or more frequent, payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

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

(a) (i) If a sub-loan or any portion thereof shall be repaid to the Borrower in advance of maturity, or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a sub-loan or investment or any portion thereof, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equal to the amount credited to the Loan Account and at the time outstanding in respect of such sub-loan or investment, or to such portion thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement or in

any amendment thereof under Section 2.08 (a). The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply to any such repayment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the principal amount of the Loan corresponding to the maturity or maturities of the sub-loan or investment or portion thereof so repaid or disposed of.

Article III

DESCRIPTION OF PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is made is the financing by the Borrower of economic development in Iran through loans for productive purposes to private enterprises in Iran for specific development projects and through other productive investments in such enterprises, all in accordance with the Memorandum and Articles of Association of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth.

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

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

(b) Each request by the Borrower for a credit to the Loan Account pursuant to paragraph (c) (i) of Section 2.02 of this Agreement shall contain a summary of the Investment Project for which the portion of the Loan to be credited is requested and of the terms and conditions of the sub-loan for such Investment Project, including the schedule of amortization thereof.

(c) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 3.03 (a) of this Agreement and requests for credits to the Loan Accounts pursuant to the provisions of Section 2.02 (c) of this Agreement shall be submitted on or before June 30, 1970.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Borrower shall from time to time, as required, notify the Bank in writing of the person or persons designated by it as its authorized representatives for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and personnel and in accordance with its Memorandum and Articles of Association, as amended from time to time.

Section 5.02. (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part with the proceeds of the Loan in such manner as to protect the interests of the Bank and of the Borrower.

(b) The Borrower undertakes that any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written agreement or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any such sub-loan and, to the extent that it shall be appropriate, in the case of any such investment: (i) the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and management standards and maintain adequate records; (ii) the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project; (iii) the right of the Bank and the Borrower to inspect such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents; (iv) the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(v) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise; and (vi) the right of the Borrower to suspend or terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its agreement with the Borrower.

(c) The Borrower shall at all times make adequate provision to protect itself against any loss resulting from changes in the rate of exchange between Rials and the currency or currencies in which the Borrower's outstanding money obligations shall have to be met.

Section 5.03. (a) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects, the sub-loans and investments, the subsidiaries, and the administration, operations and financial condition of the Borrower.

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

(c) The Borrower shall have its financial statements (balance sheet, statement of earnings and expenses and other related statements) certified annually by an independent accounting firm acceptable to the Bank in accordance with generally accepted accounting principles consistently applied and shall, promptly after their preparation and not later than three months after the close of the fiscal year of the Borrower to which they apply, transmit to the Bank certified copies of such statements and a signed copy of the accounting firm's report.

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

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any subsidiary as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of

the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.06. Subject to such exemptions as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of 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 5.07. 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 5.08. (a) Except as the Bank shall otherwise agree, the Borrower shall not propose to its shareholders any amendment to its Memorandum or Articles of Association.

(b) The Borrower shall duly perform all its obligations under the Government Advance Agreement, the Agency Agreements and the Plan Organization Loan Agreements. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of assigning, or of amending, abrogating or waiving any material provision of, any such agreement.

Section 5.09. Except as the Bank shall otherwise agree, the Borrower shall not make any repayment in advance of maturity in respect of the Government Advance Agreement, the Plan Organization Loan Agreements or the agreement dated November 19, 1959 between the Development Loan Fund and the Borrower.

Section 5.10. If the Borrower establishes or acquires any subsidiary, the Borrower shall cause such subsidiary to observe and perform the obligations of the Borrower hereunder to the extent to which such obligations shall be applicable thereto, as though such obligations were binding upon such subsidiary.

Section 5.11. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any debt if, after

the incurring of any such debt, the consolidated debt of the Borrower and all its subsidiaries then incurred and outstanding would be greater than 4.5 times the consolidated capital and surplus of the Borrower and all its subsidiaries.

For the purposes of this Section :

(a) The term “ debt ” means any debt incurred by the Borrower or any subsidiary maturing more than one year after the date on which it is originally incurred.

(b) Wherever reference is made in this Section to the incurring of debt, such reference shall include any modification of the terms of payment of such debt. Debt shall be deemed to be incurred (i) under a loan contract or agreement on the date and to the extent it is drawn down pursuant to such loan or agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Rials debt payable in another currency, such valuation shall be made at the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(d) The term “ consolidated debt of the Borrower and all its subsidiaries ” means the total amount of debt of the Borrower and all its subsidiaries, excluding : (i) any debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary, and (ii) the amount of the Government advance referred to in paragraph (e) (ii) of this Section.

(e) The term “ consolidated capital and surplus of the Borrower and all its subsidiaries ” means the aggregate of : (i) the total unimpaired paid-up capital, surplus and free reserves of the Borrower and all its subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interests of the Borrower in any subsidiary or of any subsidiary in the Borrower or any other subsidiary, and (ii) such amounts of the Government advance as shall at the time be outstanding under the Government Advance Agreement and shall mature after the date of the last outstanding maturity of any sub-loan and the last date in the amortization schedule applicable to any investment made by the Borrower out of the proceeds of the Loan or of any of the loans provided for in the prior loan agreements.

