

No. 10689

---

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**  
and  
**DOMINICAN REPUBLIC**

**Guarantee Agreement—*Nickel Project* (with annexed  
General Conditions Applicable to Loan and Guarantee  
Agreements and Loan Agreement between the Bank  
and Falconbridge Dominicana, C. por A.). Signed at  
Washington on 10 December 1969**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development  
on 24 August 1970.*

---

**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT**  
et  
**RÉPUBLIQUE DOMINICAINE**

**Contrat de garantie — *Projet relatif à la production de  
nickel* (avec, en annexe, les Conditions générales  
applicables aux contrats d'emprunt et de garantie et  
le Contrat d'emprunt entre la Banque et la Falcon-  
bridge Dominicana, C. por A.). Signé à Washington  
le 10 décembre 1969**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développe-  
ment le 24 août 1970.*

## GUARANTEE AGREEMENT<sup>1</sup>

---

AGREEMENT, dated December 10, 1969, between the DOMINICAN REPUBLIC (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a Loan Agreement of even date herewith<sup>2</sup> between the Bank and Falconbridge Dominicana, C. por A. (hereinafter called the Borrower) 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 Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

### *Article I*

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,<sup>3</sup> subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements 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 this Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement including the Recitals thereto have the respective meanings therein set forth.

---

<sup>1</sup> Came into force on 26 February 1970, upon notification by the Bank to the Government of the Dominican Republic.

<sup>2</sup> See page 46 of this volume.

<sup>3</sup> See page 46 of this volume.

*Article II*

*Section 2.01.* Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and 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 and Banco Central de la Republica Dominicana undertake that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of the Banco Central de la Republica Dominicana or any other institution acting as the Central Bank 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 and any renewal, extension or refunding thereof; or (ii) any lien which secures a debt maturing not more than one year after the date on which it is originally incurred and which arises in the ordinary course (a) of banking transactions or (b) of commercial transactions by entities carrying out commercial operations in the ordinary course of their business.

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, excluding the Banco Central de la Republica Dominicana but including any other institution acting as the Central Bank of the Guarantor.

*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, and free from all restrictions, imposed under the laws of the Guarantor, 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 Guarantee Agreement, the Loan Agreement, the Bonds, and the Security Instruments shall be free from any taxes that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The Guarantor covenants that it will not take, or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take, any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement, the Management and Technical Services Agreement, the Sales Agreement, the Current Accounts Trust Agreement, and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform its said obligations.

*Section 3.06.* The Guarantor shall duly perform its obligations under the Basic Contract and the Supplementary Agreement.

*Section 3.07.* The Guarantor covenants that it will not take, cause or permit to be taken any action which shall (i) suspend the obligations of

Falconbridge or Armco to make Advance Payments for World Bank Loan Debt Service under Article nineteen of the Sales Agreement or (ii) terminate such obligations under Section 20.02 of the Sales Agreement, unless it shall have paid, or made provision satisfactory to the Bank for the payment of, the principal of the Loan and of all the Bonds outstanding at the time together with the interest and other charges thereon, except that the foregoing shall not apply to any act described in Section 19.01 (3) (a) of the Sales Agreement.

*Section 3.08.* If at any time the Guarantor shall, pursuant to the provisions of this Agreement, make any of the payments due under the Loan or the Bonds, the Guarantor shall, to the extent of any such payment, be subrogated to the rights of the Bank or any Bondholder with respect thereto.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretario de Estado de Finanzas of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

#### *Article V*

*Section 5.01.* The Secretario de Estado de Finanzas of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

*Section 5.02.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions.

For the Guarantor:

Secretario de Estado de Finanzas  
Avenida México  
Santo Domingo  
República Dominicana

Alternative address for cables :

Finanzas  
Santo Domingo

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.

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.

Dominican Republic :

By Antonio MARTÍNEZ FRANCISCO  
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President

Banco Central de la República Dominicana :

(in respect of its assets under Section 3.01 of this Agreement)

By Diógenes H. FERNÁNDEZ  
Authorized Representative

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 December 10, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and FALCONBRIDGE DOMINICANA, C. POR A. (hereinafter called the Borrower).

