
LOAN NUMBER 120 PAK

Loan Agreement

(Karachi Power Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

THE KARACHI ELECTRIC SUPPLY CORPORATION
LIMITED

DATED JUNE 20, 1955

Loan Agreement

AGREEMENT, dated June 20, 1955, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE KARACHI ELECTRIC SUPPLY CORPORATION LIMITED, a Pakistan incorporated company, (hereinafter called the Borrower).

WHEREAS

(A) The Bank has been requested to grant a loan to the Borrower.

(B) The said loan is to be guaranteed as to payment of principal, interest and other charges by the Dominion of Pakistan upon the terms of a Guarantee Agreement of even date herewith and is to be secured as hereinafter in Section 5.04 (a) provided, which security is to be constituted by and provided for in the Trust Deed as hereinafter defined.

(C) The Borrower by a Debenture Trust Deed dated 31st May 1946 has created a first specific mortgage and a first floating charge in respect of all its property and undertaking securing its 4% First Mortgage Debentures maturing by their terms on 1st August 1963 and presently outstanding in the aggregate principal amount of Rs. 3,173,000.

(D) The Borrower on 3rd December 1951, to secure a loan from Pakistan Industrial Finance Corporation (hereinafter called the Corporation), presently outstanding in the amount of Rs. 2,400,000, deposited with the Corporation title deeds of certain of its immovable properties and by a letter of that date hypothecated certain of its movable properties.

(E) The Borrower by an Indenture dated 25th September 1953 created a third mortgage and a floating charge in respect of its property and undertaking to secure a loan of Rs. 5,000,000 from the Guarantor.

(F) The Borrower has borrowed an additional Rs. 5,000,000 from the Guarantor which it proposes to secure by a new indenture similar to the Indenture referred to in recital (E).

(G) The Borrower has from time to time for the interim financing of the Project borrowed from the National Bank of Pakistan, with the guarantee of the Guarantor, amounts presently totalling about Rs. 11,000,000 and proposes so to borrow about Rs. 16,000,000 additional.

(H) The Corporation and the Guarantor have agreed to subordinate to the security constituted by the Trust Deed hereinabove in recital (B) referred to their respective securities hereinabove in recitals (D), (E) and (F) referred to.

WHEREAS the Bank has, upon the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows:

ARTICLE I

Loan Regulations; Special Definitions

SECTION 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955, subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

SECTION 1.02. The term "Trust Deed" means the trust deed to be executed by the Borrower in accordance with the provisions of Section 5.04 (a) of this Agreement and shall include any deed supplemental thereto which shall be executed and delivered in accordance with the provisions thereof.

The term "Debenture Trust Deed" means the trust deed dated 31st May 1946 hereinbefore in recital (C) referred to and shall include any deed or deeds supplemental thereto.

The term "Second Mortgage and Hypothecation" means the deposit of title deeds and letter of hypothecation referred to in recital (D) above and shall include any instrument or instruments incidental or supplemental thereto or in variation thereof.

The term "First Government Indenture" means the indenture dated 25th September 1953 hereinabove in recital (E) referred to and shall include any deed or deeds supplemental thereto.

The term "Second Government Indenture" means the indenture to be executed by the Borrower as hereinabove in recital (F) recited and shall include any deed or deeds supplemental thereto.

The term "National Bank loan" means the amounts lent and to be lent to the Borrower by the National Bank of Pakistan as hereinabove in recital (G) recited. The term shall also include any other short term borrowing by the Borrower from any bank or banks other than the National Bank of Pakistan for the interim financing of the Project.

The term "Managing Agency Agreement" shall mean the agreement, dated 31st March 1951, between the Borrower and Pakistan Electric Agencies Limited (the Managing Agents) and shall include all amendments thereto made before the date of this Agreement and all amendments thereto made after the date of this Agreement with the approval of the Bank.

