

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
REPUBLIC OF CHINA**

Guarantee Agreement—*Third Power Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements, Loan Agreement between the Bank and the Taiwan Power Company and Letter Agreement between the Bank and the Republic of China). Signed at Washington on 11 June 1971

Authentic text : English.

Filed and recorded at the request of the International Bank for Reconstruction and Development on 16 December 1971.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CHINE**

Contrat de garantie — *Troisième projet relatif à l'énergie électrique* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie, le Contrat d'emprunt entre la Banque et la Taiwan Power Company et Lettre d'accord entre la Banque et la République de Chine). Signé à Washington le 11 juin 1971

Texte authentique : anglais.

Classé et inscrit au répertoire à la demande de la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 11, 1971, between REPUBLIC OF CHINA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date² herewith between the Bank and the Taiwan Power Company (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifty-five million dollars (\$55,000,000), 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

GENERAL CONDITIONS; DEFINITIONS

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, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

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

¹ Came into force on 9 September 1971, upon notification by the Bank to the Government of the Republic of China.

² See p. 294 of this volume.

³ See p. 292 of this volume.

Article II

GUARANTEE; BONDS; PROVISION OF FUNDS

Section 2.01. Without limitation or restriction upon any of its other obligations under the 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, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. 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 Minister of Finance 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.

Section 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

OTHER COVENANTS

Section 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt, and (ii) undertakes that if any such lien shall be created it 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 in the creation of any such lien express provision will be made to that effect. The Guarantor shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for 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.

As used in this Section, the term “governmental assets” means assets of the Guarantor, of any of its political subdivisions, of any agency of the Guarantor or of any such political subdivision, and assets of the Central Bank of China or any institution performing the functions of a central bank for the Guarantor.

Section 3.02. (a) Except as the Bank shall otherwise agree, prior to the termination of the Loan Agreement in accordance with its terms, the Guarantor shall cause the Bank of Communications not to :

- (i) exercise the right to effect any lien given by the Borrower to the Bank of Communications under the CIECD loan agreements;
- (ii) transfer or assign the loans and any right, including the lien, provided for under such CIECD loan agreements; and
- (iii) amend any provision relating to the lien provided for under such CIECD loan agreements.

(b) If the circumstances would justify the Bank of Communications to effect the lien referred to in subsection (a) hereof and if the Bank so agrees, the Guarantor shall cause the Bank of Communications to :

- (i) share such lien *pari passu* by the Bank and the Bank of Communications to secure the payment of the principal of, and interest and other charges on, the Loans and the Bonds, and the outstanding principal of, and interest on, the loans provided for under the CIECD loan agreements; and
- (ii) make express provision to that effect in the registration or in any other legal documents required to effect the lien.

Section 3.03. The Guarantor shall take all such action as will be necessary to enable the Borrower to obtain, and shall not take any action which would prevent the Borrower from obtaining, from time to time, such adjustment in the Borrower's tariffs as provided in Section 5.06 of the Loan Agreement.

Section 3.04. Unless the Bank shall otherwise agree, the Guarantor shall reinvest in the Borrower, under terms and conditions acceptable to the Bank, any sums which it shall earn from time to time, until December 31, 1982, as dividends on its shareholdings in the Borrower.

Section 3.05. Unless the Bank shall otherwise agree, the Guarantor shall not take any action which would result in the amendment of the Borrower's Charter.

Article IV

CONSULTATION AND INFORMATION

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor

and the Bank shall from time to time, at the request of either party : (i) exchange views through their representatives with regard to the performance of their respective obligations under the Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) 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, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) 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.

(b) 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.

Article V

TAXES AND RESTRICTIONS

Section 5.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.02. The Guarantee Agreement, the Loan Agreement, any instrument made pursuant to Section 3.01 of this Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Guarantor shall, in respect of any instrument made pursuant to such Section 3.01, pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

Article VI

REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

Section 6.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

Ministry of Finance

Taipei

Republic of China

Cable Address :

Chifinance

Taipei

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

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

Republic of China :

By MARTIN WONG

Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

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

LOAN AGREEMENT

AGREEMENT, dated June 11, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TAIWAN POWER COMPANY (hereinafter called the Borrower), a corporation organized and existing under the laws of the Republic of China.