WHEREAS: (A) The Borrower owns the concession Quisqueya No. 1, covering an area located principally within the District of Monsenor Nouel, Province of La Vega, Dominican Republic, for the exploitation of nickel, chromium, cobalt, iron and associated minerals (hereinafter called the Concession);

(B) The Borrower and the Dominican Republic (hereinafter called the Guarantor) have entered into (i) a contract dated December 24, 1956 (hereinafter called the Basic Contract) in which there were determined in a final manner between the parties the terms and conditions of their mutual obligations with respect to the exploration and exploitation of the Concession, and (ii) an agreement dated September 26, 1969 (hereinafter called the Supplementary Agreement) by which the terms of the Basic Contract were confirmed, subject only to the changes indicated in the Supplementary Agreement;

(C) The Borrower plans to construct and operate a Project (as defined in Schedule 4 to this Agreement) of mining and metallurgical processing of lateritic nickel ore under the Concession for the production of ferro nickel;

(D) The Borrower has requested the Bank to assist in the financing of the foreign exchange cost of certain facilities forming part of the Project (which facilities are described in Part B of the Description of the Project set forth in Schedule 4 to this Agreement);

(E) The Borrower proposes to enter into a loan agreement with Loma Corporation (hereinafter called Loma), of Wilmington, Delaware, (hereinafter called the Falcondo Loan Agreement) providing principally for the financing of those parts of the Project not financed hereunder, and providing for securities therefor (ranking *pari passu* or subordinated in point of security to the security created pursuant to Section 5.05 of this Agreement) including, *inter alia*, the issuance of different series of demand notes of the Borrower (hereinafter called Demand Notes);

(F) Loma, desiring to issue and sell different series of notes (hereinafter called Loma Notes) for the purpose of obtaining funds to purchase Demand Notes pursuant to the Falcondo Loan Agreement, proposes to enter into separate loan agreements (hereinafter called Institutional Loan Agreements) with each of the following parties, namely, Canadian Imperial Bank of Commerce, First National City Bank, Metropolitan Life Insurance Company, The Equitable Life Assurance Society of the United States and the Northwestern Mutual Life Insurance Company (such parties hereinafter called Institutional Lenders);

(G) Loma proposes to enter into a collateral trust indenture with First National City Bank as trustee (hereinafter called Loma Indenture) providing for the issuing and securing of four initial series of Loma Notes;

(H) The Borrower proposes to enter into an agreement with two of its major stockholders, Falconbridge Nickel Mines Limited (hereinafter called Falconbridge)

and Armco Steel Corporation (hereinafter called Armco) (said agreement hereinafter called the Sales Agreement), in which Falconbridge and Armco are to undertake certain obligations regarding the Project and regarding the Loan including, *inter alia*, the obligation to make (i) Advance Payments for Debt Service as set forth in Article ten of the Sales Agreement, and (ii) Contingent Monthly Payments as set forth in Article twelve of the Sales Agreement;

(I) The Borrower and Falconbridge propose to enter into an agreement (hereinafter called the Management and Technical Services Agreement) providing for certain managerial and technical services to be performed by Falconbridge on behalf of the Borrower with respect to the construction and the operation of the Project;

(J) The Borrower, Loma, the Central Bank of the Dominican Republic and the Bank propose to enter into an agreement with the First National City Bank as trustee (hereinafter called the Current Accounts Trustee) (said agreement hereinafter called the Current Accounts Trust Agreement) providing for the receipt and the disbursement by the Current Accounts Trustee of certain payments including the repayment of the Loan on behalf of Falcondo;

(K) Falconbridge, Armco and the First National City Bank propose to enter into an agreement (hereinafter called the Ancillary Agreement), in which Falconbridge and Armco, *inter alia*, are to make certain representations, warranties and covenants relevant to the Project and its financing;

(L) The Borrower, Falconbridge, Armco, Loma, the Bank and the Institutional Lenders propose to enter into an agreement (hereinafter called the Completion Agreement), in which Falconbridge and Armco are to undertake certain obligations regarding the completion of the Project and regarding prepayment of the Loan in lieu thereof including, *inter alia* the obligation to provide Additional Construction Funds (as defined in the Falcondo Loan Agreement) pursuant to Section 2.02 of the Completion Agreement;

(M) Falconbridge, Armco, Loma, the Bank and the First National City Bank propose to enter into an agreement (hereinafter called the Falcondo Pledge Agreement), in which Falconbridge and Armco are to pledge their shares of capital stock of the Borrower as security for the Loan and the Demand Notes and the due and punctual performance of all the agreements, obligations, covenants and conditions set forth in the Loan Agreement;

(N) Loma and the Bank propose to enter into an agreement (hereinafter called the Lenders' Agreement) concerning matters relating to the enforcement of their respective rights in case of default under their respective loan agreements with the Borrower;