The term "Karachi License" means The Karachi Electric License, 1913 granted on 27th August 1913 by the Government of Bombay under which the Borrower is the present licensee and shall include any modifications and extensions thereof.

The word "rupees" and the letters "Rs." mean rupees in the currency of the Guarantor.

ARTICLE II

The Loan

SECTION 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirteen million eight hundred thousand dollars (\$13,800,000).

SECTION 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations and this Agreement.

SECTION 2.03. 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 so withdrawn from time to time.

The date specified for the purposes of Section 2.02 of the Loan Regulations is 60 days after the date of this Agreement or the Effective Date, whichever shall be the earlier.

SECTION 2.04. The Borrower shall pay interest at the rate of four and five-eighths per cent ($4\frac{5}{8}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%)

per annum on the principal amount of any such special commitments outstanding from time to time.

SECTION 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

SECTION 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Use of Proceeds of the Loan

SECTION 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

SECTION 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

ARTICLE IV

Bonds

SECTION 4.01. The Borrower shall execute and duly deliver Bonds (in registered or bearer form as the Bank shall request) representing the principal amount of the Loan of the form, tenor and purport prescribed in the Trust Deed and as provided thereby and in the Loan Regulations. All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 to the Loan Regulations.

SECTION 4.02. Except as the Bank and the Borrower shall otherwise agree in writing, the Borrower shall, against payment by the Bank of any amount to be withdrawn from the Loan Account pursuant to Article II of this Agreement, execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount so paid, provided that the Bank may, at its option, require the Borrower, within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such request, to execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding and unpaid at the date of such request and for which Bonds shall not theretofore have been executed and delivered.

SECTION 4.03. The Borrower shall from time to time designate and notify to the Bank an authorized representative or representatives for the purposes of Section 6.12 (a) of the Loan Regulations.

SECTION 4.04. The Borrower shall effect original issues of the Bonds only as herein provided.

SECTION 4.05. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue, authentication and delivery of the Bonds and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

ARTICLE V

Particular Covenants

SECTION 5.01. The Borrower shall carry out and complete the Project and operate its undertaking, including the Project, with due diligence and efficiency and in conformity

with sound engineering, financial and electric utility practices.

SECTION 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the general plans and specifications and the construction schedule for the Project, and any material modifications subsequently made therein.

(b) The Borrower shall maintain records adequate to identify the goods purchased 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 financial condition and operations of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect any and all goods purchased out of the proceeds of the Loan, the sites, works and construction included in the Project and all other plants, works, properties and equipment of the Borrower, and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and the operations and financial condition of the Borrower.

SECTION 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each party shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall

promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

SECTION 5.04. (a) The Borrower shall, as soon as practicable, execute and deliver and shall procure all other necessary parties to execute and deliver a Trust Deed in favor of such Trustees and in such form as the Bank may reasonably require to constitute by way of security for the Loan and the Bonds: (1) a Specific Mortgage upon all the immovable properties, and all machinery, plant, equipment, transmission lines, cables, conduits, towers, appliances and apparatus, now held or hereafter acquired by the Borrower, together with all grants, easements, licenses, wayleaves, concessions, rights, liberties, powers and privileges now held or hereafter acquired by the Borrower; (2) an Assignment by way of Mortgage of the Karachi License; and (3) without prejudice to the foregoing a Floating Charge upon all the Borrower's undertaking and assets (including all uncalled capital), such Mortgage, Assignment and Charge to rank in point of security, subject only to the mortgage and charge created by or pursuant to the Debenture Trust Deed, prior to any other mortgage, charge, pledge, hypothecation or lien upon any of the properties, assets or undertaking of the Borrower now existing or hereafter created, including those created by or pursuant to the Second Mortgage and Hypothecation, the First Government Indenture and the Second Government Indenture.