Article VI

MODIFICATION OF PRIOR LOAN AGREEMENTS

Section 6.01. For the purposes of each of the prior loan agreements :

(a) Paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank as applied to each such agreement shall be amended to read as follows :

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

and the term " Loan Regulations " as used for the purpose of each of the prior loan agreements shall mean said Loan Regulations No. 4 as modified in each case by the prior loan agreements and as further amended by this Section 6.01.

(b) Sections 5.05 of the prior loan agreements shall be amended to read as in Section 5.11 of this Agreement provided.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in paragraphs (c) or (d) of Section 7.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraphs (a) or (b) of Section 7.02 of this Agreement shall occur, or (v) 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 following additional events are specified for the purposes of paragraph (1) of Section 5.02 of the Loan Regulations :

- (a) any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity by reason of any default on the part of the Borrower or otherwise as provided in the relative contractual instruments, or any security constituted thereunder shall have become enforceable;
- (b) a resolution shall have been passed for the dissolution or liquidation of the Borrower;
- (c) a change shall have been made in the Borrower's Memorandum or Articles of Association, as amended, without the Bank's consent which, in the Bank's judgment, shall be a substantial change; and
- (d) a subsidiary or any other entity shall have been created or acquired or taken over by the Borrower, if such creation, acquisition or taking over would adversely affect the conduct of the Borrower's business or the Borrower's financial situation or the efficiency of the Borrower's management and personnel.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1972 or such other date or dates as shall be agreed upon between the Bank and the Borrower.

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

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

Industrial and Mining Development Bank of Iran
133 Khiaban Shiraz
(Behjat Abad)
Teheran, Iran

Cable address :

Inmidel
Teheran

Section 8.03. The date of September 2, 1968 is hereby specified for purposes of Section 9.04 of the Loan Regulations.

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

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Industrial and Mining Development Bank of Iran :

By James S. ADAMS
Authorized Representative

SCHEDULE I

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>
January 15, 1970	101,000	January 15, 1976	1,137,000
July 15, 1970.	707,000	July 15, 1976.	1,137,000
January 15, 1971	1,137,000	January 15, 1977	1,137,000
July 15, 1971.	1,137,000	July 15, 1977.	1,137,000
January 15, 1972	1,137,000	January 15, 1978	1,137,000
July 15, 1972.	1,137,000	July 15, 1978.	1,137,000
January 15, 1973	1,137,000	January 15, 1979	1,137,000
July 15, 1973.	1,137,000	July 15, 1979.	1,137,000
January 15, 1974	1,137,000	January 15, 1980	1,137,000
July 15, 1974.	1,137,000	July 15, 1980.	1,137,000
January 15, 1975	1,137,000	January 15, 1981	1,036,000
July 15, 1975.	1,137,000	July 15, 1981.	416,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on 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 of 1%
More than three years but not more than six years before maturity.	2 1/4%
More than six years but not more than eleven years before maturity	3 3/4%
More than eleven years but not more than thirteen years before maturity	5%
More than thirteen years before maturity	6 1/4%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961 as amended February 9, 1967, shall be modified as follows :

(a) Sections 2.01 and 2.03 shall be deleted.

(b) The first sentence of Section 2.05 (b) shall not apply to any repayment by the Borrower in accordance with paragraph (a) of Section 2.09 of the Loan Agreement.

(c) The following subparagraph (d) shall be added to Section 2.05 :

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

(d) The second sentence of Section 4.01 shall read as follows :

“Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor or (b) 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.”

(e) The words “Investment Project” shall be substituted for the word “Project” in the second sentence of Section 4.03.

(f) Section 5.03 shall be deleted and replaced by the following new 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 June 30, 1970 any portion of the Loan shall not have been credited to the Loan Account, or (c) by the Closing Date any portion 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 request credits to the Loan Account or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled.”

(g) Section 5.05 shall be deleted and replaced by the following new Section :

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

such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity.”

(h) Section 6.04 shall be deleted and replaced by the following new Section :

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

(i) Paragraph (a) of Section 6.11 shall be deleted and the following paragraph shall be substituted therefor :

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

(j) Paragraph (b) of Section 6.16 shall be deleted and the following paragraph substituted therefor :

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

(k) Paragraph 4 of Section 10.01 shall be deleted and the following paragraph substituted therefor :

“4. The term ‘ Loan ’ means the loan provided for in the Loan Agreement, and the term ‘ part of the Loan ’ means the portion of the Loan credited to the Loan Account in respect of an Investment Project.”

(l) Paragraph 10 of Section 10.01 shall be deleted and replaced by the following paragraph :

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

(m) Paragraph 11 of Section 10.01 shall be deleted and the following paragraph substituted therefor :

“ 11. The term ‘ Project ’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower. ”

(n) The first sentence of paragraph 12 of Section 10.01 shall be deleted and the following sentence shall be substituted therefor :

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