(O) By agreement of even date herewith between the Guarantor and the Bank,



which agreement is hereinafter called the Guarantee Agreement,<sup>1</sup> the Dominican Republic has agreed to guarantee the Loan as to payment of principal, interest and other charges;

WHEREAS the Bank, on the basis *inter alia* of the foregoing, has agreed to make a loan to the Borrower on the conditions hereinafter set forth;

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,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 3 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 this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and (i) the term 'Security Instruments' means the security instruments to be executed by the Borrower in accordance with the provisions of Section 5.05 (a) and (b) of this Agreement including (except where the context otherwise requires) any deeds or instruments supplemental thereto, and (ii) any reference to an agreement or instrument defined or referred to herein shall be deemed to include all lawful amendments or modifications thereto.

### 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 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 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

<sup>1</sup> See page 38 of this volume.

<sup>2</sup> See page 46 of this volume.

this 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 shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for Part B of the Project, described in Schedule 4 to this Agreement, and to be financed under this Loan Agreement.

*Section 2.04.* It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals not exceeding (i) one million dollars (\$1,000,000) equivalent from the Loan Account in respect of Category 6 of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement and (ii) five hundred thousand dollars (\$500,000) equivalent in respect of Categories 1 to 5 of the said allocation of the proceeds may be made on account of payments made prior to the date of this Agreement but after April 1, 1969.

*Section 2.05.* 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 2.06.* The Borrower shall pay interest at the rate of seven per cent (7 %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

### Article III

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on Part B of the Project, described in Schedule 4 to this Agreement.

*Section 3.02.* 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 August 1969, and in accordance with such other procedures supplementary thereto as are set

forth in Schedule 5 to this Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

*Section 3.03.* Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out Part B of the Project, described in Schedule 4 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 the Security Instruments and Article VIII of the General Conditions.

*Section 4.02.* The Treasurer of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

*Section 4.03.* The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time agree as to the procedure for the issue, authentication and delivery of the Bonds and the form thereof and of the guarantees endorsed thereon, and such arrangements may be in addition to or in substitution for any of the provisions of the Loan Agreement.

#### *Article V*

##### PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound business, technical and financial practices, and under the supervision of experienced and competent management and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*(b)* The Borrower shall furnish to the Bank and to the Guarantor, promptly upon their preparation, the plans, specifications, contract documents and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

*(c)* The Borrower 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 Borrower; shall enable the Bank's representatives to inspect the Project, the goods, and any relevant records and documents; and 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 goods and services and the administration, operation and financial condition of the Borrower.

(d) The Borrower shall have its accounts audited and its financial statements (balance sheet and related statement of earnings and expenses) certified annually by independent qualified accountants acceptable to the Bank and shall, promptly after their preparation and not later than four months after the close of the Borrower's fiscal year, transmit to the Bank certified copies of such statements and a signed copy of the accountants' report.

*Section 5.02.* (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan and the maintenance of the service thereof.

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

*Section 5.03.* The Borrower shall duly perform its obligations under the Concession, the Basic Contract, the Supplementary Agreement, the Sales Agreement, the Management and Technical Services Agreement, the Current Accounts Trust Agreement, and the Falcondo Loan Agreement, and except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would materially or adversely affect the Bank or the Project and which would have the effect of amending, abrogating, assigning or waiving any provision of any one of such Agreements.

*Section 5.04.* Except as otherwise provided in the Completion Agreement, if the completion of the Project is hindered or delayed, or is threatened with hindrance or delay, because Additional Construction Funds (as defined in the Falcondo Loan Agreement) are not available to the Borrower, the Borrower shall promptly demand that Falconbridge and Armco provide the Borrower, or cause the Borrower to be provided promptly, with such Additional Construction Funds, as required by Section 2.02 of the Completion Agreement.

