

No. 10559

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
TURKEY

Loan Agreement—*Third Cukurova Power Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank and the Cukurova Elektrik A.S.). Signed at Washington on 27 June 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 23 June 1970.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
TURQUIE

Contrat d'emprunt — *Troisième projet relatif à l'énergie électrique (Société Cukurova)* [avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et la Cukurova Elektrik A.S.]. Signé à Washington le 27 juin 1969

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 juin 1970.

LOAN AGREEMENT ¹

AGREEMENT, dated June 27, 1969, between the REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank):

WHEREAS pursuant to Development Credit Agreements dated February 1, 1963 ² and July 14, 1964 ³ between the Borrower and the International Development Association (hereinafter called the Association) and Project Agreements between the Association and Cukurova Elektrik A.S. (hereinafter called the Company) of the same dates ^{2,3}, the Association made credits to the Borrower in amounts in various currencies aggregating the equivalent of \$25,700,000 for relending to the Company for assistance in the financing of the continuing expansion of its facilities and operations;

WHEREAS the Borrower has requested a loan from the Bank for the same purpose; and

WHEREAS the Bank agrees to make a loan to the Borrower for such purpose on the terms and conditions provided herein and in the Project Agreement of even date herewith ⁴ between the Bank and the Company;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,⁵ with the same force and effect as if they were fully set forth herein, subject, however, to the following modi-

¹ Came into force on 11 December 1969, upon notification by the Bank to the Government of Turkey.

² United Nations, *Treaty Series*, vol. 468, p. 223.

³ *Ibid.*, vol. 534, p. 339.

⁴ See p. 204 of this volume.

⁵ See p. 204 of this volume.

fication thereof (said General Conditions Applicable to Loan and Guarantee as so modified being hereinafter called the General Conditions), namely, the words “ and the Project Agreement ” are inserted after the words, “ the Loan Agreement ”, wherever they occur in Sections 6.06 and 9.03 of 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) Project Agreement means the agreement of even date herewith between the Bank and the Company providing for the carrying out of the Project, described in Schedule 3 to this Agreement.

(b) Subsidiary Loan Agreement means the agreement between the Borrower and the Company under which the proceeds of the Loan will be relented to the Company for use in carrying out the Project, as provided in Section 3.01 hereof.

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 eleven million five-hundred thousand dollars (\$11,500,000).

Section 2.02. (a) 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.

(b) 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 and in accordance with the Allocation of the Proceeds of the Loan set forth in Schedule 1 to this Agreement, as such Allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. The Borrower, acting through the Company pursuant to Section 8.03 of this Agreement, shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods and services required for

the Project and to be financed under the Loan Agreement (i) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods and services described in Categories I through IV of the Allocation of the Proceeds of the Loan referred to in Section 2.02 (b) of this Agreement, and (ii) such amounts as shall be required to meet payments to be made to the Bank for interest and other charges on the Loan during construction (Category V of such Allocation) accrued up to March 15, 1973 or such other date as may be agreed between the Bank and the Borrower, acting through the Company.

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 cent) 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 cent) 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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraph (b) of this Section, the Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

(b) In the event the Company repays to the Borrower any portion of the proceeds of the Loan relented under the Subsidiary Loan Agreement in advance of maturity, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the principal of the Loan equal to the portion of the proceeds so repaid, together with the premiums thereon specified in Schedule 2 to this Agreement. The policy stated in Section 3.05 (c) of the General Conditions with respect to such premiums shall apply to any such repayment.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall relend the proceeds of the Loan to the Company under a Subsidiary Loan Agreement in form and substance satisfactory to the Bank, for use by the Company in carrying out the Project, described in Schedule 3 to this Agreement.

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 Minister of Finance of the Borrower is designated as authorized representative of the Borrower for the purpose of Section 8.10 of the General Conditions. The Minister of Finance may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

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

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

Section 5.02. 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 Borrower 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 Borrower.

Section 5.03. This Agreement, the Project Agreement, the Bonds and the Subsidiary Loan Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 5.04. The Borrower shall not abrogate nor terminate, nor amend, abrogate or waive any provision of, the concession granted by the Borrower to the Company on August 26, 1953, as revised, the protocol between the Borrower and the Company dated November 8, 1961, or the Subsidiary Loan Agreement, without the prior approval of the Bank.