(b) The Borrower undertakes that, except for the mortgage and charge created by or pursuant to the Debenture Trust Deed and except as the Bank shall otherwise agree,

no mortgage, hypothecation, pledge, lien or charge shall be created or exist on any of its property, assets or undertaking as security for any debt, or extended to secure any additional debt, ranking in priority to or pari passu with the Mortgage, Assignment and Charge constituted by the Trust Deed.

(c) The Trust Deed shall provide (inter alia) that no subsidiary of the Borrower shall at any time without the consent of the Bank create any mortgage, charge or security on its undertaking, properties or assets (including uncalled capital) or any part thereof otherwise than in favor of the Borrower and that all mortgages, charges or securities created by any subsidiary of the Borrower in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it and that it will not sell, transfer or otherwise dispose of any shares for the time being held by it in any subsidiary.

(d) The Borrower shall take all necessary steps and shall procure all other necessary parties to take all necessary steps to ensure that all mortgages, charges, pledges, hypothecations and liens outstanding upon the property and assets to be mortgaged, charged or assigned by the Trust Deed shall be discharged or be varied to the reasonable satisfaction of the Bank so as to provide that the Mortgage, Assignment and Charge constituted by the Trust Deed shall, subject only to the security constituted by the Debenture Trust Deed, rank first in point of security upon such property and assets.

SECTION 5.05. (a) The Borrower shall at all times take all requisite steps for the acquisition, retention and renewal by it of all such lands, interests in land and properties and all such rights, powers and privileges as may be necessary or proper for the construction and operation of the Project, the operation of its other properties and the carrying on of its business.

(b) The Borrower shall at all times maintain its corporate existence and right to carry on operations and will, except as the Bank may otherwise agree in writing, maintain and renew all rights, powers, privileges and franchises owned or held by it and necessary or useful in the conduct of its business.

SECTION 5.06. No debentures or other obligations of the Borrower secured by any existing trust deed, mortgage, charge, hypothecation, lien or pledge shall, after the respective dates provided for their final payment, be reissued or renewed without the approval of the Bank.

SECTION 5.07. Without prejudice to the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes (including duties, fees or impositions), 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 Trust Deed or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of (including duties levied in respect of, or fees or impositions 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 Guarantor.

SECTION 5.08. The Borrower shall pay or cause to be paid all taxes (including duties, fees and impositions), if any, imposed under the laws of the United Kingdom or the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of the United Kingdom or such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Trust Deed or the Bonds.

SECTION 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods purchased with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to delivery of the goods into the territories of the Guarantor, and shall be for such amounts, as shall be consistent with sound commercial practice. Each contract of insurance shall be payable in dollars or in the currency in which the cost of the goods shall be payable.

SECTION 5.10. The Borrower shall not consent to any action taken at any meeting of Bondholders or by written instrument pursuant to the provisions of the Trust Deed which would change the terms of the Bonds or adversely affect the holders thereof unless the Bank shall have expressed in writing its approval of such action or such consent.

SECTION 5.11. The Borrower shall not, except as the Bank and the Borrower shall otherwise agree, take or concur in any action which would have the effect of amending, abrogating, or assigning the Karachi License.

SECTION 5.12. The Borrower shall not amend its Memorandum of Association or the Managing Agency Agreement without the approval of the Bank.

SECTION 5.13. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries, if any, would exceed the consolidated capital and surplus of the Borrower and all its subsidiaries in a ratio higher than 65:35.

For the purposes of this Section :

- (a) Whenever in connection with this Section it shall be necessary to value in terms of Pakistan currency indebtedness payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such indebtedness.
- (b) The term "indebtedness" shall not include any debt maturing not more than one year after its date, provided, however, that the term indebtedness shall include that part of the National Bank loan which shall from time to time be in excess of Rs. 2,000,000.
- (c) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries (if any) excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or by any subsidiary to any other subsidiary.
- (d) The term "capital and surplus" shall mean capital and surplus determined in accordance with sound accounting procedures.
- (e) The term "consolidated capital and surplus" shall mean the total capital and surplus of the Borrower and all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary.

