

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

Guarantee Agreement—*Second Development Finance Corporation Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Development Finance Corporation of Ceylon). Signed at Washington on 18 July 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 22 May 1970.

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

Contrat de garantie — *Deuxième projet de société financière de développement* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et la Société financière de développement de Ceylan). Signé à Washington le 18 juillet 1969

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 22 mai 1970.

GUARANTEE AGREEMENT¹

AGREEMENT, dated July 18, 1969, between GOVERNMENT OF CEYLON (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith² between the Bank and Development Finance Corporation of Ceylon (hereinafter called the Borrower), the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eight million dollars (\$8,000,000) 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 the Guarantee Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank as so modified being hereinafter called the General Conditions), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in the Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement 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 the Guarantee Agreement contained, the Guarantor

¹ Came into force on 9 October 1969, upon notification by the Bank to the Government of Ceylon.

² See p. 136 of this volume.

³ See p. 136 of this volume.

hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, 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 the date on which it is originally incurred.

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 assets of the Central Bank of Ceylon, or of any other institution performing the functions of a central bank.

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

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

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

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories and free from all restrictions imposed under such laws; 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. The Guarantee 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 covenants that it shall not take 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 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 in order to enable the Borrower to perform such covenants, agreements and obligations.

Article IV

Section 4.01. In accordance with the provisions of the General Conditions, the Guarantor shall endorse its guarantee on the Bonds to be executed and delivered by the Borrower. The Governor-General of Ceylon and such person or persons as he may appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
The Secretariat
Colombo 1, Ceylon

Cable address:

Secminfin
Colombo, Ceylon

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.

Section 5.02. The Permanent Secretary of the Ministry of Finance of the Guarantor is designated for the purposes of Section 10.03 of the General Conditions.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the 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.

Government of Ceylon:

By OLIVER WEERASINGHE
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated July 18, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and DEVELOPMENT FINANCE CORPORATION OF CEYLON (hereinafter called the Borrower), a body corporate constituted pursuant to the Development Finance Corporation of Ceylon Act, No. 35 of 1955, as amended by Act No. 8 of 1958 and Act No. 1 of 1967.

WHEREAS the Borrower has been established to assist in the promotion, establishment, expansion and modernization of private industrial, agricultural and commercial enter-

prises in Ceylon and to encourage and promote the participation of private capital, both internal and external, in such enterprises;

WHEREAS, by loan agreement dated November 22, 1967¹ between the Bank and the Borrower, the Bank has made a loan to the Borrower in various currencies equivalent to \$4,000,000;

WHEREAS such loan is guaranteed as to payments of principal, interest and other charges by the Government of Ceylon (hereinafter called the Guarantor); and

WHEREAS the Bank is willing at this time to make a second loan to the Borrower upon the terms and conditions hereinafter set forth, but only on condition that the Guarantor guarantee such second loan upon the terms and conditions of a guarantee agreement of even date herewith² between the Guarantor and the Bank;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to the Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ 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 General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in the Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings :

(a) "Central Bank Refinance Scheme" means the refinance scheme of the Central Bank of Ceylon as provided in the Monetary Law Act No. 58 of 1949, as amended by Section 67 of the Finance Act No. 11 of 1963;

(b) "DFCC Act" means the Development Finance Corporation of Ceylon Act No. 35 of 1955 of the Guarantor, as amended by Act No. 8 of 1958 and Act No. 1 of 1967, as further amended from time to time, and shall include the Regulations prescribed thereunder, as amended;

(c) "Government Loan" means the loan or loans by the Guarantor to the Borrower pursuant to the DFCC Act;

(d) "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;

¹ United Nations, *Treaty Series*, vol. 639, p. 221.

² See p. 130 of this volume.

³ See p. 136 of this volume.