Article I

GENERAL CONDITIONS; DEFINITIONS

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, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (i) thereof to read as follows: "Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred." (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 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) "CIECD loan agreements" means the 107 loan agreements entered into during the period 1952 to 1967 between the Borrower and the Bank of Communications acting as the agent of the Guarantor to provide funds in local currency to the Borrower for the improvement and expansion of its facilities.

(b) "First Loan Agreement" means the loan agreement dated December 2, 1968² (*Tachien Power Project*) between the Bank and the Borrower as amended on May 16, 1970.³

(c) "First Guarantee Agreement" means the guarantee agreement dated December 2, 1968² (*Tachien Power Project*) between the Guarantor and the Bank.

(d) "Second Loan Agreement" means the loan agreement dated May 16, 1970³ (*Second Power Project*) between the Bank and the Borrower.

(e) "Second Guarantee Agreement" means the guarantee agreement dated May 16, 1970⁴ (*Second Power Project*) between the Guarantor and the Bank.

¹ See p. 292 of this volume.

² United Nations, *Treaty Series*, vol. 677, p. 299.

³ *Ibid.*, vol. 757, p. 99.

⁴ *Ibid.*

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifty-five million dollars (\$55,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Loan Agreement and in respect of interest and other charges on the Loan; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1976 or such other date as shall be agreed between the Bank and the Borrower.

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 and one-quarter per cent ($7\frac{1}{4}\%$) 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 April 15 and October 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 3 to this Agreement.

Section 2.09. 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 2.10. The President 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.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utilities practices.

Section 3.02. In order to assist the Borrower in carrying out the Project, the Borrower shall employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. In carrying out the Project, the Borrower shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.04. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against 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.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.05. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, contract documents and construction and procurement schedules, for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Article IV

MANAGEMENT AND OPERATIONS OF THE BORROWER

Section 4.01. (a) The Borrower shall at all times carry on its operations, manage its affairs, maintain its financial position, and plan the future expansion of its electric power system, all in accordance with sound business, financial and public utility principles and practices, under the supervision of experienced and competent management, and with the assistance of adequate, qualified and experienced staff.

(b) The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and make all necessary renewals and repairs thereof, in accordance with sound engineering and public utility practices.

Section 4.02. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.03. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall not amend its Charter without the agreement of the Bank.

Article V

FINANCIAL COVENANTS

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 5.02. The Borrower shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank ; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested ; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt except as otherwise disclosed in writing by the Borrower to the Bank.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree : (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; and (ii) if any lien shall be created on any assets of the Borrower, other than under paragraph (a) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank ; provided, however, that the foregoing provisions of this Section shall not apply to : (A) 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 (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall not effect the lien provided for under the CIECD loan agreements prior to the termination of this Agreement in accordance with its terms.

(b) If the lien referred to in subsection (a) hereof is effected in accordance with Section 3.02 (b) of the Guarantee Agreement,¹ the Borrower shall ensure that (i) such lien will be shared *pari passu* by the Bank and the Bank of Communications to secure

¹ See p. 284 of this volume.

the payment of principal of, and interest and other charges on, the Loan and the Bonds and the outstanding principal of, and interest on, the loans provided for under the CIECD loan agreements; and (ii) express provision be made to that effect in the registration or in any other legal documents required to effect the lien.

Section 5.05. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless the Borrower's net revenue for the Borrower's fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all the Borrower's debt, including the debt to be incurred. For the purposes of this Section:

- (a) "debt" means all debt, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan contract or agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but shall be counted only to the extent that the underlying debt is outstanding;
- (c) the term "net revenue" means gross operating revenue, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;
- (d) the term "debt service requirements" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and
- (e) whenever in connection with this Section it shall be necessary to value in the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 5.06. (a) The Borrower shall maintain its tariffs, or take all steps necessary to set them, at such a level as may be necessary to provide revenue sufficient to produce an annual rate of return of not less than 10% on the value of the Borrower's net fixed assets in operation plus an adequate working capital allowance.

(b) For the purpose of this Section:

- (i) The annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets of the Borrower in operation at the beginning and at the end of each year plus an adequate working capital allowance, representing 2.5 per cent of such average of

value of the net fixed assets and 11.5 per cent of the Borrower's cash operating expenses.