SECTION 5.14. The Borrower shall not, without the consent of the Bank, incur any indebtedness (other than ordinary short term trade and commercial liabilities) maturing one year or less after its date which would cause the

total of such indebtedness of the Borrower (including the National Bank loan) at any time outstanding to exceed Rs. 2,000,000.

SECTION 5.15. The Borrower shall not, except as otherwise agreed by the Bank, make any payment on account of the debentures secured by the Debenture Trust Deed or any part of the respective debts secured or to be secured by the Second Mortgage and Hypothecation, the First Government Indenture or the Second Government Indenture in advance of the respective dates provided therefor at the date of this Agreement, or as they may be extended, except from amounts raised by the issuance of the Borrower's ordinary shares at not less than par. Except as the Bank shall otherwise agree, no such advance payment shall be made on any of the foregoing other than said debentures until said debentures shall have been fully paid.

SECTION 5.16. The Borrower shall, unless the Bank shall otherwise agree, use amounts withdrawn from the Loan Account exclusively for the repayment of the National Bank loan until that part of said loan in excess of Rs. 2,000,000 shall be fully paid, provided, however, that this Section shall not apply to amounts withdrawn from the Loan Account to the extent that the Borrower shall have made, prior to such withdrawals and after the date of this Agreement, payments on account of the National Bank loan from sources other than withdrawals from the Loan Account and without the incurring of any additional indebtedness for that purpose.

SECTION 5.17. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall from time to time promptly issue for cash at not less than par such additional ordinary shares as shall be sufficient to provide amounts, not otherwise available, necessary to meet the costs of construction of the Project and to provide adequate working capital during and at completion thereof.

SECTION 5.18. The Borrower shall not issue or permit to be issued any debentures provided for in the Debenture Trust Deed in addition to the Rs. 3,173,000 aggregate principal amount thereof now outstanding.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or if the security constituted by the Trust Deed shall become enforceable, or 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 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 Loan Agreement, the Trust Deed or in the Bonds to the contrary notwithstanding.

SECTION 6.02. The following event is specified for the purposes of sub-paragraph (j) of Section 5.02 of the Loan Regulations, namely: Any event shall happen which would have constituted a violation of any other of the provisions of the Loan Agreement or the Guarantee Agreement if they had been effective on the happening of such event.

ARTICLE VII

Effective Date; Termination

SECTION 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a)(ii) of the Loan Regulations:

- (a) The Borrower shall, to the reasonable satisfaction of the Bank, validly have acquired all such lands and properties and all such rights of way, easements, licenses, consents, or other rights or privileges as may be necessary or requisite to enable it to construct and operate the Project, and to carry on its undertaking or shall (to the like satisfaction) have made effective arrangements for the acquisition thereof or have effective powers therefor; and the Borrower shall have supplied to the Bank a certificate, satisfactory to the Bank, setting forth particulars of the foregoing.
- (b) The Trust Deed shall have been duly executed and delivered and have become fully effective in accordance with its terms and (except as the Bank may otherwise agree) all documents required to be registered under Pakistan law shall have been duly registered.
- (c) The requirements of Section 5.04 (d) hereof shall have been validly complied with.
- (d) The Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, there has been no material adverse change in its condition since the date of this Agreement.
- (e) The Managing Agency Agreement shall have been validly amended to provide for a commission to the Managing Agents at a rate satisfactory to the Bank.

SECTION 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, 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 and operate the Project and to carry

on its undertaking and has all necessary rights and powers in connection therewith and that all acts, franchises, concessions, consents and approvals necessary therefor have been duly and validly performed or given.

