Loan Agreement
(Second Power Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

ELECTRICITY AUTHORITY OF CYPRUS

DATED MAY 16, 1967
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Loan Agreement

AGREEMENT, dated May 16, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ELECTRICITY AUTHORITY OF CYPRUS (hereinafter called the Borrower).

WHEREAS by a loan agreement dated April 17, 1963 between the Bank and the Borrower, the Bank agreed to make a loan to the Borrower in an amount in various currencies equivalent to twenty one million dollars ($21,000,000), on the terms and conditions set forth in said loan agreement to assist the Borrower in financing the expansion of its power facilities;

WHEREAS by a guarantee agreement dated April 17, 1963 between the Republic of Cyprus and the Bank, the Republic of Cyprus guaranteed the obligations of the Borrower in respect of said loan on the terms and conditions set forth in said guarantee agreement;

WHEREAS the Bank has been requested to make a second loan to the Borrower for the further expansion of its power facilities to be similarly guaranteed by the Guarantor upon the terms of a Guarantee Agreement of even date herewith; and

WHEREAS the Bank is willing to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

Now THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

Loan Regulations; Special Definition

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank
dated February 15, 1961 as amended February 9, 1967, with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being herein-after called the Loan Regulations).

SECTION 1.02. Unless the context otherwise requires, the following term wherever used in this Loan Agreement has the following meaning: the term "1963 Loan Agreement" means the Loan Agreement (Power Project) dated April 17, 1963 between the Bank and the Borrower.

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 two million eight hundred thousand dollars ($2,800,000).

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, this Loan Agreement.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent (3/8 of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

SECTION 2.04. The Borrower shall pay interest at the rate of six per cent (6%) 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 com-
mitments 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 (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 March 15 and September 15 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 allocation of the proceeds of the Loan, and the methods and procedures for procurement of the goods to be financed out of such proceeds 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 deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.
SECTION 4.02. The Chairman of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12(a) of the Loan Regulations.

ARTICLE V

Particular Covenants

SECTION 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) To assist it in the carrying out of the Project, the Borrower shall employ suitably qualified and competent engineering consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

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

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(e) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, all other plants, works, properties, equipment and operations of the Borrower and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operations and financial condition of the Borrower.
(f) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(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.

Section 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date in which it is originally incurred.
Section 5.04. Subject to such exemptions as shall be conferred by 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, 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 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 taxes 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 5.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. (a) 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 amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.07. (a) The Borrower shall take all action within its power to maintain its existence and right to
carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time shall make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times conduct its business and operations and maintain its financial position in accordance with sound business, financial and public utility practices under the supervision of qualified and experienced management.

Section 5.08. The Borrower shall from time to time take all steps necessary or desirable to obtain such adjustments in its rates for the sale of electricity and other services as will provide revenues sufficient: (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

ARTICLE VI
Remedies of the Bank

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (c) 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 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 Agreement or in the Bonds to the contrary notwithstanding.

**SECTION 6.02.** The Bank and the Borrower agree that for the purposes of 1963 Loan Agreement and this Loan Agreement an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to either such agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to the other such agreement.

**ARTICLE VII**

**Effective Date; Termination**

**SECTION 7.01.** The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations, namely, the Borrower and the Guarantor shall have entered into an agreement in form satisfactory to the Bank, whereby, unless the Bank shall otherwise agree, the loans made by the Guarantor to the Borrower on June 11, 1953 (£2,494,211), June 11, 1953 (£1,489,800), December 19, 1955 (£1,499,915), September 27, 1958 (£1,600,000), and August 20, 1959 (£800,000), the principal amount of which total £7,883,926, will be subordinated to this Loan in such manner that no repayment of principal will be made under the said loans until this Loan shall have been fully repaid.

**SECTION 7.02.** The following is specified as an additional matter, within the meaning of Section 9.02(c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the agreement referred to in Section 7.01 of this Agreement is valid and binding.
ARTICLE VIII

Miscellaneous

Section 8.01. The date of August 15, 1967 is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 8.02. The Closing Date shall be June 30, 1970 or such other date as may from time to time be agreed between the Bank and the Borrower.

Section 8.03. 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, D. C. 20433
United States of America

Alternative address for cablegrams and radiograms:

Infbafrad
Washington, D. C.

For the Borrower:

Electricity Authority of Cyprus
Photion Stavron P'itta Street
Nicosia, Cyprus

Alternative address for cablegrams and radiograms:

Grid
Nicosia

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/ A. Broches
General Counsel

ELECTRICITY AUTHORITY OF CYPRUS

By /s/ Costas Papademas
Authorized Representative
## SCHEDULE 1

### Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
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</thead>
<tbody>
<tr>
<td>September 15, 1970</td>
<td>$75,000</td>
</tr>
<tr>
<td>March 15, 1971</td>
<td>80,000</td>
</tr>
<tr>
<td>September 15, 1971</td>
<td>80,000</td>
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<tr>
<td>March 15, 1972</td>
<td>85,000</td>
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<tr>
<td>September 15, 1972</td>
<td>85,000</td>
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<tr>
<td>March 15, 1973</td>
<td>90,000</td>
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<td>90,000</td>
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<tr>
<td>March 15, 1974</td>
<td>95,000</td>
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<tr>
<td>September 15, 1974</td>
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<tr>
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<td>150,000</td>
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<tr>
<td>September 15, 1982</td>
<td>160,000</td>
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*To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.08), 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 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:

<table>
<thead>
<tr>
<th>Time of Prepayment or Redemption</th>
<th>Premium</th>
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<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>½%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2½%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>3½%</td>
</tr>
<tr>
<td>More than eleven years but not more than thirteen years before maturity</td>
<td>5%</td>
</tr>
<tr>
<td>More than thirteen years before maturity</td>
<td>6%</td>
</tr>
</tbody>
</table>
SCHEDULE 2

Description of Project

The Project consists of the installation of a 30 MW generating set in the Moni Steam Power Station on the southern coast of Cyprus. The steam generating plant will be of the semi-outdoor type with one oil-fired boiler of about 310,000 lbs/hr capacity. The turbo-generator will have a maximum continuous rating of about 30 MW operating with steam conditions of 900 lbs/sq.in. and 900°F. The Project also includes the installation of the main transformer and the necessary switchgear, and the expansion of the existing switchyard.

It is expected that the Project will be completed by late 1969.