*Section 5.05.* (a) The Borrower shall execute and deliver, and maintain in effect, Security Instruments in form and substance satisfactory to the Guarantor and the Bank securing the Loan and the Bonds by :

- (i) hypothec instruments on such of the Borrower's immovable property as is

- covered by and described in the hypothec instruments delivered from time to time by the Borrower to Loma pursuant to the Falcondo Loan Agreement;
- (ii) a mining hypothec instrument on the Concession; and
  - (iii) instruments of assignment providing for (1) an assignment of certain rights under the Sales Agreement, and (2) an assignment of certain rights under the License Agreement between Falconbridge and the Borrower dated as of January 1, 1968, as the same may be amended from time to time with the approval of the Bank;

such Security Instruments to rank in point of security prior to any other mortgage, charge, or lien upon, and to any pledge or hypothecation of, any of the properties or assets of the Borrower, now existing or hereafter created; provided, however, that the Borrower may secure non-subordinated loans in an aggregate principal amount not exceeding \$129,000,000 prior to completion of the Project and \$121,000,000 thereafter to be made under the Falcondo Loan Agreement, by a mortgage or other form of security on its property, assets or undertaking ranking *pari passu* with, but not prior to, the Security Instruments executed and delivered pursuant to this subsection, and provided, further, that the provisions of this subsection shall not apply to Permitted Encumbrances as defined in the Falcondo Loan Agreement.

(b) The Borrower shall execute and deliver, at the times specified below, and maintain in effect a Security Instrument in form and substance satisfactory to the Bank securing the Loan and the Bonds by a chattel mortgage instrument on such of the Borrower's movable property as is covered by and described in any chattel mortgage instrument delivered by the Borrower to Loma pursuant to the Falcondo Loan Agreement; such Security Instrument to be delivered whenever a chattel mortgage instrument is delivered to Loma pursuant to the Falcondo Loan Agreement. Until the delivery of such Security Instrument the Borrower agrees that it will not create, incur, or suffer to exist any mortgages, charges or liens, other than the Permitted Encumbrances as defined in the Falcondo Loan Agreement and other than the Security Instruments described in Section 5.05 (a) of this Agreement, on any of its movable properties. The Security Instrument required to be delivered under this Section 5.05 (b) shall rank in point of security prior to any other mortgage, charge, or lien upon, and to any pledge or hypothecation of, any of the properties or assets of the Borrower, now existing or hereafter created; provided, however, that the Borrower may secure non-subordinated loans in an aggregate principal amount not exceeding \$129,000,000 prior to completion of the Project and \$121,000,000 thereafter to be made under the Falcondo Loan Agreement, by a chattel mortgage instrument ranking *pari passu* with, but not prior to, the Security Instrument executed and delivered pursuant to this Section 5.05 (b).

(c) The Borrower shall obtain all necessary consents for the valid execution and delivery of the Security Instruments referred to under subsections (a) and (b) above and shall duly register, or cause to be duly registered, such Security Instruments, together with such other documents as may be necessary or proper, in order to render the same fully effective in accordance with their terms.

(d) The Bank and the Borrower, with the approval of the Guarantor, may from time to time agree upon modifications of the foregoing requirements of this Section.

*Section 5.06.* The Borrower shall pay or cause to be paid all taxes and fees, 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, the Bonds and the Security Instruments, or the payment of principal, interest and other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, 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 Dominican Republic.

*Section 5.07.* The Borrower shall pay or cause to be paid all taxes and fees, 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, the Bonds or the Security Instruments.

*Section 5.08.* (a) Except as the Bank shall otherwise agree, if the Borrower shall (i) prepay part, or all, of the principal amount outstanding of any long-term debt of the Borrower or (ii) pay upon demand any demand notes other than a payment on the Demand Notes made to obtain funds (A) required to make payments of the Corresponding Loma Notes (as defined in the Loma Indenture) in accordance with the provisions for mandatory redemption (absent acceleration) or repayment in advance of maturity as set forth in Section 4.06 (other than under clauses (i) and (ii) of the first paragraph thereof) of the Loma Indenture or (B) for the optional redemption as set forth in Section 4.07 (d) of the Loma Indenture, the Borrower shall repay or redeem in advance of maturity a proportionate part, or all, as the case may be, of the principal amount outstanding of the Loan and the Bonds. For the purpose of this Section the term "long-term debt" shall mean any debt (other than Advance Payments for Debt Service or Contingent Monthly Payments pursuant to the Sales Agreement) maturing more than one year after the date on which it is originally incurred.

(b) All provisions of the General Conditions relating to repayment or redemption in advance of maturity shall be applicable to any repayment by the Borrower of the Loan and the Bonds in accordance with this Section.

*Section 5.09.* (a) The Borrower shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risks and in such amount as shall be consistent with sound business practices.

(b) Without limiting the generality of the foregoing the Borrower undertakes to insure or cause to be insured the goods financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any

indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

*Section 5.10.* (a) Except as the Bank shall otherwise agree, the Borrower shall not sell, lease, transfer, assign or otherwise dispose of any of its rights, property or assets except in the ordinary course of business or except as permitted under Article ten of the Falcondo Loan Agreement.