- (ii) The term "value of net fixed assets in operation" shall mean the gross book value of such assets, valued in accordance with sound and consistently maintained methods of valuation, acceptable to the Bank, less the amount of accumulated depreciation, as defined hereinafter, determined on such value.
- (iii) The rates of depreciation applicable to the fixed assets shall be based on the useful life of depreciable assets, as set forth in the Borrower's schedule of depreciation rates approved by the Guarantor on April 9, 1971, consistently applied using the straight-line method.
- (iv) The term "operating income" shall mean the difference between :
 - (A) gross operating revenue accruing from the Borrower's services; and
 - (B) the operating and administration expenses, including taxes (if any), adequate maintenance and depreciation but excluding interest and other charges on debt.

Article VI

CONSULTATION; INFORMATION AND INSPECTION

Section 6.01. The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purpose of the Loan; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

Section 6.02. The Bank and the Borrower shall promptly inform each other 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 either of them of its obligations under the Loan Agreement.

Section 6.03. The Borrower shall enable the Bank's representatives to inspect all plants, installations, sites, works, buildings, property and equipment of the Borrower and any relevant records and documents.

Article VII

TAXES

Section 7.01. The Borrower shall pay or cause to be paid all taxes, if any, imposed on or in connection with the execution, issue, delivery or registration of the Loan Agreement, any instrument made pursuant to this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation, under the laws of the Guarantor or laws in effect in its territories, 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.

Article VIII

REMEDIES OF THE BANK

Section 8.01. If any event specified in Section 7.01 of the General Conditions or in Section 8.03 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 the Loan Agreement or in the Bonds notwithstanding.

Section 8.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified :

A default shall occur (i) under the First Loan Agreement or under the Second Loan Agreement on the part of the Borrower, or (ii) under the First Guarantee Agreement or under the Second Guarantee Agreement on the part of the Guarantor, other than in respect of the payment of the principal or interest or any other payment required thereunder.

Section 8.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified :

The event specified in Section 8.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.

Article IX

MODIFICATION OF THE FIRST LOAN AGREEMENT AND THE SECOND LOAN AGREEMENT

Section 9.01. The Bank and the Borrower agree that for the purposes of the First Loan Agreement the provisions of Section 6.01 of the said Agreement are deleted and the following provisions are substituted therefor :

“SECTION 6.01. (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between

the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days, or (v) if a default shall occur under the loan agreement dated May 16, 1970 (*Second Power Project*), or under the loan agreement dated June 11, 1971 (*Third Power Project*), both between the Bank and the Borrower, on the part of the Borrower, or under the guarantee agreement dated May 16, 1970 (*Second Power Project*), or under the guarantee agreement dated June 11, 1971 (*Third Power Project*) both between the Guarantor and the Bank, on the part of the Guarantor, other than in respect of the payment of the principal, or interest or any other payment referred to thereunder, and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.”

Section 9.02. The Bank and the Borrower agree that for the purposes of the Second Loan Agreement the provisions of Section 6.02 of the said Agreement are deleted and the following provisions are substituted therefor :

“ SECTION 6.02. For the purpose of Section 7.01 of the General Conditions the following event is specified :

“ A default shall occur (i) under the loan agreement dated December 2, 1968 (*Tachien Power Project*) or under the loan agreement dated June 11, 1971 (*Third Power Project*) both between the Bank and the Borrower, on the part of the Borrower, or (ii) under the guarantee agreement dated December 2, 1968 (*Tachien Power Project*) or under the guarantee agreement dated June 11, 1971 (*Third Power Project*) both between the Guarantor and the Bank, on the part of the Guarantor, other than in respect of the payment of the principal or interest or any other payment referred to thereunder and such event shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.”

Article X

EFFECTIVE DATE; TERMINATION

Section 10.01. The following is specified as an additional matter, 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, namely, that the Borrower has full power and authority to construct and operate the Project and that all acts, consents, sanctions and approvals necessary therefore have been fully and validly performed or given.

