

No. 11992

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

**Loan Agreement—*Steel Plant Expansion Project* (with
schedules and General Conditions Applicable to Loan and
Guarantee Agreements). Signed at Washington on 28 April
1972**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
26 September 1972.*

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

**Contrat d'emprunt — *Projet d'expansion d'une aciérie* (avec
annexes et Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 28 avril 1972**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 26 septembre 1972.*

LOAN AGREEMENT¹

AGREEMENT, dated April 28, 1972, between REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the Project described in Schedule 3 to this Agreement by making the Loan as hereinafter provided;

(B) The Project will be carried out by Eregli Demir Ve Celik Fabrikalari, Turk Anonim Sirketi (hereinafter called the Company) with the Borrower's assistance and as part of such assistance the Borrower will make available to the Company the proceeds of the Loan as hereinafter provided;

(C) The United States Agency for International Development (hereinafter called AID) and the Company have entered into agreements dated January 18, 1972, for the consolidation, rescheduling and subordination of certain of the Company's financial obligations to AID that are acceptable to the Bank (hereinafter called the AID Reorganization Agreement);

(D) The Borrower and the Company have also entered into an agreement dated January 18, 1972, for the consolidation and rescheduling of certain of the Company's financial obligations to the Borrower that is acceptable to the Bank (hereinafter called the GOT Reorganization Agreement);

(E) By agreements of even date herewith, the Borrower has arranged to finance the cost of the Project not financed hereunder from the proceeds of two further loans, namely, (1) a loan of seventy million dollars (\$70,000,000) principal amount granted to the Borrower by the Export-Import Bank of the United States which said amount will be on-lent to the Company on terms and conditions acceptable to the Bank (hereinafter called the EXIM Loan) and (2) a loan of forty million dollars (\$40,000,000) principal amount granted to the Borrower by AID which said amount will also be on-lent to the Company on terms and conditions acceptable to the Bank (hereinafter called the AID Loan); and

(F) The Bank is willing to make the Loan available upon the terms and conditions set forth hereinafter and in a Project Agreement of even date herewith² between the Bank and the Company.

¹ Came into force on 4 August 1972, upon notification by the Bank to the Government of Turkey.

² The said Agreement entered into force on 4 August 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Bank as document LN 817 TU, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Loan Agreement.

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, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) The following sub-paragraph is added to Section 2.01 of the General Conditions :

“ 20. The term ‘ Project Agreement ’ has the meaning set forth in Section 1.02 of the Loan Agreement ”;

(b) Section 5.01 is deleted;

(c) Section 6.02 (i) is amended to read as follows : “ Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred. ”;

(d) Section 6.06 of the General Conditions is modified by inserting the words “ or the Project Agreement ” after the words “ the Loan Agreement ”; and

(e) Section 9.03 of the General Conditions is modified by inserting the words “ or the Project Agreement ” after the words “ the Loan Agreement ”.

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) “ Project Agreement ” means the agreement between the Bank and the Company of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement;

(b) “ Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and the Company pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and

(c) “ Subsidiary ” means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Company or by any one or more Subsidiaries of the Company or by the Company and one or more of its Subsidiaries.

¹ See p. 216 of this volume.

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 seventy-six million dollars (\$76,000,000).

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 by agreement between the Bank and the Company, 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 and to be financed under the Loan Agreement and in respect of interest and other charges; 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 required for the Project and to be financed out of the proceeds of the Loan and the civil works included in the Project shall be procured pursuant to the provisions set forth or referred to in Section 2.04 of the Project Agreement.

Section 2.04. The Bank shall withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required from time to time to pay interest and other charges on the Loan during construction of the Project, provided, however, that such amounts in the aggregate shall not exceed the amount set forth in the second column of Category II of Schedule 1 to this Agreement.

Section 2.05. The Closing Date shall be December 31, 1976 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.06. 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 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.10. 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 2.11. The Minister of Finance 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 2.12. The Director General of the Company is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall cause the Company (i) to prepare with the assistance of the engineering consultants referred to in Section 2.02 of the Project Agreement and by not later than June 30, 1972 a critical path analysis and schedules for the overall implementation of the Project and its individual phases, namely, engineering, procurement, construction and start-up that are acceptable to the Bank; and (ii) to carry out the Project in accordance with the said critical path analysis and schedules with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices and under the supervision of experienced and competent management; and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Loan to the Company under a subsidiary loan agreement to be entered into between the Borrower and the Company, in form and substance satisfactory to the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. The Borrower 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 or the T. C. Merkez Bankasi to take any action which would prevent or interfere with the performance by the Company of its obligations contained in the Project Agreement and will take or cause to be taken all reasonable action necessary or appropriate to enable the Company to perform such obligations.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower 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 Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created on any assets of the Borrower, or of the T. C. Merkez Bankasi or any other institution performing the functions of a central bank, as security for any external debt, 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 Borrower shall promptly inform the Bank of the creation of any such lien.