Section 5.05. The Borrower shall not take any action nor permit any of its agencies or instrumentalities to take any action which would prevent or materially interfere with the carrying on by the Company of its operations and enterprise in an efficient and businesslike manner, or with the performance by the Company of any of its obligations under the Project Agreement.

Section 5.06. The Borrower shall take all steps necessary on its part to enable the Company to maintain such rates for the sale of electric power as shall be required under Section 2.12 of the Project Agreement.

Section 5.07. It is the mutual intention of the Borrower 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 Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower, or of the Türkiye Cumhuriyet Merkez Bankasi or any other institution performing the functions of a central bank, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Borrower ” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision.

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 and the Company 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 declarations, 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. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) a default shall have occurred in the performance of any obligation on the part of the Company under the Project Agreement or under any project agreement between the Association and the Company, or on the part of the Borrower under any Development Credit Agreement between the Borrower and the Association pursuant to which funds have been relented to the Company and, unless such default shall be in a payment required to be made to the Association, such default shall continue for a period of sixty days following notice thereof by the Bank to the Borrower and the Company;

(b) the Company shall be unable to pay its debts as they mature or any action or proceeding shall be taken by the Company or by others whereby any of its property or assets shall or may be distributed among, or administered for the benefit of, its creditors;

(c) any creditor of the Company shall have demanded payment of monies lent to the Company, prior to the agreed maturity of any loan having an original maturity of one year or longer, in accordance with the terms of such loan; or

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution of the Company or for the suspension of its operations.

Section 6.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely, that an extraordinary situation shall have arisen which shall make it improbable that the Company will be able to perform its obligations under the Project Agreement or under any project agreement between the Company and the Association.

Article VII

EFFECTIVENESS; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreement shall have been duly entered into by the Borrower and the Company.

Section 7.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Company and constitutes a valid and binding obligation of the Company in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by all necessary governmental and corporate action and has been duly executed and delivered on behalf of the Borrower and the Company and constitutes valid and binding obligations of the Borrower and the Company in accordance with its terms.

Section 7.03. The date of October 31, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 15, 1973 or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

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

Alternative address for cables:

Maliye
Hazine
Ankara

For the Bank:

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

Alternative address for cables:

Intbafrad
Washington, D.C.

Section 8.03. (a) Subject to the provision of paragraph (b) below, the Minister of Finance of the Borrower is designated for the purposes of Section 10.03 of the General Conditions.

(b) The Borrower irrevocably designates the Company as its authorized representative for the purposes of taking actions required or permitted under Sections 2.02 (b) and 2.03 of this Agreement and under Article V of the General Conditions.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Turkey:

Ahmet TUFAN GÜL
Authorized Representative

International Bank for Reconstruction and Development:

J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Civil Works	4,870,000
II. Electrical and Mechanical Equipment	3,670,000
III. Engineering and Supervision	600,000
IV. Training.	100,000
V. Interest and other charges on the Loan during construction	1,050,000
VI. Unallocated	1,210,000
TOTAL	11,500,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I through V shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category VI.

2. If the estimate of the cost of the items included in any of the Categories I through V shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to such Category from Category VI, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
September 15, 1973	125,000	September 15, 1979	185,000
March 15, 1974	130,000	March 15, 1980	190,000
September 15, 1974	135,000	September 15, 1980	200,000
March 15, 1975	140,000	March 15, 1981	205,000
September 15, 1975	145,000	September 15, 1981	210,000
March 15, 1976	150,000	March 15, 1982	220,000
September 15, 1976	155,000	September 15, 1982	225,000
March 15, 1977	160,000	March 15, 1983	230,000
September 15, 1977	165,000	September 15, 1983	240,000
March 15, 1978	170,000	March 15, 1984	245,000
September 15, 1978	175,000	September 15, 1984	255,000
March 15, 1979	180,000	March 15, 1985	265,000