(e) "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;

(f) "Investment Project" means a specific project to be carried out by an Investment Enterprise, as approved, or in respect of which withdrawals from the Loan Account shall have been authorized, by the Bank pursuant to Section 2.03 (b) of this Agreement;

(g) "prior Loan Agreement" means the loan agreement dated November 22, 1967 referred to in the preamble to this Agreement;

(h) "Rupees" and the letters "Rs." mean currency of the Guarantor;

(i) "Statement of Policy" means the Statement of Policy approved by the Board of Directors of the Borrower on April 11, 1967, as the same may be amended from time to time with the prior approval of the Bank;

(j) "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; and

(k) "subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned, or which is effectively controlled, by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to eight million dollars (\$8,000,000).

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.

Section 2.03. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw from the Loan Account :

- (i) amounts expended for the reasonable cost of goods and services required for carrying out the Investment Project in respect of which the withdrawal is requested; 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 and services.

(b) No amount shall be withdrawn from the Loan Account in respect of an Investment Project unless it shall have been approved by the Bank, provided, however, that such withdrawals may be made in respect of sub-loans for Investment Projects described to and authorized by the Bank for financing hereunder in accordance with the provisions of

Section 3.02 (b) of this Agreement, but only up to an amount in respect of each such Investment Project which, together with any amount or amounts previously approved, requested or credited to a loan or credit account for such Investment Project under the Loan Agreement, or for the same Investment Project under any other loan agreement between the Bank and the Borrower and not repaid, shall not exceed the equivalent of \$100,000 and, in respect of all such Investment Projects, the equivalent of \$2,000,000 in the aggregate, or, in each case, of such other limit as shall from time to time be determined by the Bank in consultation with the Borrower.

(c) Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any Investment Project subject to the Bank's approval more than ninety days prior to the date on which the Bank shall have first received in respect of such Investment Project the application required under Section 3.02 (a) of this Agreement or, in the case of any other Investment Project, more than ninety days prior to the date on which the Bank shall have received the description thereof pursuant to Section 3.02 (b) of this Agreement.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. (a) The Borrower shall repay the principal amount of the Loan 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 reasonable 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 withdrawals from the Loan Account shall have been approved or authorized pursuant to Section 3.02 of this Agreement and (ii) take into account any cancellation pursuant to Article VI of the General Conditions, and any repayments made by the Borrower under Section 2.08 of this Agreement, except that repayments due hereunder shall be made on May 1 and November 1 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on pre-payments and redemption, if required.

(b) The amortization schedule applicable to each Investment Project shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Bank of such Investment Project or of authorization by the Bank to make withdrawals from the Loan Account in respect of such Investment Project and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal, semi-annual, or more frequent, payments of principal.

Section 2.08. Unless the Bank and the Borrower shall otherwise agree :

(a) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a sub-loan or an investment or any part thereof shall be sold, transferred, assigned or otherwise disposed of, the Borrower shall promptly notify the Bank and shall pay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.07 (a) of this Agreement, an amount of the Loan equal to : (i) in the case of a sub-loan, the amount withdrawn from the Loan Account in respect of such sub-loan, or the said part thereof; or (ii) in the case of an investment, the excess, if any, of the amount withdrawn from the Loan Account in respect of such investment, or the said part thereof, over the amount of the Loan theretofore repaid to the Bank in respect of such investment. The policy stated in Section 3.05 (c) of the General Conditions with respect to premiums shall apply to any such repayment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows : (i) in the case of a sub-loan, to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 3.05 (b) of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The project for which the Loan is granted is the financing by the Borrower of economic development in Ceylon through loans for productive purposes to private enterprises in Ceylon for specific development projects and through other productive investments in such enterprises, all in accordance with the DFCC Act, in furtherance of the corporate purposes of the Borrower as therein set forth and according to the principles set forth in the Statement of Policy.