(b) Except as the Bank shall otherwise agree, the Borrower shall not incur, guarantee or assume any indebtedness other than:

- (i) the Loan;
- (ii) indebtedness to Loma in the aggregate principal amount of **\$155,000,000** and any amounts lent as Additional Construction Funds (as defined in the Falcondo Loan Agreement), all pursuant to the provisions of the Falcondo Loan Agreement;
- (iii) unsecured current liabilities, other than for money borrowed, in the ordinary course of business;
- (iv) indebtedness up to **\$2,500,000** at any one time outstanding incurred in connection with construction or acquisition of housing for employees of Falcondo;
- (v) advances from Falconbridge and Armco made pursuant to Articles ten and twelve of the Sales Agreement; and
- (vi) other unsecured indebtedness in an aggregate principal amount not exceeding **\$10,000,000** at any one time outstanding.

(c) Except as the Bank shall otherwise agree, the Borrower shall not undertake or execute, for its own account or for the account of any of its shareholders or of any third party or parties, any projects or developments other than the Project.

*Section 5.11.* (a) The Borrower shall at all times take all steps necessary to maintain its existence and right to carry on operations and shall, except as the Bank may otherwise agree, take all steps necessary to acquire, maintain and renew, or to make effective arrangements satisfactory to the Bank to acquire, and to maintain such lands, interests in land, properties and assets or to make effective arrangements satisfactory to the Bank to acquire, and to maintain and to renew all rights, privileges, franchises, licenses, consents or other rights as may be necessary to enable it to construct and operate the Project and to carry on its business.

(b) The Borrower shall at all times operate its undertaking and conduct its affairs in accordance with sound business and financial practices under the supervision of experienced and competent management and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering and business practices.

*Section 5.12.* (a) Except as the Bank shall otherwise agree, the obligations of the Borrower expressed in this Article shall be applicable to any subsidiary of

the Borrower as though such obligations were binding on any such subsidiary, and the Borrower shall cause any such subsidiary to carry out such obligations.

(b) For the purpose of subparagraph (a) of this Section 5.12 the term "subsidiary" shall mean any corporation of which at least a majority of the outstanding voting stock shall be owned, or which shall be effectively controlled, by the Borrower or by one or more subsidiaries of the Borrower or by the Borrower and one or more of its 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 and the Guarantor 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 this 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 materially or adversely affecting the Bank or the Project shall occur in the performance by any party of any obligation, covenant or agreement under any of the following agreements, namely, the Basic Contract, the Supplementary Agreement, the Falcondo Loan Agreement, the Sales Agreement, the Current Accounts Trust Agreement, the Management and Technical Services Agreement, the Ancillary Agreement, the Completion Agreement, the Institutional Loan Agreements, the Loma Indenture, the Lenders' Agreement, the Falcondo Pledge Agreement, or the Concession, and such event shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.

(b) Any provision of the Basic Contract, the Supplementary Agreement, the Falcondo Loan Agreement, the Sales Agreement, the Current Accounts Trust Agreement, the Management and Technical Services Agreement, the Ancillary Agreement, the Completion Agreement, the Institutional Loan Agreements, the Loma Indenture, the Lenders' Agreement, the Falcondo Pledge Agreement, the Concession or of the Borrower's *estatutos* shall have been amended, suspended, abrogated, terminated, waived or assigned without the prior approval of the Bank and such event shall have materially or adversely affected the Bank or the Project and shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.



(c) Any other loan or credit to the Borrower including any securities representing the same shall have become due and payable prior to their agreed maturity pursuant to the terms thereof, or any Demand Note of the Borrower shall have been presented for payment other than for a payment not requiring a repayment or redemption in advance of maturity of the Loan and the Bonds or any part thereof under Section 5.08 (a) of this Agreement.

(d) The right of the Borrower to withdraw amounts under the Falcondo Loan Agreement or the right of Loma to withdraw amounts under the Institutional Loan Agreements shall have terminated.

(e) Proceedings to enforce the security constituted by the Security Instruments shall have been commenced.

*Section 6.03.* For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely, the Institutional Lenders shall have refused to permit further withdrawals under the Institutional Loan Agreements.