Section 4.02. The Borrower shall cause the Company to perform its obligations under the AID Reorganization Agreement, the GOT Reorganization Agreement, the EXIM Loan and the AID Loan, and exercise its rights thereunder and ensure that the Company shall not, without prior consent of the Bank, take or concur in any action which would materially or adversely affect the Bank or the Project or which have the effect of assigning, revoking, suspending or abrogating any one of such agreements, or amend or waive in whole or in part, any provision of any one of such agreements, if the effect of such amendment or waiver would, in the opinion of the Bank, affect the financial condition, business, operations or the capacity of the Borrower and the Company to perform their obligations thereunder or under this Agreement and the Project Agreement.

Section 4.03. Except with the prior consent of the Bank, the Borrower shall not (i) initiate amendments to Law No. 7462 or agree to the amendment of the Company's Articles of Association or (ii) permit the Company to sell, transfer, mortgage, pledge or otherwise dispose of any of its capital stock or create or acquire any Subsidiary.

Section 4.04. The Borrower shall cause a technical and economic study to be carried out and completed by December 31, 1973, on the best methods of improving the production and transport of domestic iron ore to make it more competitive with imported iron ore, and undertakes to consult the Bank regarding the terms of reference for and the interim and final conclusions arrived at as a result of this study.

Section 4.05. (a) The Borrower shall take all feasible measures to ensure

that the execution and operation of the Project are carried out with due regard to ecological and environmental factors.

(b) Without limiting the generality of the foregoing, the Borrower shall cause the Company to prepare by December 31, 1972, or such other date as the Bank may agree, plans acceptable to the Borrower and the Bank for (i) dealing with pollution in the form of dust, smoke, and obnoxious fumes caused by the Company's operations; and (ii) the disposal of its coke plant effluents, sewage and other water based discharges and pickle line waste liquor.

(c) Prior to the completion of the Project and after consultation with the Bank, the Borrower shall cause the Company to implement the aforementioned plans, or acceptable alternatives thereto, so that adequate facilities, according to objective standards, in respect of the items specified in subsection (b) above are in existence at the date of completion of the Project.

Section 4.06. Except as the Bank shall otherwise agree, the Borrower shall permit the Company to enter into contracts, on terms and conditions satisfactory to the Bank, for the importation from overseas suppliers of iron ore so long as this is, in the opinion of the Bank, the most economic method of supplying such requirements.

Section 4.07. The Borrower shall notify the Bank prior to permitting the Company to make any repayment in advance of maturity of the loans referred to in Recitals (C), (D) and (E) of this Agreement or the Subsidiary Loan Agreement or from any other source and shall not permit any such repayment to be made which in the opinion of the Bank is substantial without (i) the consent of the Bank and (ii) making a proportionate prepayment of the Loan.

Section 4.08. The Borrower shall take or cause to be taken, all reasonable action required for coordinating the expansion of the steel production capacity of steel companies in its territories as required by its market conditions and its industrial development needs and, to that end, the Borrower shall take all necessary steps to enable such steel companies to carry out the planned expansion of their steel production capacities to the extent justified by such conditions and needs.

Section 4.09. The Borrower undertakes that during the period from the date of this agreement to the end of the calendar year in which the Company is able to produce to the satisfaction of the Bank the products specified in Section 2.08 of the Project Agreement (which said period is hereinafter called the completion period) it will provide or cause to be provided to the Company, on terms and conditions satisfactory to the Bank, such additional funds as are needed, in the opinion of the Bank, to meet the capital cost of carrying out the Project, over and above the funds to be provided under the agreements referred to in Recitals (C), (D) and (E) of this Agreement or by the Company itself if it

has funds in excess of those required to give it the current ratio specified in Section 4.05 (b) of the Project Agreement.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to its system of import quotas and duties for steel products, financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, or any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. The Borrower and the Bank 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 or the performance by the Company of its obligations under the Project Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 Borrower 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 Borrower.

Section 6.02. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any,

imposed under the laws of any other country or countries.

Section 6.03. 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 and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.04. The Borrower shall not initiate any amendment to its laws which at present permit iron ore to be imported free of duty; and undertakes that the purchase by the Company of the goods and services required for the construction of the Project shall continue to be free from all import duties, restrictions, regulations or controls imposed under the laws of the Borrower and that any import or other licenses required for such goods and services will be issued without delay.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 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 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 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

- (a) A default shall have occurred in the payment of principal or interest or any other payment required to be made by the Company on account of any or all of the proceeds of the Loan which shall have been relented to the Company;
- (b) A default shall have occurred in the performance of any other obligation (i) on the part of the Company, under the Project Agreement, or (ii) on the part of the Borrower, or (iii) the Borrower or the Company shall not have exercised their rights under the AID Reorganization Agreement, the GOT Reorganization Agreement, the EXIM Loan or the AID Loan, or any of these agreements shall have been assigned, amended, suspended, waived, abrogated or terminated in whole or in part without the prior consent of the Bank.
- (c) The Company shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by the Company or by others

whereby any of its property or assets shall or may be distributed among, or administered for the benefit of, its creditors;