Section 3.02. (a) When submitting an Investment Project to the Bank for approval pursuant to Section 2.03 (b) of this Agreement, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of such Investment Project (including a brief description of the costs thereof proposed to be met out of the proceeds of the Loan) and the terms and conditions of the sub-loan to or investment in the Investment Enterprise, including the schedule of amortization proposed therefor, a financial and economic analysis thereof and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of sub-loans for Investment Projects not requiring approval by

the Bank shall contain a summary description of the Investment Enterprise and the Investment Project (including a brief description of the costs thereof proposed to be met out of the proceeds of the Loan), for which such authorization is requested and the terms and conditions of the sub-loan for such Investment Project, including the schedule of amortization therefor.

(c) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 3.02 (a) of this Agreement and requests for authorizations to withdraw from the Loan Account pursuant to the provisions of Section 3.02 (b) of this Agreement shall be submitted on or before December 31, 1971.

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 Article VIII of the General Conditions.

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 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project described in section 3.01 of this Agreement, 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 the DFCC Act and the Statement of Policy.

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

(b) The Borrower undertakes that, unless the Bank shall otherwise agree, any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written agreement or by other appropriate legal means, rights adequate to protect the interests of the Borrower and rights which the Bank shall deem adequate to protect the interests of the Bank, 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 managerial standards, and to maintain adequate records; (ii) the right to require that the goods and services to be financed out of 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, 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 the 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 and 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 and 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, pursuant to the DFCC Act, to protect itself against any loss resulting from changes in the rate of exchange between Rupees 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, the investments, and the administration, operations and financial condition of the Borrower.

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

(c) The Borrower shall have its financial statements (balance sheet, statement of earnings and expenses and other related statements) audited annually by an independent accountant or accounting firm acceptable to the Bank and shall, promptly after their preparation and not later than four 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 report of the auditor or auditors.

Section 5.04. (a) The Bank and the Borrower shall co-operate 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 (including the adequacy of amounts appropriated to its reserves) 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 : (a) if the Borrower or any subsidiary shall create any lien on any of its assets as security for any debt, such lien will 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; and (b) if any lien shall be created on any assets of the Borrower or of any subsidiary other than under (a) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank; 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 arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred; or (iii) any lien created for the purpose of securing loans under the Central Bank Refinance Scheme.

Section 5.06. 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 of all subsidiaries then incurred and outstanding would be greater than three times the consolidated capital and surplus of the Borrower and of all 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, including debt assumed or guaranteed by the Borrower or any subsidiary but not including indebtedness of the Borrower to the Guarantor in respect of the Government Loan.

(b) The term "incur" with reference to any debt includes 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 it is drawn down pursuant to such loan contract or agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into, but shall be counted only to the extent that the underlying debt is outstanding.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Rupees debt payable in another currency, such valuation shall be made on the basis of 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 of all subsidiaries" means the total amount of debt of the Borrower and of all 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 amounts referred to in paragraph (e) (ii) of this Section.

(e) The term "consolidated capital and surplus of the Borrower and of all subsidiaries" means the aggregate of : (i) the total unimpaired paid-up capital, reserves not allocated to cover specific liabilities, and surplus of the Borrower and of all subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interests of the Borrower in any such subsidiary or of any such subsidiary in the Borrower or any other such subsidiary, and (ii) the amount of the Government Loan at the time outstanding which

shall be repayable after the date of the last maturity of the Loan, or any other loan made by the Bank to the Borrower.

(f) The foregoing provisions of this Section supersede all prior agreements between the Bank and the Borrower relating to limitations of debt by the Borrower.

Section 5.07. Subject to such exemptions as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement or otherwise, 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 its territories 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 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. Except as the Bank shall otherwise agree, the Borrower shall not (a) amend its Statement of Policy without the prior approval of the Bank; (b) sell, lease, transfer or otherwise dispose of its property and assets, except in the ordinary course of business; or (c) establish any subsidiary.

Section 5.10. The Borrower shall not repay any portion of the Government Loan in advance of maturity without the prior approval of the Bank.