## Article VII

### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) That the Borrower has validly acquired, or has received assurances satisfactory to the Bank from the Guarantor that it will be able to validly acquire, all such lands and properties and all such rights of way, easements, licenses, consents, franchises (including the necessary mining and treatment concession or concessions), and all such other rights or privileges as may be necessary or requisite to enable it to construct the Project and to carry on its business;
- (b) That the first sale of Demand Notes under the Falcondo Loan Agreement shall have been made;
- (c) That the Loan Agreement has been duly approved by the Central Bank of the Dominican Republic;
- (d) That all necessary acts, consents and approvals (as required by Dominican law in effect on the date of the legal opinion to be furnished to the Bank for the purposes of Section 7.02 (d) of this Agreement) to be performed or given by the Guarantor, its political subdivisions or agencies or by any agency of any political subdivision or otherwise to be performed or given in order to authorize the completion of the Project and to enable the parties

to any of the following agreements, namely, the Loan Agreement, the Falcondo Loan Agreement, the Basic Contract, the Supplementary Agreement, the Sales Agreement, the Management and Technical Services Agreement, the Current Accounts Trust Agreement and the Completion Agreement, to perform all of the covenants, agreements and obligations in such Agreements contained, and to give effect to the covenants, agreements, obligations and provisions of any of the said Agreements, together with all necessary powers and rights in connection therewith, have been performed, given or duly authorized;

- (e) That the Falcondo Loan Agreement, the Basic Contract, the Supplementary Agreement, the Sales Agreement, the Management and Technical Services Agreement, the Current Accounts Trust Agreement, the Ancillary Agreement, the Completion Agreement, the Institutional Loan Agreements, the Loma Indenture, the Lenders' Agreement, the Falcondo Pledge Agreement and the Concession in form and substance satisfactory to the Bank have been duly executed and authorized or ratified by all necessary governmental and corporate action and are in full force and effect; and
- (f) That the Borrower has executed, delivered and registered the Security Instruments pursuant to the provisions of Section 5.05 (a) of this Agreement.

*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 Borrower has full power and authority to construct the Project and to carry on its business and has all necessary rights and powers in connection therewith;
- (b) That the Borrower has validly acquired, or has received assurances satisfactory to the Bank from the Guarantor that it will be able to validly acquire, all such lands and properties and all such rights of way, easements, licenses, consents, franchises and all such other rights or privileges as may be necessary or requisite to enable it to construct the Project and to carry on its business;
- (c) That the Falcondo Loan Agreement, the Basic Contract, the Supplementary Agreement, the Sales Agreement, the Management and Technical Services Agreement, the Current Accounts Trust Agreement, the Ancillary Agreement, the Completion Agreement, the Institutional Loan Agreements, the Loma Indenture, the Lenders' Agreement, the Falcondo Pledge Agreement and the Concession in form and substance satisfactory to the Bank (i) have been duly executed and authorized or ratified by all necessary corporate and governmental action, (ii) constitute valid and binding obligations of the parties thereto in accordance with their terms, and (iii) are in full force and effect;
- (d) That all acts, consents and approvals referred to in paragraph (d) of Section 7.01 of this Agreement together with all necessary powers and rights in

connection therewith (as required by Dominican law on the date of the legal opinion to be furnished to the Bank for the purposes of this Section 7.02 (d)) have been duly and validly performed, given or authorized;

- (e) That the Security Instruments have been duly executed, delivered and registered on behalf of the Borrower pursuant to the provisions of Section 5.05 (a) of this Agreement, that they create a valid and effective first priority for the Loan and the Bonds over the properties and assets of the Borrower, and that no prior or equal security exists on any such properties and assets except as permitted by the provisions of Section 5.05 of this Agreement;
- (f) That the Loan Agreement has been duly approved by the Central Bank of the Dominican Republic.

*Section 7.03.* The date of March 15, 1970 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 30, 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 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 Borrower:

Falconbridge Dominicana, C. por A.  
30 Avenida Máximo Gómez  
Santo Domingo  
Dominican Republic

Alternative address for cables:

Benfalc  
Santo Domingo

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.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP

Vice Président

Falconbridge Dominicana, C. por A.:

By MARSH COOPER

Authorized Representative

### SCHEDULE 1

#### ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Turbines . . . . .	3,500,000
2. Boilers . . . . .	2,900,000
3. Civil Works . . . . .	1,900,000
4. Miscellaneous equipment for thermal generating station (including water treatment plant) . . . . .	6,200,000
5. Pipeline Facilities . . . . .	5,600,000
6. Engineering Services . . . . .	2,900,000
7. Interest and other charges on the Loan incurred up to September 30, 1973 . . . . .	1,000,000
8. Unallocated . . . . .	1,300,000
TOTAL	25,000,000

#### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 7 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 8.