Section 10.02. The date September 10, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article XI

ADDRESSES

Section 11.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Bank :

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

For the Borrower :

Taiwan Power Company
39 Ho-Ping East Road, Section 1
Taipei
Republic of China
Cable address :
Taipower
Taipei

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

Taiwan Power Company :

By L. K. CHEN
Authorized Representative

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Talin No. 5 thermal generating unit and associated equipment and facilities	33,900,000
II. Substation facilities	5,100,000
III. Equipment and facilities for load dispatch and control	1,600,000
IV. Consultants' services	2,800,000
V. Interest and other charges on the Loan accrued on or before April 14, 1976	8,000,000
VI. Unallocated	3,600,000
TOTAL	<u>55,000,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures in the currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed under the laws of the Guarantor or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan; and
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's expansion program for 1971-1976 and consists of :

A. The construction, installation and operation of :

- 1. A thermal generating unit (Talin No. 5) with a capacity of 500 MW and associated equipment;
- 2. Substation facilities for the transmission of power generated by Chinshan nuclear station and includes :

- (A) 345 KV primary substations at Nankang and Panchiao; and
 (B) Chinshan switching station, including 500 MVA transformer capacity and ten 345 KV line terminals; and
3. Facilities and equipment for system load dispatch and control.

B. The improvement of the financial management and technical operations of the Borrower.

The Project is expected to be completed by March 31, 1976.

SCHEDULE 3

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>
April 15, 1977	1,100,000	October 15, 1984	1,880,000
October 15, 1977	1,140,000	April 15, 1985	1,950,000
April 15, 1978	1,185,000	October 15, 1985	2,020,000
October 15, 1978	1,225,000	April 15, 1986	2,095,000
April 15, 1979	1,270,000	October 15, 1986	2,170,000
October 15, 1979	1,315,000	April 15, 1987	2,245,000
April 15, 1980	1,365,000	October 15, 1987	2,330,000
October 15, 1980	1,415,000	April 15, 1988	2,415,000
April 15, 1981	1,465,000	October 15, 1988	2,500,000
October 15, 1981	1,520,000	April 15, 1989	2,590,000
April 15, 1982	1,575,000	October 15, 1989	2,685,000
October 15, 1982	1,630,000	April 15, 1990	2,780,000
April 15, 1983	1,690,000	October 15, 1990	2,885,000
October 15, 1983	1,750,000	April 15, 1991	2,995,000
April 15, 1984	1,815,000		

* 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	1½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than sixteen years before maturity	5½%
More than sixteen years but not more than eighteen years before maturity	6½%
More than eighteen years before maturity	7½%

SCHEDULE 4

PROCUREMENT

1. With respect to any contract for equipment estimated to cost the equivalent of \$100,000 or more :

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Bank in detail of the basis for qualification and the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified and the Borrower shall make such additions to or deletions from the said list as the Bank shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Loan Agreement, and shall state the reasons for any objections it may have.

(d) If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan.

(e) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. With respect to any contract for equipment estimated to cost the equivalent of less than \$100,000, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, an analysis of the bids, the recommendation for award, and two conformed copies of such contract. The Bank shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Loan Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Loan.

LETTER AGREEMENT

REPUBLIC OF CHINA
BANK OF COMMUNICATIONS

June 11, 1971

*Re: Loan No. 749 CHA
(Third Power Project)
Lien Under CIECD Loan Agreements*

Dear Sirs :

1. Please refer to Section 3.02 of the Guarantee Agreement (*Third Power Project*) of even date herewith¹ between the Republic of China (the Guarantor) and the International Bank for Reconstruction and Development (the Bank).

2. During the negotiations of the said Guarantee Agreement, we informed the Bank that the Taiwan Power Company (the Borrowers) has entered into 108 loan agreements with the Bank of Communications, acting as the agent of the Council for International Economic Cooperation and Development. Of these 108 loan agreements, 107 loan agreements (hereinafter called CIECD loan agreements) contain a provision under which the Borrower has given a lien on its property to the Bank of Communications to secure the amounts which it owes at any time to the Bank of Communications.

3. We wish to confirm that the Bank of Communications has not, in accordance with the laws of the Guarantor, effected any lien provided for under the said CIECD loan agreements and that the Bank of Communications will adhere to Section 3.02 of the said Guarantee Agreement and for this purpose shall be deemed to be a third party to the said Guarantee Agreement.

4. Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of China :
[Signed — Signé]²
Authorized Representative
Bank of Communications :
[Signed — Signé]³
Authorized Representative

International Bank for Reconstruction
and Development
Washington, D.C.

Confirmed :

International Bank for
Reconstruction and Development :

By [Signed — Signé]⁴

¹ See p. 284 of this volume.

² Signed by Martin Wong — Signé par Martin Wong.

³ Signed by Tsu-Wang Hu — Signé par Tsu-Wang Hu.

⁴ Signed by R. J. Goodman — Signé par R. J. Goodman.