- (b) That the Borrower has full power and authority to raise monies by the issuance of Bonds and otherwise as herein provided, and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.
- (c) That, as to the lands and interests in land specified in the certificate referred to in Section 7.01 (a) as having been acquired, the Borrower has good and marketable title thereto; that, as to the licenses, consents or other rights or privileges specified in said certificate as having been acquired, the Borrower has validly acquired the same and that the same are valid and effective; and that, as to arrangements specified in said certificate for the acquisition of any of the foregoing, such arrangements are valid and effective.
- (d) That the Trust Deed has been duly authorized and executed and delivered on behalf of the Borrower and constitutes a valid and effective Mortgage, Assignment and Charge enjoying priorities in accordance with its terms and that (save as provided or permitted therein) no prior or pari passu mortgage, charge, pledge, lien, hypothecation or encumbrance then exists on any part of the properties or assets covered thereby.

SECTION 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VIII

Miscellaneous

SECTION 8.01. The Closing Date shall be June 30, 1957.

SECTION 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

For the Borrower:

The Karachi Electric Supply Corporation Limited
Electric House
Elphinstone Street
Karachi 3, Pakistan

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 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 /s/ EUGENE R. BLACK
President

THE KARACHI ELECTRIC SUPPLY
CORPORATION LIMITED

By /s/ A. G. KHAN
Chairman

SCHEDULE 1
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars) *	Principal Amount Outstanding After Each Payment (expressed in dollars) *
		\$13,800,000
December 1, 1957	\$393,000	13,407,000
June 1, 1958	402,000	13,005,000
December 1, 1958	411,000	12,594,000
June 1, 1959	421,000	12,173,000
December 1, 1959	431,000	11,742,000
June 1, 1960	441,000	11,301,000
December 1, 1960	451,000	10,850,000
June 1, 1961	461,000	10,389,000
December 1, 1961	472,000	9,917,000
June 1, 1962	483,000	9,434,000
December 1, 1962	494,000	8,940,000
June 1, 1963	505,000	8,435,000
December 1, 1963	517,000	7,918,000
June 1, 1964	529,000	7,389,000
December 1, 1964	541,000	6,848,000
June 1, 1965	554,000	6,294,000
December 1, 1965	567,000	5,727,000
June 1, 1966	580,000	5,147,000
December 1, 1966	593,000	4,554,000
June 1, 1967	607,000	3,947,000
December 1, 1967	621,000	3,326,000
June 1, 1968	635,000	2,691,000
December 1, 1968	650,000	2,041,000
June 1, 1969	665,000	1,376,000
December 1, 1969	680,000	696,000
June 1, 1970	696,000	—

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02) the figures in these columns 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 part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	1/2%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years before maturity	2%

SCHEDULE 2**Description of the Project**

The Project consists of a new thermal station with an installed capacity of 30,000 kw to be located at the Karachi West Wharf; the improvement of the existing steam station and diesel station; a 66 kv single circuit transmission system consisting of overhead line and underground cable; extensions of the existing distribution network; and acquisition of equipment for office and stores.

A. NEW THERMAL STATION

The new thermal station ("B" Station), which is expected to be completed early in 1956, will include two turbo-generator units of 15,000 kw capacity each, operating with steam at 400 pounds per square inch and 775° F.; three steam generating units, each capable of carrying one turbo-generator and equipped to burn either gas or oil; condensing equipment; a circulating water system; a feed-water treating system; controls, instrumentation and electrical equipment, including switchgear and transformers; and other necessary appurtenances and accessories. Cooling water will be taken from Karachi Harbor.

B. IMPROVEMENT OF EXISTING GENERATING FACILITIES

1. *Diesel Station.* The existing Diesel station will be improved by the replacement of parts, the addition of an auxiliary transformer and switchgear, the overhaul and expansion of the watercooling system, and the acquisition of a motor, pump, spare parts and tools so that 9 generating sets, including 7 now in operation, will be in proper condition for continuous service.

2. *Existing Steam Station.* The facilities of the existing steam ("A") Station, will be improved by re-

newal of parts; the installation of new switchgear and the reinforcement of bus bars; the repair and overhaul of boilers and heaters; the installation of motors, pumps, pipes and valves and the acquisition of spare parts and tools.