2. If the estimate of the cost of the items included in any of the Categories 1 to 7 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 8, 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>
December 15, 1973 . . . . .	1,086,956	December 15, 1979 . . . . .	1,086,956
June 15, 1974 . . . . .	1,086,956	June 15, 1980 . . . . .	1,086,957
December 15, 1974 . . . . .	1,086,956	December 15, 1980 . . . . .	1,086,957
June 15, 1975 . . . . .	1,086,956	June 15, 1981 . . . . .	1,086,957
December 15, 1975 . . . . .	1,086,956	December 15, 1981 . . . . .	1,086,957
June 15, 1976 . . . . .	1,086,956	June 15, 1982 . . . . .	1,086,957
December 15, 1976 . . . . .	1,086,956	December 15, 1982 . . . . .	1,086,957
June 15, 1977 . . . . .	1,086,956	June 15, 1983 . . . . .	1,086,957
December 15, 1977 . . . . .	1,086,956	December 15, 1983 . . . . .	1,086,957
June 15, 1978 . . . . .	1,086,956	June 15, 1984 . . . . .	1,086,957
December 15, 1978 . . . . .	1,086,956	December 15, 1984 . . . . .	1,086,959
June 15, 1979 . . . . .	1,086,956		

\* 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 . . . . .	1½ %
More than three years but not more than six years before maturity . . . . .	2¼ %
More than six years but not more than eleven years before maturity . . . . .	4 %
More than eleven years but not more than thirteen years before maturity . . . . .	5½ %
More than thirteen years before maturity . . . . .	7 %

SCHEDULE 3

MODIFICATIONS OF GENERAL CONDITIONS

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

(1) Paragraph (a) of Section 6.02 is deleted and the following paragraph substituted therefor:

“(a) The Borrower or the Guarantor shall have failed to make payment

(notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds.”

(2) Paragraph (c) of Section 6.02 is deleted.

(3) Paragraph (c) of Section 7.01 is deleted.

(4) In Section 9.01, after the words “Guarantee Agreement”, where those words occur, the words “the Security Instruments” are added.

(5) The second sentence of Section 9.02 is deleted and the following sentence substituted therefor:

“Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof with the approval of the Guarantor which shall not be unreasonably withheld; any modification or amplification of any other document related to the Loan or related to any security therefor with the approval of the Guarantor which shall not be unreasonably withheld; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

(6) Paragraph (b) of Section 9.04 is deleted and the following paragraph substituted therefor:

“(b) The parties to such arbitration shall be the Bank, the Borrower and the Guarantor. By written notice to be given to the parties within 15 days after the receipt of the notice instituting an arbitration proceeding as provided in paragraph (d) of this Section, Falconbridge and Armco may jointly become a party to such arbitration.”

(7) Paragraph (c) of Section 9.04 is deleted and the following paragraph substituted therefor:

“(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by (i) the Borrower, (ii) the Guarantor and (iii) Falconbridge and Armco (if they have jointly become a party); and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. In the event, however, that the Borrower, the Guarantor, and Falconbridge and Armco (if they have jointly become a party) fail to agree on a common arbitrator within 30 days after the giving of the notice as provided in paragraph (d) of this Section, the Arbitral Tribunal shall consist

of three arbitrators (one of whom shall be designated the Umpire) who shall be appointed by agreement of all of the parties, or, if they shall not agree, by the President of the International Court of Justice, or failing appointment by him, by the Secretary General of the United Nations. If any party shall fail to appoint an arbitrator (otherwise than by failure of the Borrower and the Guarantor, or of the Borrower, the Guarantor, Falconbridge and Armco, as the case may be, to agree on a common arbitrator), such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator."

(8) Paragraph (d) of Section 9.04 is deleted and the following paragraph substituted therefor:

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

(9) Paragraph (j) of Section 9.04 is deleted and the following paragraph substituted therefor:

"(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder or under the Bonds; provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising or instituting any legal or equitable action to enforce any right or claim arising out of or pursuant to the Security Instruments, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim, and provided further, that nothing herein shall be deemed to preclude arbitration or court proceedings under the Sales Agreement or under any other agreement involving the parties hereto."