<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>
September 15, 1985	270,000	September 15, 1990	375,000
March 15, 1986	280,000	March 15, 1991	385,000
September 15, 1986	290,000	September 15, 1991	400,000
March 15, 1987	300,000	March 15, 1992	415,000
September 15, 1987	310,000	September 15, 1992	425,000
March 15, 1988	320,000	March 15, 1993	440,000
September 15, 1988	330,000	September 15, 1993	455,000
March 15, 1989	340,000	March 15, 1994	470,000
September 15, 1989	350,000	September 15, 1994	480,000
March 15, 1990	365,000		

* 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 on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<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 1/4 %
More than six years but not more than eleven years before maturity	2 1/4 %
More than eleven years but not more than sixteen years before maturity	3 3/4 %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 1/2 %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is as follows:

I. Construction of the second Kadincik Hydroelectric Power Plant (Kadincik II)

Kadincik II will comprise: a concrete diversion dam about 15 meters high containing two radial gates and situated on the Kadincik River about 200 meters downstream from the existing Kadincik plant (Kadincik I); an intake, immediately upstream from the dam, leading to a concrete-lined tunnel about 6,100 meters long; a steel pipe extending about 1,400 meters to a surge tank and valve chamber; a steel

penstock sloping to a powerhouse containing a 50 MW turbo-generator unit to be located on the banks of the Tarsus River just below the mouth of the Kadincik River; a travelling crane, switchyard, and other powerhouse equipment.

II. *Engineering Services*

The procurement of consulting engineering services to prepare detailed plans for Kadincik II and to supervise its construction.

III. *Training*

The provision of a training program for the personnel of the Company, consisting of training visits outside Turkey and the employment in the Company's offices of experts to teach modern techniques in electrical systems operations and public utility financial planning, including accounting.

The Project is expected to be completed by the end of 1972.

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.*)

PROJECT AGREEMENT

AGREEMENT, dated June 27, 1969, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CUKUROVA ELEKTRIK A.S., a company existing under the laws of the Republic of Turkey, (hereinafter called the Company).

WHEREAS by the Loan Agreement of even date herewith (hereinafter called the Loan Agreement ¹) between the Republic of Turkey (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower for relending to the Company an amount in various currencies equivalent to eleven million five-hundred thousand dollars (\$11,500,000), on the terms and conditions set forth in

¹ See p. 184 of this volume.

the Loan Agreement, but only on condition that the Company agree to undertake certain obligations toward the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS the Company, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions¹ (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. The Company shall carry out the Project, described in Schedule 3 to the Loan Agreement, with due diligence and efficiency, under competent management and in conformity with sound engineering, financial and public utility practices.

Section 2.02. (a) The Company shall cause the proceeds of the Loan relented by the Borrower to the Company pursuant to the Subsidiary Loan Agreement to be applied exclusively to financing the cost of goods and services required to carry out the Project.

(b) Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Bank and the Company, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

(c) Until the completion of the Project, the Company shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project, except as the Bank may otherwise agree.

¹ See p. 204 of this volume.

(d) In carrying out the Project, the Company shall employ competent and experienced consultants and other experts acceptable to the Bank, upon terms and conditions satisfactory to the Company and the Bank.

Section 2.03. The Company shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, the Company shall not assign, and shall not amend, abrogate or waive any provision of, the Subsidiary Loan Agreement.

Section 2.04. (a) Upon request by the Bank from time to time, the Company shall furnish promptly to the Bank the plans, specifications and the construction schedule for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(b) The Company shall maintain records adequate to identify the goods and services 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 Company, shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents and all other plants, sites, works, properties and equipment of the Company, and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan relented by the Borrower to the Company, the Project, the goods and services, and the administration, operations and financial condition of the Company.

Section 2.05. (a) The Company and the Bank shall co-operate 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 shall reasonably be requested.

(b) The Company 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 to the administration, operations and financial condition of the Company. The Company 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 performance by the Company of its obligations under this Project Agreement or under the Subsidiary Loan Agreement, or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.06. (a) The Company shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Company undertakes to insure the 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 Company to replace or repair such goods.

Section 2.07. (a) The Company shall at all times 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 Company shall operate and maintain all its plants, equipment and property and from time to time make all necessary renewals and repairs thereof, and at all times manage its affairs, operate its plants and equipment and maintain its financial position, in accordance with sound business and public utility practices.