- (d) Any creditor of the Company shall have demanded payment of monies lent to the Company, prior to the agreed maturity of any loan having an original maturity of one year or longer, in accordance with the terms of such loan;
- (e) A change in the Company's Articles of Association shall have been made without the prior consent of the Bank;
- (f) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Company or for the suspension of its operations; or
- (g) an extraordinary situation shall have arisen which shall make it improbable that the Company will be able to perform its obligations under the Project Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) The event specified in Section 7.02 (a) of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower and the Company.
- (b) Any of the events specified in Section 7.02 (b) 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 Company.
- (c) Any of the events specified in Section 7.02 (c), (d), (e) and (f) of this Agreement shall occur.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) The execution and delivery of the Project Agreement on behalf of the Company have been duly authorized or ratified by all necessary corporate action.
- (b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and the Company, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.
- (c) The execution and delivery of the AID Reorganization Agreement, the GOT Reorganization Agreement, the EXIM Loan and the AID Loan, have been duly authorized or ratified by all necessary corporate and governmental action.

Section 8.02. The following are specified as additional matters, within the

meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Company, and constitutes a valid and binding obligation of the Company in accordance with its terms.
- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Company, respectively, and constitutes a valid and binding obligation of the Borrower and the Company in accordance with its terms.
- (c) That the AID Reorganization Agreement, the GOT Reorganization Agreement, the EXIM Loan and the AID Loan have been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitute valid and binding obligations of the said parties.

Section 8.03. The date August 1, 1972, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

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

Cable address :

Maliye
Hazine
Ankara

For the Bank :

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

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

Republic of Turkey :
By AHMET TUFAN GUL
Authorized Representative

International Bank for Reconstruction and Development :

By SIMON ALDEWERELD
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the items to be financed out of the proceeds of the Loan and the percentage of eligible expenditures to be so financed :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Equipment, spares, freight, insurance and associated services required for foundations, installation, erection and production facilities, comprising the Project and technical services	55,000,000	100% of total expenditures
II. Interest and other charges on the Loan up to a maximum amount of	7,000,000	100% of total expenditures
III. Unallocated	14,000,000	
	TOTAL	
	<u>76,000,000</u>	

2. For the purposes of this Schedule :

(a) The term "foreign expenditures" means expenditures for goods (including insurance and freight) produced in, or services supplied from, the territories, and in the currency of any country other than the Borrower;

(b) The term "local expenditures" means expenditures in the currency of the Borrower for goods (excluding inland freight) produced in, or services supplied from, the territories of the Borrower; and

(c) The term "total expenditures" means the aggregate of foreign and local expenditures.

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

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of Category I of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of the amount set forth in the second column of Category I of the table in paragraph 1 above, if the estimate of the expenditures under such Category shall increase, the percentage set forth in the third column of Category I of such table shall be applied to the amount of such increase and a corresponding amount will be allocated by the Bank to such Category from the unallocated amount of the Loan or from Category II of the table in paragraph 1 above as the Bank shall elect.

5. If the Bank shall have reasonably determined that the procurement of any item is inconsistent with the procedures set forth or referred to in Section 2.04 of the Project Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower and the Company, cancel such amount of the Loan as in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

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>
April 1, 1977	3,455,000	October 1, 1982	3,455,000
October 1, 1977	3,455,000	April 1, 1983	3,455,000
April 1, 1978	3,455,000	October 1, 1983	3,455,000
October 1, 1978	3,455,000	April 1, 1984	3,455,000
April 1, 1979	3,455,000	October 1, 1984	3,455,000
October 1, 1979	3,455,000	April 1, 1985	3,455,000
April 1, 1980	3,455,000	October 1, 1985	3,455,000
October 1, 1980	3,455,000	April 1, 1986	3,455,000
April 1, 1981	3,455,000	October 1, 1986	3,455,000
October, 1 1981	3,455,000	April 1, 1987	3,455,000
April 1, 1982	3,455,000	October 1, 1987	3,445,000

* 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	2½%
More than six years but not more than eleven years before maturity	4%
More than eleven years but not more than fourteen years before maturity	6%
More than fourteen years before maturity	7½%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project will increase the Company's present annual capacity (in place or under construction) from approximately 0.9 million ingot tons to 1.8 million ingot tons providing for the production of 300,000 metric tons of billets and 915,000 metric tons of flat rolled products including 305,000 metric tons of cold rolled products and 90,000 metric tons of tin coated plates. The increased production shall be achieved through the installation of :

1. One Blast Furnace with supporting Coke Plant expansion;
2. One Oxygen Steel Vessel;
3. One continuous Billet Caster;
4. One Semi-continuous Hot Strip Mill;
5. Additional Cold Reduction facilities;
6. All corresponding production and service facilities to support the expanded plant capacity, including engineering and Project Management.

The Project is expected to be completed by December 31, 1975.

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.]