C. TRANSMISSION SYSTEM

A 66 kv single circuit transmission ring, consisting of overhead line and oil pressurized underground cables, will be constructed to carry the output of the new steam station to Sind Industrial Estate and Landhi Industrial Estate. The steel towers will be designed for the addition of a future second circuit. Four stepdown transformers will be installed on the ring.

D. DISTRIBUTION NETWORK ADDITIONS

The existing distribution network will be extended to absorb the full capacity of the new and improved generating facilities and will have adequate reserve capacity to handle future expansion of the new steam station.

E. EQUIPMENT FOR OFFICE AND STORES

Office equipment, business machines, scales, furniture and stores handling equipment will be acquired.

SCHEDULE 3**Modifications of Loan Regulations No. 4**

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1955, are modified as follows:

- (a) The second sentence of Section 2.02 is amended to read as follows:

“Such commitment charge shall accrue from the date specified in the Loan Agreement for the purpose of this Section, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.”

- (b) Section 3.04 is amended to read as follows:

“*Currencies in Which Commitment Charge is Payable.* The commitment charge shall be payable as follows: 75% in Pounds sterling and 25% in Deutsche Marks.”

- (c) The following sentence is added at the end of Section 3.05:

“Subject to the provisions of paragraph (a) of Section 5.13 of the Loan Agreement, whenever it shall be necessary to value rupees in terms of dollars or any other currency, such value shall be as reasonably determined by the Bank.”

- (d) Sub-section (e) of Section 5.02 is amended to read as follows:

“(e) If the security constituted by the Trust Deed shall become enforceable.”

- (e) Section 6.03 is deleted.

- (f) The words “delivered pursuant to any request under Section 6.03” and the words “in such request” are deleted from Sections 6.05, 6.06 and 6.10.

- (g) Section 6.07 is amended to read as follows:

“SECTION 6.07. *Form of Bonds.* The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds in such temporary or definitive form (authorized by the Trust Deed) as the Bank shall request. Registered Bonds and coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms respectively set forth in the Trust Deed. Bonds payable in any currency other than dollars shall be substantially in the forms respectively set forth in the Trust Deed, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable. All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 to these Regulations.”

- (h) Sections 6.08, 6.13 and 6.18 and Schedules 1 and 2 are deleted.

- (i) The following sentence is added at the beginning of Section 6.09, namely:

“Except as the Bank and the Borrower shall otherwise agree, Bonds shall be dated as hereinafter in this Section provided.”

- (j) The following new sub-section is added to Section 6.11, namely:

“(d) Subject to the provisions of Section 6.05 and 6.06 of these Regulations, Bonds payable in any currency may be exchanged without charge to the Bank

for Bonds of the same or an equivalent aggregate principal amount payable in the same or any other currency or currencies and having the same or any other maturity or maturities. For the purposes of determining the equivalent of one currency in terms of another the value of each shall be as determined by the Bank.”

- (k) The first sentence of Section 6.12 (a) is changed to read as follows:

“The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative designated pursuant to the Loan Agreement for the purposes of this Section.”

- (l) In Section 7.01, after the words “Guarantee Agreement” where those words occur, the words “, the Trust Deed” are added.

- (m) Sub-section (j) of Section 7.04 is amended to read as follows:

“(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 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 Trust Deed or the Bonds, 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.”

- (n) Paragraph 6 of Section 10.01 is amended to read as follows:

“6. The term ‘Borrower’ means the party to the Loan Agreement to which the Loan is made; and the

term 'Guarantor' means the Dominion of Pakistan, acting by its Governor-General."

- (o) Paragraph 10 of Section 10.01 is amended to read as follows:

"The term 'Bonds' means bonds issued and authenticated pursuant to the Trust Deed, with the guarantee of the Guarantor endorsed thereon as provided in the Loan Agreement and the Guarantee Agreement."