(c) Except as the Bank shall otherwise agree, the Company shall not sell, lease, transfer or assign any of its property or assets, except in the normal course of its business, nor acquire a substantial financial or managerial interest in any other company or operation.

Section 2.08. Except as the Bank shall otherwise agree, the Company shall not incur any debt if after the incurrence of such debt the net income of the Company for the fiscal year next preceding such incurrence, or for a later twelve-month period preceding such incurrence, whichever net income shall have been the greater, would be less than one and three-quarters times the estimated maximum interest payments and other charges (including additional interest owed on account of exchange losses, if any) for any succeeding fiscal year on all debt, including the debt proposed to be incurred. For the purposes of this Section:

(a) “debt” means any debt incurred by the Company and maturing more than one year after the date on which it is originally incurred.

(b) “incur” with reference to any debt includes any modification of the terms of payment of such debt. Debt shall be deemed to be incurred on the day of execution and delivery of a contract, loan agreement or guarantee agreement providing for such debt.

(c) “net income” means gross income from all sources, adjusted to take account of rates for the sale of electric power in effect at the time of the incurrence of debt even though such rates were not in effect during the fiscal year or twelve-month period to which such income relates, less all operating and administrative expenses, including provisions for all taxes other than taxes on income and for depreciation of assets, but not including provision for interest and other charges on debt.

(d) Whenever in connection with this Section it shall be necessary to value in terms of liras 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.

Section 2.09. With the exception of (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, and (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 Company shall not create, nor permit to be created, on any property or assets of the Company or of any subsidiary, any lien as security for any debt, without the prior approval of the Bank.

For the purpose of this Section, the term “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 Company or by any one or more subsidiaries of the Company or by the Company and one or more of its subsidiaries.

Section 2.10. The Company shall have its accounts audited, and its financial statements certified, at least once each year by independent auditors satisfactory to the Bank, and shall furnish to the Bank not later than four months following the close of each fiscal year a copy of its balance sheet and statement of income so certified, together with the report of the auditors in respect thereof.

Section 2.11. Prior to the completion of the Project, the Company shall not, without the prior approval of the Bank, undertake any other project of expansion of its capital investments estimated to cost in excess of \$ 1,000,000 equivalent.

Section 2.12. The Company shall take all steps necessary to maintain such rates for the sale of electric power as will provide revenue sufficient (i) to cover all operating expenses, including all taxes, adequate maintenance and administrative expenses, but not including provision for depreciation; (ii) to meet amortization (including any sinking-fund payments) of, and interest and other charges on, debt; (iii) to meet payments to the Borrower on account of any exchange losses and (iv) to provide a reasonable surplus. During the period 1970 through 1972, the amount of such surplus should allow the Company to finance therefrom at least 23 % of its annual investments in power facilities, after payment of dividends and bonuses. The Company shall consult with the Bank from time to time on the percentage of such investments to be so financed thereafter.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 11.04 of the General Conditions, the Loan Agreement shall terminate, the Bank shall promptly notify the Company thereof, and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

Section 3.02. This Project Agreement shall terminate and all obligations of the Bank and the Company hereunder shall cease and determine on the date on which the Subsidiary Loan Agreement shall terminate in accordance with its terms.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been 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 its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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.

For the Company:

Cukurova Elektrik A.S.
Posta Kutusu 239
Adana, Turkey

Alternative address for cables:

Hidroelektrik
Adana

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the Company or under Section 8.03 of the Loan Agreement on behalf of the Borrower, shall be taken or executed by the Chairman of the Board and the General Manager of the Company or such other person or persons as they shall designate in writing.

Section 4.03. The Company shall furnish to the Bank sufficient evidence of the authority of person or persons who will, on behalf of the Company, take any action or execute any document required or permitted to be taken or executed by the Company pursuant to any of the provisions of the Loan Agreement or this Project Agreement, and the authenticated specimen signature of each such person.

Section 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and to be 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:

J. Burke KNAPP
Vice President

Cukurova Elektrik A.S.:

Ahmet TUFAN GÜL
Authorized Representative