Section 5.11. The Borrower shall cause each of its subsidiaries, if any, and each of the subsidiaries established or acquired after the date of the Loan Agreement, if any, to observe and perform the obligations of the Borrower hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon each of such subsidiaries.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then, at any subsequent time during the continuance thereof, the Bank, at its option, may, by notice to the Borrower, declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon; and upon any such declaration such principal, interest and

charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 6.02. The following additional events are specified for the purposes of Section 7.01 of the General Conditions :

- (a) any part of the principal amount of any loan made to the Borrower having an original maturity of one year or more shall, in accordance with the terms thereof, have become due and payable in advance of the agreed maturity thereof by reason of any default specified in the agreement providing for any such loan or in any security representing such loan;
- (b) an order is made or a resolution passed for the dissolution or liquidation of the Borrower; and
- (c) any provision of the DFCC Act shall have been materially amended, suspended, abrogated or repealed, or shall cease to be enforced, without the prior approval of the Bank and such event shall continue for a period of sixty days.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973, or such other date as shall be agreed between the Bank and the Borrower.

Section 7.02. The date October 15, 1969, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

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 :

Development Finance Corporation of Ceylon
3rd Floor, Hemas Building
York Street
P.O. Box 1397
Colombo, Ceylon

Cable address :

Delcey
Colombo

IN WITNESS WHEREOF the parties hereto, acting through thier representatives thereunto duly authorized, have caused the 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

Development Finance Corporation of Ceylon :

By NANDA W. ATUKORALA
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>
May 1, 1972	100,000	May 1, 1980	400,000
November 1, 1972	120,000	November 1, 1980	400,000
May 1, 1973	140,000	May 1, 1981	400,000
November 1, 1973	160,000	November 1, 1981	380,000
May 1, 1974	200,000	May 1, 1982	380,000
November 1, 1974	220,000	November 1, 1982	320,000
May 1, 1975	240,000	May 1, 1983	270,000
November 1, 1975	260,000	November 1, 1983	170,000
May 1, 1976	280,000	May 1, 1984	170,000
November 1, 1976	300,000	November 1, 1984	160,000
May 1, 1977	340,000	May 1, 1985	160,000
November 1, 1977	360,000	November 1, 1985	140,000
May 1, 1978	400,000	May 1, 1986	140,000
November 1, 1978	400,000	November 1, 1986	130,000
May 1, 1979	400,000	May 1, 1987	60,000
November 1, 1979	400,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or to Section 2.08 (a) of this Agreement or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

*Time of Prepayment or Redemption**Premium*

Not more than three years before maturity	$\frac{3}{4}\%$
More than three years but not more than six years before maturity	$1\frac{3}{4}\%$
More than six years but not more than eleven years before maturity	$2\frac{3}{4}\%$
More than eleven years but not more than fourteen years before maturity	$4\frac{1}{2}\%$
More than fourteen years but not more than sixteen years before maturity	$5\frac{1}{2}\%$
More than sixteen years before maturity	$6\frac{1}{2}\%$

SCHEDULE 2

MODIFICATIONS OF THE GENERAL CONDITIONS

For the purposes of the Loan Agreement, the provisions of the General Conditions are modified as follows :

- (1) The following subparagraph (*d*) is added to Section 3.05 :

“(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 3.05 and in Section 8.15.”

- (2) The words “Investment Projects” are substituted for the words “the Project” at the end of Section 5.03.

- (3) Section 6.03 is deleted and replaced by the following new Section :

“SECTION 6.03. *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 Section 3.02 (*c*) of the Loan Agreement no applications for approval or requests for authorization to withdraw from the Loan Account in respect of any portion of the Loan shall have been received by the Bank, or having been so received, shall have been denied, or (*c*) after 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 request such approvals and authorizations 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.”

- (4) Paragraph (*d*) of Section 7.01 is amended to read as follows :

“(d) A default shall occur in the performance of any other obligation 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 such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.”