(10) Paragraph 10 of Section 2.01 is deleted and the following paragraph substituted therefor:

"10. The term 'Bonds' means bonds executed and delivered pursuant to the Loan Agreement and the Security Instruments (including any such bonds issued in exchange for, or on transfer of, Bonds as herein defined), with

the guarantee of the Guarantor endorsed thereon as provided in the Loan Agreement and the Guarantee Agreement, such bonds to be secured as provided for in Section 5.05 of the Loan Agreement.”

#### SCHEDULE 4

##### DESCRIPTION OF THE PROJECT

The Project is the construction and start-up of facilities (including the acquisition of equipment pertaining thereto) designed for the mining and metallurgical processing of lateritic nickel ores to produce approximately 63 million pounds per annum of nickel in the form of ferro nickel. As set forth below, the Project consists of a Part A financed by the Borrower from sources other than the Bank, and a Part B financed partly by the Bank under this Loan Agreement.

##### *Part A of the Project*

Part A of the Project consists of:

- (a) Mining equipment for the surface mining of lateritic nickel ore from the area covered by the Concession.
- (b) Transport equipment for the movement of the crude ore to dumps at the plant site.
- (c) Rotary oil fired dryers for controlled drying of the ore, and further crushing and screening equipment.
- (d) Briquetting presses connected to twelve shaft-type reduction furnaces.
- (e) Gas-tight transfer cars, locomotives and track for transfer of hot calcinated briquettes from reduction furnace to electric furnace.
- (f) Three identical arc furnaces with power rating of about 40,000 KVA supplied from three single phase 17,000 KW transformers per furnace.
- (g) Ladle, ladle car, electric reheating furnace and single-strand pig casting unit fitted with water-cooling sprays.
- (h) Pot cars, locomotives, and track system for the disposal of slag.
- (i) Water control structure on the Yuna River.
- (j) Accommodation consisting of some single quarters and first aid facilities at the plant site and housing development for staff personnel adjacent to the town of Bonao, including hospital facilities.
- (k) An access road and a bridge over the Yubao River.
- (l) Exploration and related activities within the area covered by the Concession.



*Part B of the Project*

Part B of the Project consists of a thermal generating station located at the mine site near the town of Bonao and oil pipeline facilities to supply fuel thereto, as follows:

- (a) A power house and associated civil and ancillary works with thermal units aggregating approximately 198 MW.
- (b) A pipeline for the transport of crude oil approximately 44 miles long, between the seaport of Haina and the mine site.
- (c) Fuel storage tanks and pumping facilities near Haina and fuel storage tanks at the plant site.
- (d) A topping unit to convert the crude oil into fuel oil and gasification fuel.
- (e) Water treatment plant and pumping station with appropriate capacity.

The Project is expected to be completed in 1972.

## SCHEDULE 5

## PROCUREMENT

Pursuant to Section 3.02 of this Agreement, the following procedures, supplementary to those set forth in the Guidelines referred to therein, shall apply to the procurement of goods to be purchased out of the proceeds of the Loan:

1. With respect to contracts for the procurement of goods estimated to cost in excess of \$100,000 equivalent:

(a) Prior to inviting bids, evidence satisfactory to the Bank of the methods for procurement of such goods will be furnished to the Bank, including: (i) names of countries notified of the Borrower's intention to invite bids and information on advertisements placed in newspaper and other publications; (ii) where prequalification is used, names of firms expressing an interest in prequalifying as bidders, of those to be invited to prequalify, and of those which the Borrower proposes to prequalify, together with the reasons for rejecting those not prequalified.

(b) Before issuing any specification or bidding documents for the purchase of such goods, the Borrower will submit copies thereof to the Bank for its approval.

(c) The Borrower will, before making any award or issuing any letter of intent, submit to the Bank for its approval the Borrower's analysis of bids and recommendation for award of the contract. The Bank will endeavor to take action thereon within 30 days of receipt.

(d) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Bank under (b) and (c)

above, then the text of the proposed changes will be submitted by the Borrower to the Bank for its review and approval prior to the execution of the contract.

(e) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Bank.

2. With respect to contracts for the procurement of goods estimated to cost \$100,000 equivalent or less, copies of all tender documents, including the Borrower's evaluation report and evidence of advertising procedures, will be sent to the Bank at the time the award is made. A copy of the contract will be sent to the Bank when it has been executed and prior to submission to the Bank of the first application for withdrawals of the proceeds of the loan in respect of any payment thereunder.

3. Spare parts required to be compatible with existing equipment and such minor items as are, for reasons of economy, customarily procured without competition are excepted from the requirement of international competitive bidding set forth in Section 3.02 of this Agreement.

---